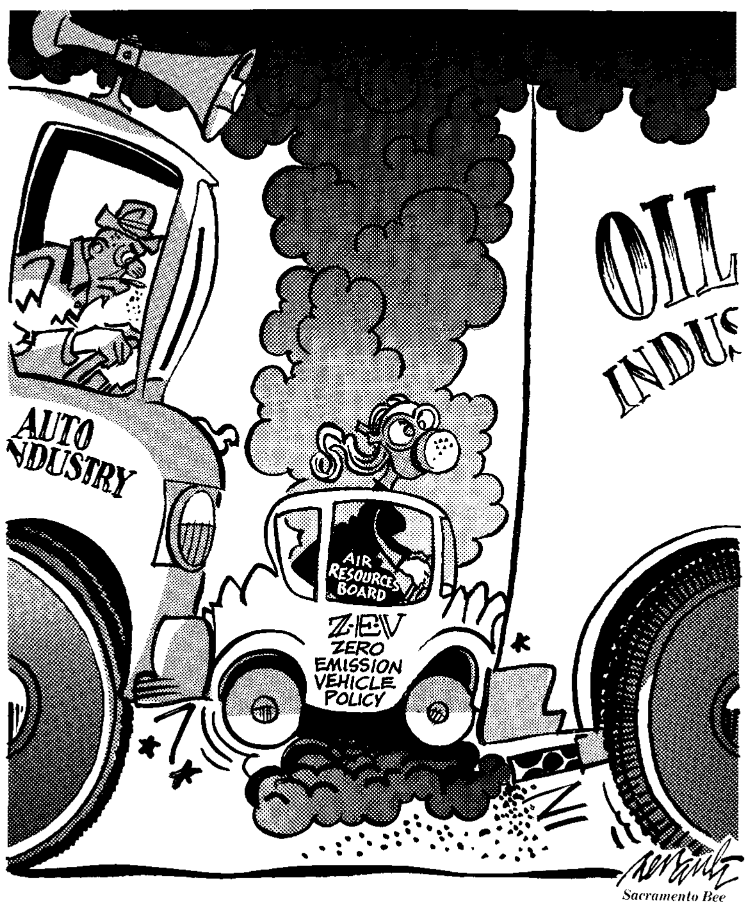
Pollution Politics 2000

California Political Expenditures of the Automobile and Oil Industries, 1997–2000



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California Public Interest Research Group Charitable Trust

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Brad Heavner

California Public Interest Research Group Charitable Trust

August 2000

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Executive Summary

Fully 95% of Californians live in areas that fail to meet health-based air quality standards, with much of the pollution coming from cars and trucks. Recognizing that we cannot meet our air quality goals by making incremental improvements in tailpipe emissions, the California Air Resources Board has been working to stimulate the introduction of zero emission vehicles (ZEVs) by requiring that a small percentage of all vehicles sold in the state in coming years will be ZEVs. This program is reviewed every two years.

During the current round of debate over the ZEV Program, the oil and auto industries have spent heavily in their efforts to influence California public policy. Through lobbying, campaign contributions, and public relations campaigns, these industries are obstructing efforts to promote clean cars.

An analysis of public records held by the California Secretary of State shows that oil companies, automakers, dealerships, and their trade associations have spent $32 million to influence state policy and electoral races since 1997 — $26.5 million on lobbying and $5.7 million on campaign contributions.

Oil companies, automakers, dealerships, and their trade associations have spent $32 million to influence state policy and electoral races since 1997.

Atlantic Richfield and Chevron were the top spenders among individual oil companies for both lobbying expenses and campaign contributions. Among automakers, Ford spent the most money. The most active lobbyist from any industry was the Western States Petroleum Association.

As the Davis administration will make the final decision on whether to uphold or roll back the ZEV standards, industry influence has been targeted in particular at the governor's office.

- The oil and auto industries have contributed over $1.1 million to Davis since 1997.
- The majority of these contributions have come since Davis was elected. When he was running for office in 1997–98, the two industries donated $387,000 to his campaign. Since Davis has been in office, while the ZEV review has been under way, the industries have donated $780,000 to his re-election committee, even though he will not run again until 2002.
- During the 1998 gubernatorial campaign, the oil and auto industries gave nearly three times as much to Dan Lungren, the candidate with a more anti-environmental record, than to Gray Davis: $1,045,000 vs. $387,000.
- The auto industry has hired a lobbyist for this issue who has close ties to the Governor — former Sacramento Mayor and legislative leader Phil Isenberg, a longtime friend and former advisor to Gray Davis.

