Obama plan could help with fuel rules

by The Detroit News

Campaigning in Michigan has a way of softening the views of presidential candidates toward the auto industry. That's certainly true of Sen. Barack Obama, who proposed billions in spending programs that could help the industry.

To the extent that his proposals assist the automakers in paying for the costs of the federal government's fuel efficiency mandates, they make sense and will be useful. But targeting specific technologies for investment remains problematic.

The Illinois Democrat, now his party's likely presidential nominee, has had some harsh words for the industry as recently as this month. But in appearances around the state this week, Obama praised the auto industry for making progress in developing more fuel-efficient vehicles.

He specifically advocated spending part of a 10-year, $150 billion clean energy program on helping the industry retool for building alternative fuel cars; disbursing part of a $10-billion venture capital fund to move environmentally friendly auto technology from lab to market and adding funding to a federal program aimed at assisting manufacturing firms improve technology or efficiency. In the short term, however, the industry is confronted with accelerated new requirements that will cost an estimated $30 billion between now and 2015 to improve average fuel efficiency for autos to 35.7 miles per gallon from the current 27.5 miles per gallon rule. Ultimately, cars and trucks will have to meet an average of 35 miles per gallon by 2020. The total cost for this mandate is estimated at $85 billion.

Recently, U.S. Rep. Joe Knollenberg, R-Mich., proposed a plan for the auto industry that would provide federal assistance to the auto industry's fuel efficiency research through refundable tax credits, which are a form of payment.

Like Obama's plan for the development of clean fuel and technology, Knollenberg proposed additional spending to promote research for specific kinds of fuels - in his case advanced batteries and hydrogen.

The part of Obama's plan that could be most immediately useful is assistance to manufacturers in improving technology, which could be applied to the fuel economy mandates. As we contended with Knollenberg's plan, assistance for different fuel technologies ought to be free to follow the most promising research rather than trying to guess which will pay off in advance.

The Illinois senator rightly rejected plans by his rivals for a fuel-tax holiday this summer. The most effective way to promote fuel conservation is to keep gas prices high through higher taxes that could fund fuel

efficiency research. Obama also praised Gov. Jennifer Granholm's 21st Century Jobs Fund, which, among other things, places targeted investments in particular firms. The Michigan Economic Development Corp. says the program, which has disbursed about $126 million so far, has generated about 400 jobs. It is too early to tell if it will be a success.

Obama should wait to see whether the program works in Michigan before expanding it nationwide.

The effectiveness of prior grants in spurring economic growth is questionable. As Scott Watkins, a member of the Anderson Economics Group consulting firm told The News, government has a role in funding university research and national labs, but it has a poor record of predicting which firms will produce scientific breakthroughs.

At least Obama has recognized that the auto industry needs help and put out an olive branch on his visit here.

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