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REMARKS PREPARED FOR DELIVERY BY SECRETARY OF TRANSPORTATION
WILLIAM T. COLEMAN, JR., TO THE ECONOMIC CLUB OF DETROIT,
MAY 24, 1976

Being in the Motor City when auto sales are dramatically up, where a political public servant having anything to do with regulation of the auto industry might not always be welcomed, I am reminded of the alumnus who returned to his college campus the day before the big game and was boasting about his days as a football player. "When I was in college," he said, "I helped Michigan beat Michigan State three years straight." A student replies: "That's very interesting, which team were you playing on?"

So in coming here today to talk about government regulations and the motor industry, I hope to demonstrate that we are on your side -- or, rather, that there is only one side and we both want the same thing: namely motor vehicles that supply the public need for personal transportation in ways that are safe, energy-efficient, environmentally sound and socially responsible yet will yield sales at the present rate.

On the other hand, I would not want to be like the clergyman who proved to be very popular in his new parish. As one of the ladies from his congregation told him: "You're wonderful. I never knew what sin was till you came here."

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I am honored to have this opportunity to address the Economic Club, and I do appreciate your warm and effusive welcome. Recalling that two of your most recent speakers have been here campaigning for high public office -- and remembering that most politicians have four speeches: what they have written down, what they actually say, what they wish they had said, and what they are quoted as saying the next day -- I will avoid being "political" and confine my remarks to two subjects: regulatory policy, and the role of the automobile in the urban environment.

It was Carlyle, I believe, who defined economics as "The dismal science." A year or so ago we might have been inclined to agree with that definition, but the latest economic indicators and the resurgence of the auto industry have made today's economics much less dismal.

I am delighted that my visit coincides with industry predictions of a 10.7 -- perhaps 11 million -- car year, and a selling season nearly 50% better than a year ago. As I said in my National Transportation Policy Statement last September, the automobile is and will continue to be the preferred and principal form of transportation in America. It is the most flexible and responsive mode, and provides the greatest freedom of mobility. It is the economic backbone of our country: highway passenger and freight transportation account for 18% of the gross national product. And the motor vehicle is directly or indirectly responsible for one out of every six jobs in the United States.

So any public policy presumably directed toward eliminating the automobile is patently phony. Any politician who suggests or supports such a policy is not acting in good faith.

But that is not to say that the automobile in its present form, or in the ways we now use it, represents the epitome of design or utility.

Both the motor vehicle's technical performance and its more intelligent and socially responsible use are matters of urgent and continuing concern, in Detroit and in the Nation. The salient question that must be answered is how those concerns will be resolved -- by government fiat, or through the response of the industry to free market forces and the prudent planning and management of transportation resources at local and state levels. I prefer the latter. President Ford prefers the latter.

The question epitomizes the central issue facing this country today.

It is time for the people of this country, and particularly the leadership in all sectors -- public, private and academic -- to answer with common sense, not fanciful rhetoric once removed from the reality of daily experience, this basic question: What kind of a society -- what kind of government -- do we want, and what price are we willing to pay?

It is time to bring to a halt the national nonsense that says to government on the one hand, give me more, do more for me; and on the other hand, cut back on government services and expenses, and lower my taxes.

It is time to realize -- again on the basis of realism, not an intellectual workout at the local civic club -- that we can have anything we need but not everything we want.

At some point, and surely, we have reached it, we must accept the fact that there are limits to our fiscal as well as our natural resources.

I am not peddling the gloom of the Club of Rome's "no growth" postulation, nor am I soaring euphorically with Herman Kahn's prediction that we are on our way to 10 years of the greatest economic growth in our history and -- in due course -- no less than the millennium.

What I am saying is that this country was founded as an optional society. Its citizens can make choices from a broad menu of options. We have come a long way from the time we could have a new car in any color we wanted -- as long as it was black.