Further investigation has revealed an ongoing campaign to sway public opinion and pressure the legislature and state agencies to eliminate the ZEV Program. In 1996, the Big Three U.S. automakers hired a public relations firm with the declared objective to "inundate the California public with informational materials," undertake "aggressive media efforts," and initiate "a California Legislative and Executive Branch education program" in a "million dollar plus statewide campaign" against the ZEV standards. That campaign continues today, building on the contact database, focus group results, and personal relationships developed in 1996 by the public relations firm in charge of the effort. The campaign is now supported by an expanded list of automakers, including thirteen of the largest car companies from the U.S., Europe, and Asia.

Introduction

The auto and oil industries produce products which have transformed our lives, but the serious side effects of those products cannot be ignored. Air pollution is creating a crisis for public health and the environment. With childhood asthma rising rapidly, smog levels repeatedly violating health standards, greenhouse gases accumulating in the atmosphere — and with air pollution threatening to get worse as the population increases — we need to work toward real solutions to our air quality problems. Government, automakers, and oil companies must work together to establish new, sustainable options to meet our transportation needs. One of those options must be zero emission vehicles (ZEVs).

Instead of cooperating, however, the auto and oil industries have been impeding the implementation of this new technology, claiming outrageous costs, minimal benefit, and lack of market support. They have fought the ZEV Program via lobbying and influence-peddling, and have done the absolute minimum to comply with earlier agreements, limiting regulators' ability to assess the near-term viability of marketing zero emission vehicles.

The auto and oil industries argue that greater air quality progress can be achieved in the short term by the rapid introduction of cars which are incrementally cleaner than conventional vehicles. But the truth is that we cannot meet our air quality goals through incremental improvements in automotive technology. If ten years from now every car on the road were as fuel efficient as the hybrids recently introduced by Honda and Toyota, vehicle emissions would still keep us out of compliance with air quality standards.

If we are to protect public health and our global climate, as a society we must immediately implement a fundamental change in automotive technology. The California Air Resources Board (CARB) realized this ten years ago, and demonstrated strong leadership by starting the ZEV Program. The auto and oil industries have vigorously resisted the program, attempting to water it down to just another set of low emission vehicle standards.

CARB staff researchers recently concluded that it is technically feasible for automakers to manufacture mass quantities of electric cars and that there is a market for them.[1] But the challenge of public education and infrastructure preparation will demand a cooperative effort by the automakers. Manufacturers and energy producers must push the technological frontier and get the resulting products on the market. The automakers should market zero emission vehicles with a good faith effort to pursue long-term profitability without state subsidies.

In recent press statements, CARB Chairman Alan Lloyd and Cal/EPA Secretary Winston Hickox have declared their support for the ZEV Program without significant changes, though they indicated they will "rethink some elements" of the program. If those elements do not include industry demands such as starting a massive new subsidy program or lowering the standards for what qualifies as a zero or near-zero emission vehicle, the Davis administration would be maintaining the leadership which has spurred great technological progress over the past ten years to the benefit of California air quality. The transformation of one of the most polluting industries on the planet is within reach if CARB stands firm.

HEALTH EFFECTS OF AIR POLLUTION

Human Health Effects

California is suffering a public health crisis due to air pollution. In 1998, vast reaches of California, including all major urban areas, had ozone (smog) concentrations that violate the state standard. During the summer of 1999, over a thousand violations of health-based air quality standards were reported in California.[2] 95% of the state's population lives in areas that fail to meet these standards.[3]

Ground-level ozone, also known as "smog," is our nation's most prevalent air contaminant. It is a colorless, odorless gas which is formed when nitrogen oxides (NOx) mix with volatile organic compounds (VOCs) in the presence of sunlight. It is responsible for a variety of negative health effects:

- Breathing ozone causes airways in the lungs to become swollen and inflamed, eventually scarring the lungs.
- Ozone decreases the amount of oxygen delivered to the body through each breath.
- Exposure to ozone can weaken immune system defenses, increasing susceptibility to bacterial infections.
- The number of people with asthma has dramatically increased over the last two decades, creating a large portion of the population who are extremely vulnerable to the health risks of ozone exposure. 2.3 million Californians now suffer from asthma.[4]

During the summer of 1999, over a thousand violations of health-based air quality standards were reported in California.

