

A Sustainable Environment: Our Obligation to Protect God's Gift

by
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The U.S. Auto Industry Needs More than a Bailout

At the time of this writing, the U.S. House of Representatives passed a \$14 billion bailout for the U.S. auto industry, but the Senate voted it down, thanks to Republican senators representing states in which certain foreign auto manufacturers have assembly plants. We now have to wait and see if President Bush intervenes and helps the Big Three.

If the auto industry receives financial assistance, it is imperative that a sound plan is implemented and not continuing doing business as usual. Just remember how they got into this trouble. In the early 1970's, the Arab oil embargo caused gasoline shortages and higher prices. EPA passed a new regulation requiring the automobile manufacturers to meet the Corporate Average Fuel Economy (CAFÉ) standards that would take effect in 1980. The average gas consumption of 13.5 miles per gallon in the early 70's would have to increase to 27.5 mpg by 1980. That is when the Big Three started building smaller cars with front-wheel drive.

This strategy reduced gas consumption and prices went down. Lee Iacocca saved Chrysler by bringing out the minivan and the first "SUV", the Jeep Cherokee. With the Americans' interest in "big things", the other companies took a \$16,000 truck, made it look like a car by spending another \$4,000, and selling a \$30,000 SUV. This was fine as long as gas was cheap. The CAFÉ car standards of 1980 are still in place and most SUVs don't have to meet them because they are really trucks. Now with a big increase in oil demand because of the growing economies of countries like China and India, gas prices have gone way up and Americans are no longer buying the SUVs with large profit margins.

But why aren't the Japanese, Korean or German auto companies having similar problems? One reason may be that their management had better vision. But more likely, it is because these auto companies, as well the French and Italian ones, have been serving the European, Asian and other markets which have much higher gas prices. Consequently, they are cognizant for the need to manufacture more fuel efficient automobiles.

What we need in America is a strategy that will lead us to electric cars. Today, if we want to go on a long trip, we drive a few hundred miles and when our gas tank gets close to empty we stop at a service station to purchase one of three grades of fuel, premium, mid-grade or regular – and on we go. What if we were driving a battery operated car going on a long trip, and our supply of electricity was getting low. Wouldn't it be nice to pull into a service station and change out the battery with a choice of three batteries, say premium, mid-grade, or regular? We would then continue on our trip while the service station could charge the old battery using renewable energy like wind power, solar power, or biomass. It would then be ready for another customer.

Does this sound like something way in the future? Well it isn't. Two countries, Israel and Denmark, have been working on this for several years and the first electric cars in these countries are expected to be running within three years. And what is even more surprising is the system was developed by a California company called Better Place. It reminds me of when the U.S. auto industry rejected help in the late 1940's from W. Edwards Deming to improve the quality of the automobiles; so he went to Japan which welcomed him. This is one of the big reasons the Japanese cars are generally of higher quality than the American ones.

If we don't pursue such a strategy or something similar, it will be analogous to what Thomas Friedman emphatically stated in a recent New York Times column. A Detroit bailout without an innovated strategy will be like pouring billions of dollars into a mail-order-catalogue business on the eve of the birth of eBay; or pouring billions of dollars into the CD music business on the eve of the birth of the iPod and iTunes; or pouring billions of dollars into a book-store chain on the eve of the birth of Amazon.com; or pouring billions of dollars into improving electric typewriters on the eve of the birth of the PC and the Internet.