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Obama Mileage Rule Called Coercion for Carmaker Favorites

By Angela Greiling Keane and Jeff Plungis - Aug 10, 2012

A proposed rule requiring automakers to double their average fuel economy by 2025 is unrealistic and stemmed from a secret deal favoring companies receiving U.S. government bailouts, according to a report released today by House Republicans.

The writing of the rule, which the White House plans to release next week in final form, was "a raw political process designed to appease environmental extremists," said the report, written by the staff of House Oversight and Government Reform Committee Chairman Darrell Issa, a California Republican.

"The impact of this process will not be immediate but will be felt by manufacturers forced to make, dealers forced to sell, and consumers forced to purchase far different, more expensive and less safe vehicles," the report, citing e-mails between automakers and administration officials, said.

Issa has criticized the corporate average fuel economy, or CAFE, rule proposed last year for model years 2017-2025. Boosting average fuel economy is part of President Barack Obama's plan to reduce oil imports and use.

Issa's report criticized the roles of environmental groups and California, which has power to regulate vehicle emissions, in a rule-writing process that included private meetings between White House officials and auto executives.

Grow Backbone

A General Motors Co. executive said early in the process that original-equipment manufacturers were frustrated by the dominance of California regulators, according to an e-mail released by Issa's committee. The Detroit-based automaker was trying to get Gary

Guzy, deputy director of the White House Council on Environmental Quality, to take a firmer stance against the Californians.

“Everyone involved among the OEMs is frustrated by this handling by the WH, but we gain nothing by publicly grousing or simply walking away at this point,” Michael Robinson, GM’s vice president for environment, energy and safety policy, said in a Sept. 30, 2010, e-mail summary of early meetings. “Frankly, one of my challenges here is to help Guzy do his job better and grow some backbone with CA.”

California, the most populous U.S. state, has had stricter vehicle-emissions standards than the rest of the country since the 1960s. With its growing population and car-clogged cities, the state has maintained tighter standards to comply with U.S. clean-air policy.

The state maintains tougher emission rules for every air pollutant other than carbon dioxide. That power allowed it to act as a “gun to the head” of automakers in pushing for tougher rules, the report concluded.

$192 Billion

The rule, and one that took effect this year for an earlier period, could together cost as much as $192 billion, according to administration cost estimates. The White House has said the 2017-2025 rule would save as much as $515 billion in fuel spending and add an average of $2,000 to the price of each new passenger vehicle by 2025.

The rules written by the EPA, California and the U.S. National Highway Traffic Safety Administration had the support of the United Auto Workers union, whose president, Bob King, called them good for the economy, national security and the environment.

Clark Stevens, a White House spokesman, declined to comment on the report yesterday because he hadn’t seen it.

‘Unprecedented Agreement’

“Despite the efforts of a small few who are apparently opposed to steps that will protect Americans at the pump and reduce our reliance on foreign oil, the administration will continue to take steps to support this unprecedented agreement and ensure these savings for consumers are realized and the cars and trucks of the future are built here in America,” he said in an e-mail.

Republicans are attacking an agreement that saves consumers money, creates jobs and decreases dependence on foreign oil, Maryland Representative Elijah Cummings, the Oversight Committee's senior Democrat, said in an e-mail.

"Any allegations that the White House is seeking to weaken the auto industry are simply ridiculous," Cummings said. "This is the White House that saved the auto industry from its near- collapse."

A year ago, executives from companies including General Motors Co. (GM) and Chrysler Group LLC, which received U.S. bailouts in 2009, stood with Obama at the Washington Convention Center to tout their agreement on the fuel-economy rule. Daimler AG (DAI) andVolkswagen AG (VOW), both German automakers, didn't sign agreements, saying the plan gives an advantage to light trucks, primarily made by U.S.-based automakers.

Alleged Violation

That agreement, Issa's report concludes, violated U.S. rule-writing procedures intended to provide transparency.

The agreement broke a decades-long logjam on fuel-economy regulations, said Roland Hwang, transportation-program director at the Natural Resources Defense Council, one of the groups involved in the discussions.

"No one wants to see Congress fighting progress toward fuel efficiency, especially when the industry that is regulated supports the agreement," Hwang said.

California was involved in the negotiations at the insistence of the automakers, who wanted the state to agree to a single national standard to avoid having two sets for every vehicle for the U.S. market, said Daniel Becker, director of the Washington-based Safe Climate Campaign.

Nobody 'Ecstatic'

"None of us is ecstatic that we got everything we wanted, but all of us are willing to live with it, except Mr. Issa," Becker said.

Other e-mails released by the Oversight Committee show that some of the automakers who signed onto the deal weren't pleased.

GM’s Robinson emphasized in a June 2011 meeting that the 5 percent per year mileage improvement regulators were insisting on wouldn’t work commercially. Additional “flexibility mechanisms” should be considered, he said, including one for adding hybrid technology to full-sized pickups.

Robert Bienenfeld, senior manager for environment and energy strategy with Honda’s U.S. unit, said in a July 26, 2011, note to top EPA and NHTSA officials that the Chevrolet Silverado was the only vehicle on the market that could qualify for the incentive they allowed for hybrid-electric vehicle incentives.

“Why pickup trucks? Why not minivans?” Beinenfeld said. Applying incentives to a class of vehicles dominated by U.S.- based automakers showed favoritism, he said.
Honda’s U.S. unit endorsed the fuel-economy agreement in a letter to the EPA and the Transportation Department three days later. The company committed itself to working with regulators, the states and other stakeholders “to help our country address the need to reduce dependence on oil, to save consumers money, and to ensure regulatory predictability.” The letter is on the EPA’s website.

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