Many other airborne toxins are present in California air as well. These toxins can contribute to lung and other types of cancer and respiratory tract infections, and can worsen chronic bronchitis and emphysema. Another pollutant, carbon monoxide, interferes with the blood's ability to carry oxygen to the brain, heart, and other tissue. It is especially dangerous to people suffering from heart or lung disease.

Children and the elderly are particularly vulnerable to the effects of air pollution. More than 600,000 children in California suffer from asthma, a 160% increase since 1980.[5] Asthma is the single biggest cause of missed school days.[6] Californians pay dearly for these problems, with over $350 million spent each year in hospitalization costs related to asthma and diminished worker productivity from absence due to respiratory ailments.[7]

Environmental Effects

In addition to human health impacts, air pollution damages plants and the climate. Because of California's large agricultural economy and its long coastline, these problems are of particular concern in this state.

In the same way that ozone burns lung tissue, it also burns plant tissue, damaging forests and crops. By eroding plant carbon storage, it leaves trees and crops unable to respond to normal demands of growth and development, and abnormal demands caused by bad weather, pests, or nutrient deficiencies.

Carbon dioxide is the principle greenhouse gas leading to global warming. Since the twelve hottest years ever recorded have all occurred since 1980,[8] most scientists believe that we are already seeing the effects of global climate change. They predict that global warming will facilitate the spread of deadly infectious diseases, cause sea levels to rise, and bring severe weather patterns such as floods, droughts, and extreme storms.

Sources of Air Pollution

Transportation is the largest source of air pollution in this country.

- Cars and trucks are by far the largest source of carbon monoxide — 73% in California.
- NOx, which leads to the formation of smog, is emitted as a byproduct of

burning fossil fuels. The primary sources of NOx are motor vehicles and power plants. In California, 59% of NOx comes from on-road vehicles.

- Cancer-causing toxins come from many different sources, including large industrial operations, auto body shops, printers, gas stations, and cars. Foremost among these sources in California is transportation, responsible for 45% of emissions.[9]
- The majority of carbon dioxide emissions in the U.S. come from burning fossil fuels in vehicles and power plants. Nationwide, the transportation sector is responsible for 30% of CO_2 emissions.[10]

HISTORY OF THE ZEV PROGRAM

In 1990, the California Air Resources Board instituted the Zero Emission Vehicle Program, requiring the gradual introduction of ZEVs in California beginning in 1998. Specifically, 2% of light-duty cars and trucks (not including SUVs and large pickups) sold by the major car manufacturers in 1998 were to be ZEVs, followed by 5% in 2001 and 10% in 2003. As the program was intended to stimulate emerging technology which was not yet proven, a biennial review process was set up to determine the feasibility of achieving the program's specific requirements.

In the past two reviews, CARB made changes to the standards. In 1996, they eliminated the 1998 and 2001 percentage requirements in favor of Memoranda of Agreement (MOAs) with the automakers for the limited introduction of ZEVs in California. Under the MOAs, the largest manufacturers committed to producing a small fixed number of zero emission vehicles, with the number decreasing further in exchange for increases in the number of those ZEVs using advanced battery technology. While the original 2% production requirement would have resulted in the manufacture of approximately 20,000 vehicles in 1998, the commitment under the MOAs after incentives was for only 1,800 electric vehicles between 1998 and 2000.[11]

In the 1998 review, CARB upheld a 10% requirement for 2003, but eased the definition of what qualifies as a ZEV. Up to 4% of new car sales will need to be pure ZEVs, while the other 6% can be "near-ZEVs" and receive partial ZEV (PZEV) credit. In addition, the actual number of required vehicles can be lowered according to a complex formula in exchange for introducing ZEVs before 2003 and producing ZEVs with ranges above 100 miles between refueling. CARB estimates that this system will result in a requirement for at least 22,000 ZEVs per year on average between model years 2003 and 2004 for the major manufacturers, or approximately 2.3% of light-duty vehicle sales.[12] Some independent estimates are far lower than that.[13]

This year, standards are once again up for review. Since manufacturers need three years lead time to roll out a new product, this year's review is intended to determine conclusively the rules that will be in place for the 2003 model year. CARB has held two workshops and comment sessions this year, and a CARB hearing is scheduled for September 7 and 8.

