

Ford's last-minute cold feet put emissions deal at risk

May 20 2009, By Jim Tankersley

It had taken weeks of hardball negotiations, but by Sunday afternoon White House officials thought everything was falling into place. In less than 48 hours they would unveil a landmark deal with U.S. automakers to impose sharply higher fuel efficiency standards on new cars and trucks.

Then, at 3 p.m., the telephone rang.

A senior executive from Ford was calling. The company had run the numbers again and concluded it might not survive if it accepted the deal. And if Ford pulled out, it would be a major setback -- perhaps the death-knell -- for what promised to be a major step forward on two of President Barack Obama's signature goals -- combating global warming and reducing the nation's appetite for foreign oil.

In the end, with more number-crunching and another application of [White House](#) pressure, Ford did not bolt. And when Obama stepped into the sunlit Rose Garden on Tuesday afternoon to announce the deal with the [auto industry](#) and the state of California, he hailed it as a "template" for progress on other knotty issues.

Yet the near-collapse of the effort only two days before the scheduled announcement was a dramatic reminder of just how hard it can be to break through years of stalemate and build a consensus for action on a problem that has long pitted some of the country's most powerful interests against each other.

In the last-minute push to keep Ford on board, a key official helped map strategy while huddled with a cell phone in the relative quiet of a bathroom at the Washington Nationals' baseball stadium. Another broke away from a birthday party in New York.

What ultimately made the agreement possible, according to officials closely involved in the process, was a combination of unyielding demands by the government on some points and a willingness to make major concessions on what it considered smaller ones.

Also contributing to the successful negotiations were an auto industry and its major union driven to the brink of collapse by the [economic crisis](#), a president with soaring approval ratings and a sense among industry leaders that action could no longer be forestalled and they would be better off with a single, strict national rule than a state-by-state patchwork system.

"Everybody at some point, from California to the companies, had a moment of going, 'Uh-oh, what am I thinking?'" said Carol Browner, the director of the White House Office of Energy and Climate Change.

"We were able to convince everybody to keep their eye on the ball, a national standard, and work on the way we get there," said Browner, who spearheaded the push to set the national emissions limits.

The agreement unveiled at the White House Tuesday will lead to the creation of a single nationwide standard requiring a 30 percent reduction in carbon dioxide and other emissions from vehicles sold in the United States by 2016.

To meet that standard, according to the White House, new vehicles sold in the U.S. will average 35.5 miles per gallon in 2016, up from 25 mpg today. The agreement, coupled with increased fuel-efficiency

requirements that Congress approved in 2007, would add \$1,300 to the price of a new car in 2016, the administration estimated.

The plan does not spell out specific mileage requirements, but capping the greenhouse gas emissions that scientists blame for global warming would effectively require better mileage.

California, which for several years had sought to impose tougher emissions standards on its own, essentially agreed to accept the national standard. The Obama plan would achieve comparable cutbacks while giving [automakers](#) more time to adapt.

For their part, the automakers will drop their legal challenges to California's plan.

The new limits are projected to reduce U.S. oil consumption by about 5 percent a year. The nation currently uses about 7.1 billion barrels a year.

But the deal nearly fell apart in the final hours.

One by one, throughout the month of April, domestic and foreign carmakers had trooped to the Eisenhower Executive Office Building. Administration officials greeted them with a message: We're setting national limits on climate-altering emissions from cars and trucks. The limits aren't negotiable. Tell us what you need to meet them.

One by one, the automakers signed on, after securing promises to make the limits more flexible.

So did California officials, whose threats to set strict state-level emissions limits had helped bring the automakers to the table.

So did the United Auto Workers union, after being assured the new rules

wouldn't push factory jobs overseas.

Ford officials declined to discuss their last-minute misgivings about the deal, but noted that CEO Alan Mulally stood by Obama's side during the Tuesday announcement.

"The president is going to continue to work toward an integrated energy policy in the United States, and the consumer is going to be involved," Mulally told reporters at the White House. "We're all going to move forward, I believe, on this journey to energy independence, energy security and long-term stability."

Nine other automakers also agreed to the standard.

The deal, which will be implemented through new administrative rules and does not require congressional approval, would unify an array of Environmental Protection Agency and Department of Transportation regulations.

To complete it, the administration will need to finalize several pending decisions, at which point automakers will drop their lawsuits against California's proposed emissions limits.

Many Republicans criticized the agreement, saying it will kill jobs, raise car prices and reduce consumer choices. Rep. John Campbell, R-Calif., said automakers signed on only "because they're owned by the government" -- a reference to Obama's recent moves to prop up troubled Chrysler and General Motors.

"These exact companies were fighting this -- all of them -- tooth and nail six months ago, and now suddenly they love it?" Campbell said. "No, they don't love it. This is what this administration is doing. This administration is autocratically forcing people to do whatever it wants."

California Gov. Arnold Schwarzenegger, a high-profile supporter of the agreement, suggested Tuesday that the federal assistance gave Obama's team leverage to force automakers to accept the emissions limits.

"All of sudden the car manufacturers needed money, need the taxpayers' money, need the federal government to help them," he said. "So in order to get that help I'm sure that President Obama said, 'Ok we're going to give you the help. Here's what you need to do.'"

California first passed emissions limits in 2002 and has battled the federal government -- and the automakers, in court -- for the power to implement them. More than a dozen other states want to implement California's limits, too. The EPA is reconsidering the states' request, which the Bush administration denied.

When the national standard negotiations began in earnest, California officials insisted that they keep the option of setting their own limits down the road. Administration officials insisted that the automakers drop their lawsuits. All sides worked frantically, sources said, because they felt pressured to set the efficiency rules to allow the struggling U.S. automakers to better plan their recovery strategies.

The administration set an end-of-April deadline, then pushed back to mid-May. On Tuesday, it celebrated the final deal under clear blue skies, amidst blooming roses, before a strange-bedfellows crowd that included California state Sen. Fran Pavley, the author of the original emissions limits bill, sitting next to longtime auto industry champion Rep. John Dingell, D-Mich..

Obama called it a model for future agreements.

"All the people who have gathered here today ... They've created the template for more progress in the months and years to come," he said.

"Everything is possible when we're working together, and we're off to a great start."

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