

ENERGY & ENVIRONMENT

New Breed of Leaders Helped Guide Fuel Standards, Chrysler Says

By BILL VLASIC AUG. 3, 2011

TRAVERSE CITY, Mich. — New leadership from outside Detroit was a deciding factor in the Big Three automakers' acceptance of strict new fuel-economy standards, the chief executive of Chrysler said Wednesday.

In past battles over gas-mileage requirements, the Detroit car companies argued that big increases in fuel-efficiency would be too expensive and cost jobs.

But last week's accord between the Obama administration and carmakers to reach an average of 54.5 miles per gallon by 2025 showed how times, and senior executives, have changed in Detroit.

“These are business people who did not grow up and become conditioned to doing business in Detroit,” Sergio Marchionne, the head of Chrysler and its parent company, the Italian automaker Fiat, said at an industry conference here. “They accept the challenge of the new without being afraid.”

Mr. Marchionne, who has dual Italian and Canadian citizenship, took over the top spot at Chrysler when it emerged from its government-sponsored bankruptcy two years ago.

Similarly, the chief executive of General Motors, Daniel F. Akerson, joined the company from the Carlyle Group private equity firm after G.M. came out of Chapter 11. And at Ford, Alan R. Mulally was recruited from the aircraft manufacturer Boeing in 2006 to bring a fresh perspective to the automaker's top ranks.

The three executives, Mr. Marchionne said, were not hamstrung by the litany of past protests by Detroit against tougher fuel rules mandated by Washington.

“This industry had a very bad habit of crying wolf,” he said. “Sooner or later, somebody is going to call your bluff.”

Mr. Marchionne’s observations were echoed by other attendees at the conference sponsored by the Center for Automotive Research, an industry research group, including environmentalists who locked horns with Detroit over fuel-economy in the past.

“It’s become really hard for the companies to say they can’t achieve these higher standards,” said Dan Becker, director of the Safe Climate Campaign, a group working to mitigate global warming. “I endorse Marchionne’s truth-telling. These new guys get it.”

Even the United Auto Workers union has shifted course and backed the new fuel rules, rather than bemoaning the potential job losses resulting from government mandates.

Bob King, who was elected the union’s president last year, said the U.A.W. was an “ally with environmentalists” and that he expected higher mileage rules to create new jobs in Detroit’s factories.

“They recognize that if you are adding technology to these vehicles, it should be their members who are doing it,” said Mr. Becker.

Still, not everyone in Detroit is as embracing of the new fuel rules, which require automakers to improve the efficiency of their cars by 5 percent annually from 2017 to 2025, and trucks by 3.5 percent each year for the first four years of the cycle, then 5 percent annually for the remainder.

“I personally saw it as political engineering,” said Sean McAlinden, the Center for Automotive Research’s chief economist. He said that government agencies were setting fuel targets based on a “mass of extrapolated exaggerations” about the gains that new technology could achieve.

But Mr. Marchionne was more in step with the overall sentiment that car

companies need to embrace the new standards instead of criticize them.

“Anybody who surrenders 14 years before the date ought not to be in business,” he said, referring to the 2025 deadline for the new standards.

He said the government regulations could work if they were “technology neutral” and not weighted toward developing electric cars or vehicles powered by hydrogen fuel-cells. The new regulations are expected to offer credits for low-emission technologies, but the precise regulations are still being drafted by the government.

Instead, Mr. Marchionne advocated continued, incremental improvements in the internal combustion engine, including the size of engines and improving transmissions.

He cited the mileage improvements made on Chrysler’s new 300 full-size sedan. That sedan has a smaller V-6 engine than earlier models and a new eight-speed transmission, and its mileage has improved from 27 miles a gallon to 31 miles a gallon in the 2012 model, he said.

“The power-train guys are an incredible pool of talent,” he said. “Let them do their jobs.”

That view was shared by G.M. executive Charlie Klein, who leads a team of engineers responsible for meeting the new fuel-efficiency rules.

Mr. Klein said in a presentation that G.M. was stepping up work on existing technologies, including direct-injection engines, improved aerodynamic designs, and fuel management systems like engines that shut down when stopped and reactivate when the driver presses the accelerator.

Improving fuel economy is, he said, an open-ended quest that was hardly worth fighting over anymore. “It’s here to stay,” he said. “We might as well get used to it.”

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