The High-Priced Battle Against the ZEV Program

The automobile and oil industries are allied in their opposition to the ZEV Program. While oil companies have a clear vested interest in encouraging dependence on fossil fuels, opposition is less obvious for the auto industry, since they stand to profit greatly by selling new types of cars to the public. However, due to the initial investment required to convert their factories and the perception that profits from selling gas-powered vehicles would be greater than profits from zero emission vehicles, automakers have been unflinching in their opposition to any requirement to produce electric cars or other types of zero emission vehicles.

During the 1996 review of the ZEV Program, CALPIRG released a report similar to this one, documenting lobbying expenditures and campaign contributions from the oil and automotive industries from 1991 through the middle of 1995. We found that the two industries spent nearly $34 million to influence California public policy in that period — $29 million in lobbying and $5 million in campaign contributions.[14]

Since their 1996 victory in defeating the percentage production requirements for 1998 and 2001, auto and oil companies have trained their sights on the requirement for 10% ZEVs beginning in 2003. This report thus looks at spending from 1997 through the first half of this year.

In this 3½ year period, the oil and auto industries have spent $32 million on lobbyists and candidates. They have thus been spending money at an even faster clip than in the previous cycle, when they spent $34 million in 4½ years.

Lobbying Expenditures

In 1995, Cerrell Associates, a public relations firm, advised the automakers to

Among car companies, Ford was the most vocal in the halls of Sacramento with $895,000 spent on lobbying.

Table 1. Lobbying Expenditures by the Automotive Industry

Company/Association	1997 – 1998	1999 – June 2000	3 1/2 Year Total
Ford	$ 481,935	$ 413,616	$ 895,551
General Motors	287,138	346,485	633,623
New United Motor Manufacturing	319,366	213,344	532,710
Toyota	147,908	104,563	252,471
Chrysler/DaimlerChrysler	93,344	80,584	173,928
Nissan	94,521	42,210	136,731
Honda		51,114	51,114
Auto Company Total	**$ 1,424,212**	**$ 1,251,916**	**$ 2,676,128**
CA Motor Car Dealers Association	1,002,065	789,425	1,791,490
American Auto Manufacturers Association	492,747		492,747
Association of Int'l Auto Manufacturers	132,207	74,272	206,479
Alliance of Auto Manufacturers		101,862	101,862
CA Automotive Wholesalers' Association		48,300	48,300
Independent Auto Dealers Assoc. of CA		36,005	36,005
Auto Industry Association Total	**$ 1,627,019**	**$ 1,049,864**	**$ 2,676,883**
AUTO INDUSTRY TOTAL	**$ 3,051,231**	**$ 2,301,780**	**$ 5,353,011**

"initiate aggressive education efforts through a California Legislative and Executive Branch education program; and provide an environment which encourages the Governor's Office to review the appropriateness of the mandate."[15] Because of its direct control of the ZEV Program, the Executive Branch has been an obvious target. In order to create a mood throughout the Capitol hostile to the ZEV Program, legislators were also targeted with the messages of this campaign, even though legislation aiming to eliminate the program was not likely to be introduced.

$26.5 million was spent on lobbying by the automotive and oil industries from 1997 through the first half of this year. Of that amount, thirteen automobile companies and trade associations spent $5.3 million on lobbying, while eighteen oil companies and five of their trade associations made $21.1 million in lobbying expenditures.

The Western States Petroleum Association (WSPA) was by far the most aggressive lobbyist in Sacramento, a position it has held in each of the past three 2-year reporting cycles, incurring expenses of $7.6 million dollars in the past eighteen months.[16] Atlantic Richfield and Chevron topped the list of individual oil companies, each with more than $3 million

In the first half of 2000, the oil industry spent more collective lobbying dollars than any other industry.

