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Op/Ed

Chevrolet: Where Federal Subsidies Run Deep

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By PATRICK MICHAELS

The Chevrolet Volt sure is innovative. It's *Motor Trend's* "car of the year." But whether it will be successful is another story. If it's so great, why can't it roll on its own four wheels without a shove from us taxpayers?



The Volt has managed the nifty trick of being produced, in part, by the government and being subsidized by the government at the same time – a riff straight out of *Atlas Shrugged*. That's Ayn Rand's allegorical tale about how metastasizing government destroys society (which will appear as an amusing indie film on — yes — April 15).

Buy a Volt and you get to take \$7,500 off of your federal tax liability. Obviously this money doesn't go directly to the government or to General Motors' new stockholders (or should we say "riskholders"?), but it does make the \$41,000+ sticker a bit less shocking.

Apparently that's not enough. Instead of the tax credit (for which not all buyers can qualify), Washington has upped the ante, now wanting \$7,500 cash for every purchaser.

That's in President Obama's proposed budget, and in legislation being circulated by Senator Debbie Stabenow (D-Mich.). Just last week, Vice President Joe Biden sang the praises of this subsidy at an Indiana battery plant, noting that it would work like the "cash-for-clunkers" program. Remember that one, where you were awarded approximately \$4,000 for having your perfectly serviceable used car summarily executed?

According to GM, the Volt is in great demand. It spends, on average, less than two weeks on the dealer lot — the lowest dwell time of all GM models. But only 281 cars were sold last month; quick sales are what happen when supply is restricted.

What is holding GM back? It might be the weather. Debuting any car that relies even partially on electric propulsion at the beginning of winter isn't a good idea. Optimal performance is when it is neither too cold (the heater is a big draw off the batteries) or too hot (ditto for a/c). With few exceptions deliveries have been made where the weather is "springtime for GM in America."

The cynic in me thinks that GM was very leery of introducing the Volt in large numbers where it is cold. When the battery is depleted (or when driven at very high speeds), the premium-gas internal combustion engine powers the car, but its fuel mileage suffers from having to shove around 400lbs of batteries.

In fact, the distribution map of Volt deliveries makes it seem like GM consulted with some long-range weather forecasters, many of whom, months ago, predicted that the upcoming winter in the eastern U.S. would be both cold and interminable. Unfortunately, they were right.

As a result of the Volt's scarcity, some dealers have been tacking on hefty surcharges. *Consumer Reports*, which is probably pretty good at haggling, paid \$5,000 over the sticker. A dealer writing on the car site Edmunds.com claims to be marking them up \$20,000. An unscientific sample of Volt owners indicates that nearly a quarter paid \$10,000 or more above the sticker.

So much for the subsidy winding up in the buyer's pocket. Isn't it odd that the average dealer markup may be just about equal to the subsidy? The tax credit or direct subsidy will make the Volt much more attractive when the supply doesn't support the surcharge.

But will this vehicle ever sell in volume? Any way you look at it, the Volt is a niche car that is not likely to sell well. As GM has written to me, their "customer is looking for technology that fits their lifestyle of daily commuting, wants the latest in automotive technology, and wants to decrease their dependence on gasoline."

Translation: Volt buyers are likely to use the car primarily in short-distance commutes, are "early adopters" of new technologies (i.e. affluent), and, given that there are other cars out there that probably will get just as good fuel economy when driven under diverse conditions, our customers want to show off how virtuous they are.

You can buy two 41-mpg Honda Insights, loaded, for \$39,800. The Insight will (uncomfortably) carry 5, one more passenger than the Volt's battery pack will allow.

But, wait, we're talking about the "car of the year" here. That alone should make anyone ask why it needs a subsidy.

Beware. *Motor Trend* has a history of bestowing this prize on path-breaking vehicles that have yet to be tested by real drivers in a hostile world.

The 1971 Chevrolet Vega won this award. It now holds second place in *Car Talk's* "worst car of the millennium" competition. I agree. Mine rusted before my very eyes and when I got rid of it, four fenders and two engines later, the green monster was getting 50mpq (that's miles per quart of 40-weight oil).

In 1976 it was the Dodge Aspen. It's in seventh place on *Car Talk*. My parents' Aspen was the only vehicle in which I have ever become carsick while driving.

And then there was the 1980 Chevrolet Citation: according to *Forbes.com*, the fifth worst car ever made.

So why should we subsidize the Volt? If they are so in demand that dealers can charge thousands over the sticker price and still they are flying off the lots, just build the cars and they will come.

There's no need for GM and our modern corporatist state to prove Ayn Rand correct. Enjoy the show and hope that it remains fiction rather than prophecy.