By JIM MOTAVALLI / MONEYWATCH / *July 20, 2011, 3:32 PM*

With a Mileage Deal Near, the Auto Lobby Pulls Its Anti-CAFE Ads

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Podcast

The car industry's main lobby, the **Alliance of Automobile Manufacturers**, did something unusual this week. It prepared a slick radio campaign against the **Obama Administration**'s proposed 56.2 mpg fuel economy standards for 2017 to 2025, announced plans to air the ads in seven states, then shelved the whole idea. A version of the ad is now running only in Washington, DC -- where presumably they're aimed at lawmakers, not the public.

The end is in sight

So why would the industry pull ads designed to build public support for their campaign against the higher standards? I think it's because automakers and the White House are actually close to making a deal, and Detroit doesn't want to antagonize Obama during the negotiations. I should say, "antagonize further," because the industry got some grief over leaking the 56.2 mpg figure in the first place. **Dan Becker**, head of the safe climate campaign at the **Center for Auto Safety**, seconds the theory that running those messages now would be bad timing:

> I don't believe that we will hear those ads in the future. I think the talks are very close to finishing up, and it could be within a couple of days.

Gloria Bergquist, a spokeswoman for the Alliance, declines comment on its motives, but she had earlier said "yes" when I asked her if the ads were prepared on a contingency basis. Still, my guess is that the Alliance's strategic position is evolving, and it must like what it sees at the bargaining table enough to kill a planned summer offensive.

Evaluating the ads

But the ads are out there, whether they're on the air or not. The spot aimed at

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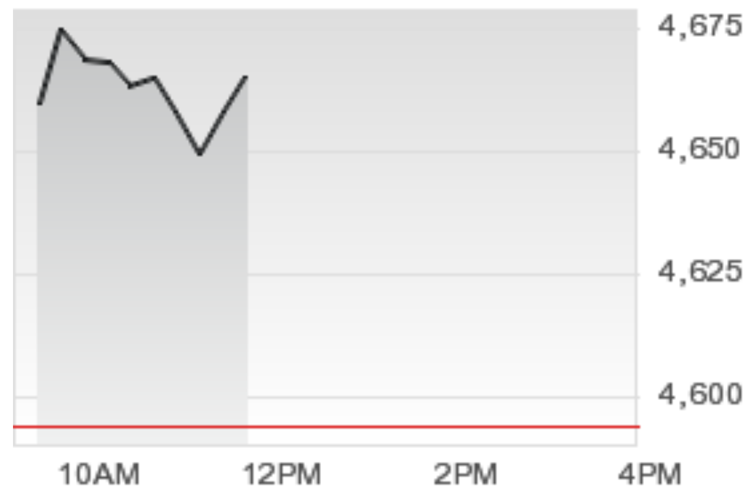

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Michigan consumers was certainly hard-hitting, presenting in 60 seconds a stark portrait of sharply higher-priced cars and limited choice for SUV and pickup buyers. The culprits were identified as "some in Washington" (imagine what image that phrase conjures up) who want to push the standards up "as much as 100 percent."

Listen to the message to Michigan here. All of the contentions are arguable, so let's take them one by one:

After tough times, today's auto industry is on the road to economic recovery, but an upcoming decision by the federal government threatens that recovery.
The announcer says "federal government" with an emphasis that suggests words not polite enough for radio, and indeed Tea Partiers in the intended audience will take the reference that way -- but let's be real here. This industry was bailed out by that awful "federal government" to the tune of $80 billion! Not that grateful, are they? Without the bailout, **GM** and **Chrysler** wouldn't be on "the road to recovery," they'd be out of business.

Some in Washington have suggested as much as a 100 percent increase over current standards.
Maybe, but they're not going to get it, especially because of the many loopholes and caveats likely to populate the final document. It's also important to point out that CAFE mpg is not the same thing as sticker mpg. A 50 mpg car like the Prius is rated at 70 mpg for CAFE purposes, says **John German**, a senior fellow at the **International Council on Clean Transportation**. And we already know how to build Priuses.

Some would be hit with higher car prices. Businesses dependent on vans, SUVs and pickups would face limited vehicle choice.
Not likely. As German points out, carmakers are graded on a curve based on vehicle size and class. A tiny 2015 **Honda** Fit is required to achieve 41.1 mpg, but the same year **Ford** Escape crossover only has to scale the 32.9 mpg fence. And the humongous **Chevrolet** Silverado pickup is at just 24.7.

And even the government is predicting a drop in auto sales from what amounts to an electric vehicle mandate.
The "EV mandate" is unlikely, because according to **Boston Consulting Group**, automakers can reach a theoretical 2020 mandate by simply making improvements to gasoline-powered cars, using technology such as direct injection, light-weighting, turbocharging and cylinder deactivation. And though the industry likes to throw around scary job-loss numbers, many green groups say that the EV standards will create jobs, not kill them. Why? Because green cars will make Detroit more competitive. According to **Alan Baum**, founder of auto forecasting at **Baum & Associates**:

> My analysis shows that **Corporate Average Fuel Economy** (CAFE) standards have leveled the playing field by giving all automakers an incentive to improve. The mandates actually benefited the Detroit Three more than others, because they were trailing the competition and CAFE allowed them to catch up.

Bergquist of the Alliance points out, correctly, that some environmental groups are at odds with Boston Consulting's analysis, and predict that by 2025 automakers with a 60 mpg standard could be building 70 percent of new vehicles with batteries (55 percent hybrids and 15 percent plug-in electrics). The point is that many of these reports have at least some political motivation, and the greens actually *want* Detroit to build EVs. But given the rapid progress with internal-combustion, they probably won't have to take that path.

It's not just the numbers

Everyone is watching to see how these carmaker/Obama negotiations play out. The final number, expected to be 56.2 mpg or something close to it, isn't really that important without knowing the number of loopholes that got incorporated. All the loopholes weaken the standards, none strengthen them, so the on-the-ground results could be effectively 46.2 mpg or even 36.2.

The devil, indeed, is in the details here. The automakers' hand isn't actually all that strong, with the threat of California pulling out of the negotiations if the final deal is too weak. So I'm expecting a reasonably strong set of standards. We'll know if I'm right soon enough.

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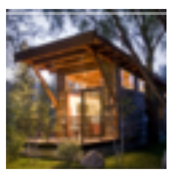

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