Table 2. Lobbying Expenditures by the Oil Industry

Lobbyist	1997 – 1998	1999 – June 2000	3 ½ Year Total
Atlantic Richfield	$ 2,062,210	$ 1,681,376	$ 3,743,586
Chevron	2,048,275	1,342,809	3,391,084
Shell Oil	822,397	348,009	1,170,406
Tosco	118,280	624,745	743,025
Mobil	492,629	149,457	642,086
Texaco	378,994	166,264	545,258
Union Oil	364,928	141,160	506,088
Occidental	123,048	304,941	427,989
Ultramar	223,593	157,230	380,823
Exxon	179,732	158,854	338,586
Coastal Corporation	120,253	185,000	305,253
Aera Energy		272,783	272,783
BP America / BP Amoco	114,244	45,238	159,482
Nuevo Energy		139,220	139,220
Paramount Petroleum		106,000	106,000
Tidelands Oil Production	53,322	34,981	88,303
Wickland Oil	69,500		69,500
USA Petroleum Gasoline		15,029	15,029
Oil Company Total	**$ 7,171,405**	**$ 5,873,096**	**$ 13,044,501**
Western States Petroleum Assoc	4,591,313	2,999,783	7,591,096
CA Independent Oil Marketers Assoc	107,281	57,693	164,974
Independent Oil Producers Agency	128,059	30,367	158,426
CA Independent Petroleum Assoc	81,216	65,621	146,837
Californians Against Hidden Taxes	42,750		42,750
Oil Industry Association Total	**$ 4,950,619**	**$ 3,153,464**	**$ 8,104,083**
OIL INDUSTRY TOTAL	**$ 12,122,024**	**$ 9,026,560**	**$ 21,148,584**

Table 3. Total Lobbying Expenditures by the Auto and Oil Industries

Group	1997 – 1998	1999 – June 2000	3 1/2 Year Total
Auto Companies	$ 1,424,212	$ 1,251,916	$ 2,676,128
Auto Industry Associations	1,627,019	1,049,864	2,676,883
Auto Industry Total	**$ 3,051,231**	**$ 2,301,780**	**$ 5,353,011**
Oil Companies	7,171,405	5,873,096	13,044,501
Oil Industry Associations	4,950,619	3,153,464	8,104,083
Oil Industry Total	**$ 12,122,024**	**$ 9,026,560**	**$ 21,148,584**
TOTAL	**$ 15,173,255**	**$ 11,328,340**	**$ 26,501,595**

of lobbying. In the first half of 2000, the oil industry spent more collective lobbying dollars than any other industry.

Among car companies, Ford was the most vocal in the halls of Sacramento with $895,000 spent on lobbying. The California Motor Car Dealers Association, which has been clear from the start on its opposition to any minimum requirement of ZEV production, was the largest single spender on lobbying from the auto industry.[17]

Campaign Contributions

The automotive and oil industries have been an abundant source of campaign cash for California candidates. Together, they have contributed $5.7 million to legislative and statewide candidates since 1997 — $1.84 million by the auto industry and $3.86 million by the oil industry.

In addition to being the top spenders on lobbying among all auto and oil companies, Atlantic Richfield and Chevron were also the largest campaign contributors, both with over a million dollars in contributions since 1997 (see Table 4).

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Targeting the Governor

The arena of debate for the review of the ZEV Program is the California Air Resources Board, whose eleven members serve at the behest of the governor. Although the governor does not officially have a vote on the panel and is not expected to issue any formal instructions to his staff, the opinions of the governor are closely watched. While he is generally thought to be supportive of zero emission vehicles, he has not stated his full support for the current ZEV Program or its requirement for 10% ZEVs and PZEVs by 2003. As Governor Davis is widely known to be concerned about all aspects of state government, we can assume that he is taking a careful look at this important issue. It is no surprise that the oil and auto industries have targeted the governor's office with their influence.

Campaign Money

Much of the campaign money these industries have poured into state races since 1997 has gone to Dan Lungren and Gray Davis, the 1998 gubernatorial general election candidates. $2.2 million has been directed their way, 38% of the $5.7 million given to all legislative and statewide candidates.

During the gubernatorial campaign, the oil and auto industries gave more than one million dollars to Republican Dan Lungren, who is commonly understood to be much less supportive of environmental safeguards than Gray Davis. While Davis was campaigning, he received $387,000 from oil and auto interests, just 27% of the total given to the two candidates.

