Consumers Could Get Up To $4,500 Toward New Car

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WASHINGTON (AP) — Car shoppers could take advantage of government incentives worth up to $4,500 this summer to send their old gas guzzler to the scrap heap in favor of a more fuel-efficient new vehicle.

President Barack Obama is expected to sign into law the "cash for clunkers" program, which was approved by the Senate on Thursday. For owners of low-mileage models such as the 1994 Ford Bronco, 1998 Nissan Pathfinder or the 1995 Chevrolet Blazer, the plan could give them a reason to visit their local car dealer during an economic downturn.

"I've been sitting on the fence for about a year," said Jim Seegraves, 44, of East Lansing, Mich., who has been looking to replace his 2000 GMC Sierra pickup truck. "This legislation will help me get over the hump and get the car that I want."

The bill provides $1 billion for the auto sales program from July through November and the Congressional Budget Office expects that with a total of $4 billion, about 1 million new vehicles could be purchased. The government is expected to implement the program by early August.

Automakers and their unions have lobbied heavily for the incentives to help the auto industry boost sales and stabilize General Motors Corp. and Chrysler Group LLC, which have received billions of dollars for government-led bankruptcies. In May, U.S. auto sales were 34 percent lower than a year ago and the industry expects to sell less than 10 million vehicles in the U.S. in 2009, compared to more than 16 million in 2007.

Here's how the plan works: Car owners could get a voucher worth $3,500 if they traded in a vehicle getting 18 miles per gallon or less for one getting at least 22 mpg. The voucher would grow to $4,500 if the new car's mileage was 10 mpg higher than the old vehicle. The mpg figures are listed on the car's window sticker.

Owners of sport utility vehicles, pickup trucks or minivans getting 18 mpg or less could receive a voucher for $3,500 if their new truck or SUV got at least 2 mpg higher than their old vehicle. The voucher would increase to $4,500 if the mileage of the new truck or SUV was at least 5 mpg higher than the older vehicle.

The program was aimed at replacing older vehicles — built in model year 1984 or later — and would not make financial sense for someone owning a vehicle with a trade-in value greater than $3,500 or $4,500.

A 1998 Jeep Cherokee 4-wheel-drive with about 150,000 miles, for example, might

only get $1,000 to $1,500 as a trade-in vehicle, according to estimates by Kelley Blue Book. Since the 1998 Cherokee gets about 17 mpg, an owner could parlay it into a new Ford Escape Hybrid — 2009 versions get 28-to-32 mpg — and maximize their trade-in to $4,500.

Dealers would apply the vouchers to the purchase or lease of a qualifying vehicle and ensure that the older vehicles are crushed or shredded. The new vehicle can be U.S. or foreign-built and must have a manufacturer's suggested retail price of less than $45,000.

The program is not without critics.

Jeremy Anwyl, chief executive of Edmunds.com, a Web site for car shoppers, said it would struggle to provide 250,000 new vehicle sales. Most of the qualifying vehicles would be at least 10 years old and many owners would be less inclined to take on a new car payment or unable to afford a new vehicle.

"You've got to consider the profile of consumers who drive these vehicles," Anwyl said.

Budget-conscious Republicans in the Senate opposed it, along with environmental-leaning lawmakers who said it failed to encourage the purchase of high-mileage cars and didn't apply to used vehicles. Someone could receive a voucher for buying a new Hummer, they noted, pointing to analysts who said it would primarily benefit owners of older-model pickup trucks, SUVs and minivans.

Dealers say it will be a valuable tool to lure more shoppers to their showrooms. Many intend to advertise heavily and combine the government plan with other incentives, providing some help at a time when the industry is struggling to sell cars.

"Anything to jump-start the economy," said Jason Robinson, a car salesman with AutoServ of Tilton, N.H. "There's not much sense of urgency out in the market right now."

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