

EYES ON THE ROAD

Cash-for-Clunkers Would Rev Trucks



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The big winners under the latest "cash for clunkers" proposals floating around Capitol Hill could be people who want to buy pickup trucks.

It remains unclear exactly how a cash-for-clunkers program would work, or even if it will clear Congress this year. But last week, Democratic lawmakers and President Barack Obama appeared to agree on a new framework for offering government subsidies to consumers who decide to trade old vehicles for new ones.

FACT SHEET

- **Cash for Clunkers**
(http://energycommerce.house.gov/Press_111/20090505/cashforclunkers.pdf)

These new proposals have clarified the real purpose of the effort. What started out as a scheme to entice owners of gas-swilling sport-utility vehicles to switch to high-mileage hybrids or small cars is morphing into a more industry-friendly effort to

subsidize the clearance of some 400,000 large pickup trucks now sitting on dealer lots.

"It's more of a volume driver than a portfolio changer," says Michael Robinet of CSM Worldwide, an automotive consulting firm.

Here's how the latest cash-for-clunkers proposal floated last week by the House Energy and Commerce Committee would help auto makers sell leftover pickups. (A Senate proposal under construction by Sen. Debbie Stabenow, a Michigan Democrat, and others would operate in roughly similar fashion.)

Say you owned a 2001 Dodge Ram four-wheel-drive pickup with a 5.9-liter engine. That truck has an EPA combined fuel economy of just 13 miles per gallon. Under the House proposal, you could scrap that vehicle and get up to \$4,500 toward a truck weighing

more than 6,000 pounds that got at least 15 miles per gallon. One that might qualify -- depending on how weight is defined and measured -- is a 2009 Dodge Ram 1500 four-wheel-drive pickup with a 5.7-liter V-8 and a combined 15 mpg.

That maximum \$4,500 voucher is available to anyone who turns in an old truck (the House proposal doesn't say how old) and buys a new one with at least two miles per gallon better EPA combined mileage ratings. A one-mile-per-gallon gain would make the buyer eligible for a \$3,500 scrap allowance.

Consumers would still need to be informed and know what their old vehicle is worth. Handing over a vehicle to be scrapped for less than its trade-in or potential private-sale value probably doesn't make sense.

No Mileage Limits

There's another way in which the House plan would help sell trucks. Someone who owns a big work truck -- a van or pickup in the 8,500-to-10,000-pound weight class -- built before the 2002 model year could get a \$3,500 voucher for trading in that vehicle for a truck in the same or lower weight class. No mileage limits would apply, as trucks that big don't have official EPA mileage ratings. In other words, a contractor who drives a Ford F250 could ditch the old one and get a new one, with the help of the Treasury.

The House and Senate plans would also offer government-subsidized trade-in vouchers for people who own passenger cars. But the conditions would be more rigorous than those involving trucks and require consumers to make a bigger change in their motoring lifestyle.

To qualify for a scrappage voucher, the old car would have to get less than 18 miles per gallon. There aren't that many "clunker" passenger cars on the road that are that thirsty on gas. You could drag in a 1987 Lincoln Town Car, if you happen to own one. (There's one from that vintage for sale at a small used-car lot near my house.) But since passenger cars have had to measure up to a 27.5 miles-per-gallon fleet average for more than two decades, the few gas-guzzling sedans and coupes left are either pricey exotics or classic Detroit iron, neither of which are likely to be worth less than the \$4,500 the government is offering.

But if you did trade in a mid-1980s Town Car, you could get a Lexus GS 350, rated at a combined 22 miles per gallon, and get \$3,500 from the government. If you downsized more drastically and picked a car with at least 10 miles per gallon better fuel economy than your old ride, you could get \$4,500. In the case of the Town Car owner, that would

mean buying something like a Toyota Corolla or a Chevrolet Malibu Hybrid.

A 2009 Lone Star Edition Dodge Ram 1500. *CHRYSLER*

The easier way to get a government subsidy for buying a new sedan or coupe would be to trade in a 2002 Ford Explorer V-8 with four-

wheel drive. Those had a combined EPA mileage rating of just 14 miles per gallon, according to www.fueleconomy.gov.

To get the full \$4,500 scrap allowance, you'd need to buy a car with at least 24 miles per gallon combined fuel economy -- a Honda Accord or a smaller car.

Clearing Out Leftovers

There's lots of political momentum to offer some kind of government incentive to clear our leftover 2009 models (and 2008s and 2007s). But there are plenty of hurdles left to clear before anyone pockets a check from the Treasury for scrapping an old vehicle.

Dealers are still concerned that the proposals now under discussion are still too complicated to explain in a high-impact 30-second TV commercial.

Environmentalists aren't happy with the way that the debate is tilting toward selling more trucks. "Clunkers for clunkers" is how Dan Becker of the Safe Climate Campaign describes the latest plans.

Budget hawks in Congress will want to know how much this latest subsidy for the auto industry is really going to cost. As proposed, the plan is supposed to subsidize the sale of one million vehicles at a cost of about \$3 billion. In Germany, a cash-for-clunkers program has been expanded to cover as many as two million vehicles from 600,000 originally, largely because it has worked so well auto makers are fearful of what would happen to sales once the government stimulant is withdrawn.

The wrangling in Congress over cash for clunkers could go on until at least the end of the month, as Democrats argue over whether to attach the measure to a proposed climate-change bill or some other measure that's more likely to pass within the next few weeks.

Pressure from car makers, consumers and dealers to roll out some sort of subsidy will likely get stronger, as the industry skids toward the dog days of summer with no rebound in sales in sight.

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