Table 4. Campaign Contributions from the Auto and Oil Industries

Contributor	1997 – 1998	1999 – June 2000	3 ½ Year Total
Toyota	$ 950	$ 75,950	$ 76,900
New United Motor Manufacturing		57,000	57,000
General Motors	14,000	16,000	30,000
Chrysler/DaimlerChrysler		28,750	28,750
Nissan	700	24,159	24,859
Ford	2,500	8,750	11,250
Hyundai Motor America	500	7,506	8,006
Independent Auto Dealers	916,664	686,858	1,603,522
Auto Industry Total	**$ 935,314**	**$ 904,973**	**$ 1,840,287**
Atlantic Richfield	559,292	752,105	1,311,397
Chevron	491,959	686,379	1,178,338
Tosco	131,821	245,999	377,820
Occidental Petroleum	118,474	100,444	218,918
Texaco	73,995	72,650	146,645
Unocal	84,348	2,500	86,848
Mobil Oil	48,500		48,500
Nuevo Energy		42,506	42,506
Ultramar	6,000	18,850	24,850
Exxon	23,375		23,375
Phillips Petroleum	6,000		6,000
BP America	5,000	850	5,850
Shell	600		600
Independent Oil Producers	129,917	258,512	388,429
Oil Industry Total	**$ 1,679,281**	**$ 2,180,795**	**$ 3,860,076**
TOTAL	**$ 2,614,595**	**$ 3,085,768**	**$ 5,700,363**

Since Davis has been in office, however, he has received massive support from these industries: $780,000 from the beginning of 1997 through the first half of this year, over twice as much as he received in the full two-year period leading up to his election.

A few contributors have switched their allegiance dramatically since the election. Chevron spent heavily on Dan Lungren during the campaign, giving $322,000 to Lungren and relative pocket change to Davis. Since Davis became governor, they have given him checks totaling $155,000. A similar trend is evident among auto dealers and their trade association (see Table 5).

Lobbying

As mentioned above, the auto industry has targeted both legislators and governors in their campaign against the ZEV program, in order to "provide an environment which encourages the Governor's Office to review the appropriateness of the mandate."[18] In their selection of Phil Isenberg to head up their lobbying efforts this year, however, the automakers have demonstrated that they are aiming to get their message through particularly to Governor Davis.

Like Gray Davis, Phil Isenberg has been working in elected and non-elected governmental offices in Sacramento for

Table 5. Campaign Contributions to Dan Lungren and Gray Davis

Contributor	Lungren 1997–1998	Davis 1997 –1998	Davis 1999 –June 2000	Davis Total	TOTAL
Independent Dealers	$ 372,597	$ 22,700	$ 141,599	$ 164,299	$ 536,896
Toyota	61,000	51,000	30,000	81,000	142,000
CA Motor Car Dealers Association PAC	16,000		42,139	42,139	58,139
New United Motor Manufacturing	6,000	5,000	20,000	25,000	31,000
General Motors	11,000		5,000	5,000	16,000
Chrysler/DaimlerChrysler	11,750				11,750
Nissan	6,000	500		500	6,500
American Auto Manufacturers Assoc.	2,000				2,000
Trust for Automotive Political Education	500				500
Automotive Total	**$ 486,847**	**$ 79,200**	**$ 238,738**	**$ 317,938**	**$ 804,785**
Chevron	322,328	150	155,000	155,150	477,478
Atlantic Richfield	149,300	102,500	161,500	264,000	413,300
Occidental Petroleum	5,000	83,582	66,000	149,582	154,582
Tosco	21,500	32,500	68,000	100,500	122,000
Independent Oil Producers	31,050	40,000	43,098	83,098	114,148
Nuevo Energy			25,000	25,000	25,000
Oxygenated Fuels Association		25,000		25,000	25,000
Amoco		23,524		23,524	23,524
Texaco	13,000				13,000
CA Independent Petroleum PAC	2,750		10,000	10,000	12,750
Ultramar Diamond Shamrock		1,000	10,500	11,500	11,500
Phillips Petroleum	6,000				6,000
Exxon	4,000				4,000
CA Independent Oil Marketers PAC	2,000		500	500	2,500
Independent Oil Producers Agency	925		500	500	1,425
All American Petroleum			1,000	1,000	1,000
Union Oil Company of California			500	500	500
Oil Total	**$ 557,853**	**$ 308,256**	**$ 541,598**	**$ 849,854**	**$ 1,407,707**
TOTAL	**$ 1,044,700**	**$ 387,456**	**$ 780,336**	**$ 1,167,792**	**$ 2,212,492**

more than thirty years. He has been a legislative committee chief of staff, Sacramento City Councilman, Sacramento Mayor, and, for fourteen years, a Member of the State Assembly. When term limits forced him to leave his Assembly seat, he went into private practice as a lobbyist.

