Make *Vrooom* for the Hybrids

Gas prices got you down? Automakers are planing to tempt Americans with a new fleet of fuel-stingy vehicles. Here's how.

By DAREN FONDA

One of the bewildering questions in the auto industry is how high gas prices would have to climb before Americans dump their gas guzzlers for more fuel-efficient cars. The issue comes to a head every time prices spike at the pump, whether because of turmoil in the Middle East, a lack of refinery capacity or old-fashioned opportunism in anticipation of a surge in demand. That's the scene now, with oil futures hitting record levels and gas prices averaging nearly $2 per gallon nationwide.

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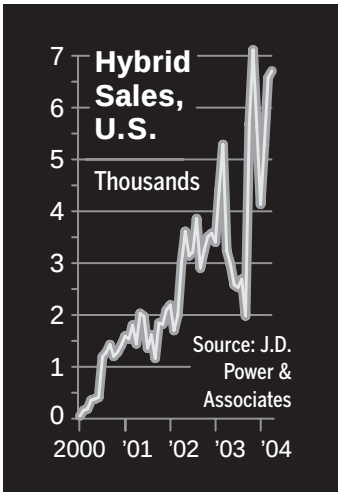
A fleet of fuel-efficient hybrid and clean-diesel models is arriving at dealerships over the next few months—and they aren't your typical tin-box green machines. Automakers are delivering what seemed unthinkable just a few years ago: midsize cars and SUVs with the horsepower, performance and size that Americans expect, plus improved fuel economy. Hybrid cars are propelled by a combination of a gas engine and an electric motor—a complicated technology that still draws blank stares, even though hybrids have been on the market for nearly five years. The latest versions, however, might be summed up by Ford's motto for its first hybrid SUV, an Escape, due in August: "No Compromise."

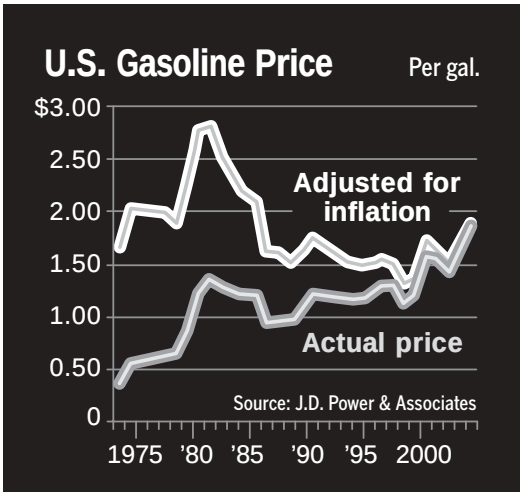
Ford's rivals are sending similar signals. Chrysler is coming out with a diesel Jeep Liberty this summer, Lexus plans to deliver a hybrid version of its luxury RX330 SUV this fall, and Honda says by year's end it will sell a hybrid edition of its V6 Accord.

Will hybrids go mainstream? Detroit economists are skeptical, arguing that it would take $4-per-gallon gas to significantly shift new-car buyers toward hybrids or other more fuel-efficient cars. The new hybrids will probably be priced a few thousand dollars above their conventional cousins; about $2,500 is typical now. (The Federal Government is offering a $1,500 tax deduction this year.) It's unclear whether consumers will want to spend the extra bucks if the fuel savings turn out to be minimal. But there's reason to believe that gas prices may not fall after the traditional summer spike, and oil-industry experts say we could be in for permanently higher prices if a surge in demand, notably from India's and China's hot economies, outstrips supplies.

At the moment, $2-per-gallon gas has sent the sale of hybrids zooming like a roadster. April was Honda's best month for its hybrid Civic (3,341 sold), and that followed a record-setting March. Toyota has a 20,000-order backlog for its critically acclaimed Prius and predicts a 50% sales increase over last year, to 50,000 units. All told, hybrid sales are expected to more than double this year, to 100,000. That's a tiny fraction of the U.S. market for new-vehicle sales, forecast to be around 17 million this year. But it's still good business.

At General Motors, company executives are once again deflecting charges that the firm is missing out on a hot new market and will have to play catch-up. GM has for years been publicly dismissive of hybrid cars. In January, vice chairman Bob Lutz described hybrids as "an interesting curiosity" and said, " We will make some," but added that they didn't make much sense with gasoline at $1.50 per gallon. Gas prices are up 30% since then, but GM officials insist their strategy has not changed. The focus is still on delivering hybrid versions of SUVs and pickups while devoting the bulk of GM's future-power-train research into a





commercially viable hydrogen-fuel-cell vehicle, which the company says is on track for 2010. (Ford was slow, too, having to license some technology from Toyota for its hybrid Escape.)

