The administration will reduce its 61 percent stake in General Motors to 35 percent over the next few years.

GM to change company it keeps

By JOHN MAGGS | 11/03/10 10:54 AM EDT | Updated 11/03/10 04:32 PM EDT

Will "Government Motors" be as eager to cooperate with the Obama administration after the government sells off its controlling share in the company?

The administration Tuesday detailed plans for a $10 billion stock offering Nov. 18 ultimately aimed at reducing its 61 percent stake in General Motors to 35 percent over the next few years.

The stock sale will mark the end of an unprecedented U.S. government intervention in such a large and important U.S. industry. It may also end an unusual era of cooperation between the government and automakers on fuel economy standards and climate change.

Environmentalists and auto industry officials said that they expect more conflict with the administration as government control of GM and Chrysler diminishes, especially when Republicans take over the House next year.

“I think you are going to see the industry pushing back on CAFE standards and maybe on safety standards,” said one veteran auto industry representative in Washington.

Government assistance to the auto industry was “certainly a factor” when automakers reached a deal in May 2009 to raise average fuel economy standards for passenger cars to 35 miles per gallon by 2016, according to Martin Zimmerman, a business professor at the University of Michigan.

Until then, automakers had successfully fended off efforts to raise fuel economy rules for 19 years. The average fuel efficiency had been 27.5 miles per gallon since 1990, when the hulking Ford Taurus was the second best-selling car in America.

But a lot of things came together in the spring of 2009, according to Deron Lovaas, director of transportation policy at the Natural Resources Defense Council.

For one thing, the oil price shock of 2007 had transformed public attitudes about fuel efficiency, and the car companies were retooling for smaller cars already. California had raised its fuel economy standards, and auto companies suddenly faced the prospect of different standards in different states.

More important, General Motors and Chrysler were on life support, after years of poor management and the effects of the recession, which shrank the U.S. market by 40 percent in two years. In addition to the tens of billions of dollars in loans that the two companies received under the Troubled Asset Relief Program, auto makers were also benefiting from the $3 billion Cash for Clunkers program, which helped prop up auto sales in 2009.

“In the spring of 2009, the auto industry had a lot on the table,” said the industry representative.