After Davis was elected governor, he kept Isenberg on his short list for cabinet positions for months. During this time, Isenberg served as Davis' chief advisor on budget and finance, and was widely believed to be the Governor's first pick for finance director or chief of staff.[19] Before a public invitation was made, however, Isenberg stated publicly that he was not interested in returning to government in an official capacity.[20] Not long after that, he signed up with the automakers to represent them in the Capitol. They could hardly have wished for a better lobbyist to promote their position in the administrative battle surrounding the ZEV Program.

The Public Relations Campaign

In 1996, the American Automobile Manufacturers Association asked for proposals from public relations firms "to manage a statewide grassroots and educational campaign in California to create a climate in which the state's mandate requiring automakers to produce a fixed percentage of electric vehicles beginning in 1998 can be repealed." [21] The contract was won by Cerrell Associates of Los Angeles. Over a million dollars went toward the effort from at least seven automakers.[22] According to Cerrell's own "case study," campaign objectives included the following points:

- "Build a grassroots coalition to actively support a modification."
- "Inundate the California public with informational materials related to the mandate and the role and position of the AAMA."
- "Stimulate active public support for modification of the mandate."
- "Initiate aggressive education efforts through a California Legislative and Executive Branch education program; and provide an environment which encourages the Governor's Office to review the appropriateness of the mandate."

The campaign involved many lobbying meetings; radio ads run statewide; multiple news conferences, op-eds, interviews, editorial board meetings, and broadcast public affairs programs; direct mail and newsletter mailings; and more.[23]

The automakers' 1996 campaign was widely criticized by observers in and out of government. San Diego County Supervisor Ron Roberts, one of eleven members of the Air Resources Board, complained that "There was so much misinformation, so much distortion; there were so many outright lies that it makes it very difficult to have a conversation on this issue in any reasonable sort of way." [24]

Cerrell's case study lists several assets developed for the campaign, including:

- A database of over 1,000 names of "key allies, adversaries, and legislative leadership" which had been used "for weekly information mailings and updates."
- The transcripts of focus groups held in Sacramento, San Francisco, and Los Angeles.
- Cross-tabulated results from a 40-minute survey conducted statewide.
- Relationships with editorial boards and opinion leaders on this issue.[25]

The industry association, which was transformed from the AAMA into the Alliance of Automobile Manufacturers in 1999, and which now includes foreign automakers, sought to make use of these assets during the current review of the ZEV Program by again retaining Cerrell Associates. In June, Cerrell announced that it had begun "providing strategic counseling and media relations services" for the Alliance.[26]

This time around, Cerrell is being much less open about its activities. Unlike in 1996, when regular press releases announced the findings of the campaign, Cerrell is now being publicly quiet about any editorial board briefings, focus groups, and coalition meetings it is conducting.

Certainly the automotive industry has every right to enlist the help of public relations specialists in articulating its message to the public and to policy makers. The act of retaining the PR agency which built the overzealous 1996 campaign simply demonstrates the industry's intent to put up an intense fight against the ZEV Program once again. Rather than cooperate with regulators to develop new rules which are measured and fair based on all available information, the industry has chosen to use PR to fight the program.

Industry-Sponsored Research

Much of the debate about the feasibility of requiring automakers to manufacture electric cars centers on the question of how big the potential market is for them. Despite the long waiting lists of electric car orders and 64% support of the ZEV Program in a recent poll, the auto and oil industries insist that people will not want to buy them.[27]

Earlier this year, Toyota and General Motors commissioned National Economic Research Associates, a private economic consulting firm, to produce a report on the marketability of electric cars. The study was led by NERA's Kenneth Train, who is also an adjunct professor at the University of California, Berkeley. The study, which involved a survey of California households about their attitudes toward electric cars, produced truly bizarre results. As reported by Train at the May 31 CARB workshop, his methodology involved quantifying interest in incremental changes in price and performance of electric vehicles. By tabulating respondents' opinions of the relative value of different types of vehicles, he calculated the amount which the average person would pay for each mile of increased range per charge, for each dollar decrease in monthly operating cost, and for increases in acceleration. By recombining these factors after having broken them down into increments, Train claims that the average customer values an electric vehicle $28,000 less than an equivalent gasoline-powered vehicle.[28]

Kenneth Train claims his findings show that the average consumer would need to be given a free car plus a $7,000 check in order to drive an electric vehicle.