GM executives are now playing up their hybrid efforts and racing to retool assembly lines in order to crank out up to 1 million hybrids by 2007. The company delivered a mild-hybrid version of its full-size Chevy Silverado pickup to Miami-Dade County's government fleet last month, and plans to make the vehicles available to consumers this fall. Over the next few weeks, GM says, it will deliver 234 hybrid buses to the city of Seattle. GM executive Larry Burns claims that those buses will provide the fuel savings of 8,000 hybrid cars on the road.

Automakers have strong incentives not to ramp up hybrid production too quickly. Hybrids are technologically complex and costly and require the retraining of service technicians. Toyota and Honda insist they make money from each sale, but those profits are meager compared with what they earn from conventional cars and light trucks, especially their luxury brands. The Big Three—Ford, GM and Chrysler—are even more reliant on SUVs and big pickups for profits, and if hybrids eat into sales of conventional models, the industry would be maiming a critical cash cow. So while auto executives talk of a greener future of hybrids and hydrogen-fuel-cell vehicles, they continue luring customers to gas-guzzlers loaded with powerful engines.

Wall Street is rumbling that automakers may be saddled with a glut of heavy metal at the precise moment that consumers want more economical cars. "I get a sense that nobody is panicking about this, and that makes me a little nervous," says Steve Girsky, senior automotive analyst at Morgan Stanley. It has happened before. In the 1970s, when gas prices soared, the Big Three were caught flat-footed with large, fuel-hungry cars, allowing Honda, Nissan and Toyota to swoop in and grab market share. If it happens again, the pain will be shared by Japanese manufacturers. Toyota is planning to ramp up production of its full-size pickup, the Tundra, with a plant under construction in San Antonio, Texas. And Nissan just bet on a line of full-size SUVs and pickups being built at a new factory in Canton, Mississippi.

Hybrids have plenty of detractors. Critics point out that after paying the extra cash for one, say a $2,500 premium for a hybrid Civic, it will take about a decade to recoup that amount at the pump (at 15,000 miles a year and with gas at $2 per gallon). They claim that if fuel economy becomes an even more important consideration, there are already plenty of fuel-efficient cars and smaller SUVs that are less complex and easier to fix than hybrids.

What can't easily be discounted is the coolness factor. As hybrids with the looks, luxury and power of conventional cars emerge, consumers may snap them up. Ryan Brown, 25, a computer consultant from Arlington, Va., just dumped his hot car—an Audi TT roadster—for a Prius. He fell in love with the Prius' technology, peppiness and design. But he is having one problem. The Prius runs silently on electric power at low speeds, and that can be spooky. "Driving it in a parking garage, people don't hear me coming. You don't want to honk, but folks are shocked." ■

Questions

1. How are hybrid cars propelled?

2. According to the article, what are the pros and cons of hybrid vehicles?

Name..... Date.....

WORKSHEET

Interpreting Polls, Maps and Charts

Accompanying "Collateral Damage" on page 2, "Stem-Cell Rebels" on page 14 and "Make *Vrooom* for the Hybrids" on page 16 are a series of polls, maps and charts. These visual aids are packed with information, but what does it all mean? Use the questions below to sharpen your skills in reading and interpreting polls, maps and charts.

Collateral Damage

Decide whether the following statements are true or false. Place an X next to each true statement. Leave false statements blank.

_____ **1.** Given the margin of error of ± 4.1%, the 2004 presidential election is a dead heat.

_____ **2.** Among those polled, Bush gets the highest grades for his handling of the war on terror.

_____ **3.** In May of 2004, for the first time, more people than not believed that the Iraq war wasn't worth the toll in American lives and other costs.

_____ **4.** A majority of independent voters disapprove of the way Bush is handling his job as President.

Stem-Cell Rebels

5. Name the five states that have conflicting legislation on stem-cell research.

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6. True or false: There are 15 states with laws or pending laws with some sort of provision to restrict research on stem cells.

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7. Name the New England state that has legislation pending that would promote research involving stem cells.

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8. How many states have no stem-cell legislation at all?

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Make *Vrooom* for the Hybrids

9. When did sales of hybrid cars have their largest spike? How many were sold?

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10. When did hybrid car sales have their third-highest level of sales? How many were sold?

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11. When was gasoline at its highest adjusted-for-inflation price? What was the price?

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12. Around the year 2000, gasoline spiked at approximately what price?

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13. Using the data in the two graphs on page 17, what prediction can you make concerning future sales of hybrid cars?

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14. Now write a set of your own questions on another graphic in the *Current Events Update*. Exchange worksheets with a classmate, and see if you can correctly answer one another's questions.

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