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### Eyes on the Road: Amid Fuel-Economy, Emissions Debate, GM's Lutz Says Horsepower Still Sells --- Product Chief Issues Challenge to Green Critics

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Here in the temporary capital of Horsepower Nation, New York City, Bob Lutz, General Motors Corp.'s vice chairman for product development worldwide, last week painted a bleak picture of the automobile fuel efficiency and global warming debate swirling around the auto industry today. And he had a challenge for the industry's green critics.

Mr. Lutz, never one to shy from jousting with the industry's detractors, faces a difficult task in his role as chief product strategist for the world's largest auto maker.

On the one hand, he says, "The simple naked fact is every time you come out with a vehicle with more horsepower, it sells better than the old one with less horsepower."

That's why GM is eager for the crowds at the New York International Auto Show this week to notice not just the three cute Chevrolet micro-car concepts on display, but also two 300 horsepower Buicks (video) and a Hummer H3 with a V-8 engine packed under the hood (video). Other auto makers flaunted high performance creations -- including hybrid gas-electric technology leader Toyota Motor Corp. Even Honda Motor Co., named the greenest automobile company by the Union of Concerned Scientists, used the show to tout what is, for Honda, a hot rod: A special edition of the Honda S2000 sports car that Honda describes as "the closest thing you can get to a Honda-built racecar with license plate holders and a horn."

At the same time, leaders of Congress and the president, who agree on very few issues these days, are in harmony in calling for auto makers to do more to cut CO2 emissions and oil consumption, including boost the average fuel economy of new vehicles by 4% a year for the next 10 years.

Bolstering the case for more aggressive standards, studies like a recent paper from the Union of Concerned Scientists arguing that auto makers could build a minivan with about \$300 in extra equipment that would exhale 43% lower volume of greenhouse gases and generate about \$1,300 in savings to consumers over its lifetime -- paying back the extra initial cost in less than two years.

"We can have it all," says a UCS online brochure explaining the "Vanguard" van's technology.

All of this highlights perhaps the most confusing aspect for consumers of the debate over automotive fuel efficiency and its connection to global warming. Everyone is talking past each other.

Mr. Lutz says market trends show consumers aren't willing to pay more for vehicles that use expensive new technology to get better mileage. Walter McManus, a researcher at the University of Michigan, says that's just wrong. His analysis of recent vehicle pricing and sales trends is that sales of gas guzzlers have held up since 2002 only because car makers have discounted them heavily. In a recent paper, he wrote that the average price of a large SUV fell by \$2,300 between 2002 and 2005, while gas prices rose by 56% adjusted for inflation during the same period.

Auto makers over the past decade have tended to build cars that are faster and heavier. But Mr. Lutz says that's a response to market demand in a country where gas is cheap, and that with modern technology just making cars slower won't make much difference to their fuel intake.

"If it were as simple as sacrificing 20% performance to get 20% fuel economy that's the first tradeoff we'd make," he says.

His accounting of the cost of improving fuel economy:

"Take all of the available technology: Spark-injected direct injection, dual-cam phasing, electric power

steering, active battery management -- where the battery only cuts in when the alternator sends a signal that it needs it -- go to lower rolling resistance (tires) ... All of that gets you 4-5% at a cost of \$600-\$700," he says. Phase two, he says, is hybrid technology such as the starter-alternator system used to extend the mileage of GM's Saturn Vue. "Now you are adding \$2,000 on top of that, and that gets you another 7%. You are 14-15% short ... And now we're out of ideas."

Out of ideas, he says, unless there's a government subsidized push to transform the current gas-fueled vehicle market into a market in which all vehicles can burn ethanol -- ideally distilled from low-cost materials such as wood chips -- and operate in all-electric mode much of the time.

Mr. Lutz acknowledges that a lot of people, including political leaders in Washington, don't buy the idea that little can be done to improve on current technology without substantial, costly investments.

"I know after you write your article the Union of Concerned Scientists will bombard us with letters saying, 'What Mr. Lutz says is absolutely not true, they're just trying to sidestep the thing again. The technology for achieving these goals is readily available. It costs very little.'

"My challenge to them is come to my office, meet with me and my staff. Show us your technology, and if it works and it's cost effective and readily available, we will gladly meet the target using your technology. Gladly. Come to my office. Next week, if at all possible. Run don't walk."

As of the time this went to publish, a representative for the UCS couldn't be reached for comment.

Meanwhile, Mr. Lutz says all these conflicting pressures -- including Wall Street's demand that GM stop losing so much money in its home market -- are forcing GM's management to re-think future product strategy.

"Several programs we were embarked on we have elected to put on temporary hold until we figure out how it's going to come out," he says. That includes, potentially, putting on hold plans to produce a rear wheel drive version of the Chevy Impala, he says.

"Meeting these accelerated and very, very steep standards would consume the quasi-totality of our investment in engineering resources," Mr. Lutz says. "So there'd literally be nothing left over to work on new architectures. If the choice is: 'You can either spend the money meeting the law, or spend the money to do the cars you'd like to do but you can't do both.' Then you are compelled to meet the law."

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Send comments about Eyes on the Road to [joseph.white@wsj.com](mailto:joseph.white@wsj.com).

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