This amount is greater than the total purchase price of popular models of cars, which sell for around $21,000. Train thus claims his findings show that the average consumer would need to be given a free car plus a $7,000 check in order to drive an electric vehicle. To say that consumers think a product is worth less than zero is obviously a nonsensical finding, especially when many customers are now paying a premium for those products. Yet rather than revising his methodology, Train released his preliminary findings at the CARB workshop. Although the study is deeply flawed and the details of its methodology are not scheduled to be released until just before the final ZEV review hearing, the story received considerable media attention.

Although this study was commissioned to analyze the feasibility of the marketing requirements of the ZEV Program, one major flaw makes it completely meaningless in that context. For his target market, Train used the "average consumer," defined as the 50th percentile.[29] His $28,000 figure is thus the amount it would take to get 50% of all new car buyers to purchase electric vehicles, far beyond the 4% to 10% requirement in the current standards. As he was not clear on this point when he presented his findings at the workshop, the results of the study were reported in the media as the amount needed to satisfy the 10% production requirement. Toyota Vice President Jim Olson stated upon the release of the findings that the study was direct evidence that Toyota would probably be unable to meet its sales obligation under the ZEV Program.[30] Although even the most hopeful ZEV proponents recognize that a transformation of public awareness would be needed before 50% of the public would be willing to purchase an electric vehicle, and nobody involved in this debate advocates trying to turn electric vehicle density at once from an insignificant portion to fully half of all new cars sold, that is the leap which Kenneth Train attempted to measure.

This is not the first slanted study on the marketability of electric cars intended to derail the California ZEV Program. In 1995, the California Motor Car Dealers

Association commissioned J.D. Power and Associates to put out a study which they submitted to CARB during the 1996 ZEV Program review. That study started with biased assumptions to conclude that the program threatened "to launch electric vehicles prematurely and ruin the market for the future."[31]

Internally, the auto industry admits that there is a large market for ZEVs. A 1995 AAMA memo stated, "Recent surveys indicate a majority of Californians believe zero emission vehicles (ZEVs) or electric vehicles are a 'workable and practical' means of reducing air pollution. This ... may indicate greater consumer acceptance of electric vehicles."[32] In 1994, General Motors Chairman of the Board John Smale wrote, "as you begin to get the [ZEV] Impact exposed to the marketplace in California and other cities around the country, we're going to generate a lot more excitement than you anticipate ... We could sell a lot more of these cars than we might think."[33] If automakers would turn their public relations efforts to promoting ZEVs, that market would clearly grow even larger.

Internally, the auto industry admits that there is a large market for ZEVs.

METHODOLOGY

Campaign contributions data for this report was taken from Recipient Committee Campaign Statements (Form 460), which the California Secretary of State requires of all candidates who raise at least $1,000, and Major Donor and Independent Expenditure Campaign Statements (Form 461), required of donors who contribute $1,000 or more. Statements filed on or before February 19, 2000 were compiled into a database by *Capitol Weekly.* For filings since February 19, those that were filed electronically were downloaded from the Secretary of State's "CAL-ACCESS" Web site, and those that were not filed electronically were viewed at the Secretary of State's office.

Totals for each company and association include contributions from the company or association itself, its PACs, and its employees. Auto industry totals do not include car rental companies, car repair companies, or other types of automotive services companies.

Lobbying data for 1997–99 is from *Lobbying Expenditures and the Top 100 Lobbying Firms*, prepared by the Secretary of State. Additional lobbying data from the fourth quarter of 1999 and all lobbying data for the first two quarters of 2000 is from the Reports of Lobbyist Employer (Form 635). Those reports that were filed electronically were downloaded from the CAL-ACCESS Web site. Those that were not filed electronically were viewed at the Secretary of State's office.

Clarification of entities mentioned in this report:

- New United Motor Manufacturing is a joint venture of General Motors and Toyota, with a factory in Fremont, CA.
- The Trust for Automotive Political Education is a PAC sponsored by the California Automotive Wholesalers Association.
- Californians Against Hidden Taxes is an industry front group which was established and funded by the Western States Petroleum Association.
- The Western States Petroleum Association is a trade association representing Atlantic Richfield, BP Amoco, Chevron, Exxon, Mobil, Texaco, Tosco, Ultramar Diamond Shamrock, and 28 smaller oil companies.
- The Alliance of Automobile Manufacturers is a trade association representing BMW, Daimler-Chrysler, Fiat, Ford, General Motors, Isuzu, Mazda, Mitsubishi, Nissan, Porsche, Toyota, Volkswagen, and Volvo.

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