We cannot, of course, enjoy a fully-equipped car -- or an option-rich government -- without paying the price. As Adlai Stevenson, Sr., said 25 years ago "there are no gains without pains." The acid test in government he said, is how well one governs -- not how generously one gives of the Nation's substance. "When the tumult and the shouting die, when the bands are gone and lights are dimmed, there remains," Stevenson said, "the stark reality of responsibility."

The truth is that every government program -- every guarantee of security and comfort -- must be purchased at a price paid by the governed.

The Founding Fathers of our great country could enjoy religious freedom, but not without leaving the safety and comfort of their native homes to find it. Our early pioneers found new and virtually boundless economic opportunity in the American West, but only at the cost of hardships and dangers.

There is an obvious intellectual conclusion to these observations, and a great many previous visitors to this podium have belabored it. Certainly at the level of intellectual reason our society at large embraces this realization and the brittle rhetoric of today's politicians crackles with it.

But there's many a slip between the cup and the lip -- between what we say and what we do.

What do we really believe in this country? What do we really want for our nation, and from our government?

During the 15 months I have been in Washington, I must confess I have sometimes questioned whether the spirit of self-reliance still survives in these United States. I am concerned by the evidence of a deepening dependence on government for solutions to problems that are properly the province of the private sector.

Too many American businessmen, while protesting government regulations and federal "interference," are at the same time seeking more and more government assistance and protection. Too many business leaders, publicly chafing under the restraints of government regulation, privately resist efforts to lift that regulation.

In fact, if things don't change, the cry: "get the government off my back - I just want freedom to compete," may very well join the list of our society's least credible statements, some of which you will recognize:

- (1) Your check is in the mail...
- (2) This is going to hurt me more than it does you...
- (3) Yes, darling, I swear I will love and respect you just as much in the morning as I do tonight.

As an aside, I might note that I have seen few signs of comfort in the auto industry with the regulations you have to live with as the result of foolish Congressional misdirection. So I presume that you are in accord with our regulatory reform proposals. But more on that in a few moments.

To return to what I was saying, the ambivalence of the business community -- or of public opinion, for that matter -- puzzles me. What sensible explanation can there be for the contradictory attitudes of the American people who, according to the public opinion polls, hold government and its ability to respond to their needs in very low regard, yet send their money to Washington, and appeal to that government for the solutions to all their problems?

Certainly government can -- and does -- solve many problems, but at a cost (1) in dollars, and (2) in private opportunity and the economic freedom of the individual.

The high dollar cost of government solutions to transportation problems is reflected in Amtrak, which presently gets more money from the taxpayer than it does from its passengers, and in the proposal originally propounded for high-speed rail passenger service in the Northeast Corridor.

After some probing investigation and realistic cost calculations, I found that the cost of constructing and equipping a 150 mile-per-hour rail passenger carrier between Washington and Boston would be in the neighborhood of \$5 billion. But for only slightly slower trip times -- two hours 40 minutes Washington to New York and three hours 40 minutes New York to Boston -- we could achieve smooth, reliable, safe train service along the corridor for less than \$1.7 billion. And we are proceeding accordingly. But in either case that is an enormous sum of your money.

Is that a good use of public funds? The high population densities along the corridor, the energy efficiency of rail transportation, the present highway and air congestion, and the prospects of reducing the need for further airports and costly urban-area highways argue persuasively that it is. Yet in making that decision, we are taking something away from the prerogatives of private enterprise, and we are asking the air and motor bus carriers in that region to compete against a heavily subsidized rail carrier.

I simply don't believe that I, as Secretary of Transportation -- or any other Cabinet officer, for that matter -- should be in the position of making economic decisions for business. This is the wrong use of public policy. President Ford believes so, too, and that is one of the reasons for his calling for an overhaul of all federal regulatory agencies.

These are the goals of our current proposals for the economic regulatory reform of the air and motor carrier industries. We believe the naturally competitive, dynamic, individualistic industries that make up the U.S. transportation system have been confined in the straitjackets of highly inflexible regulatory systems, which impede price competition, deny qualified entrants access to new or existing markets, and permit too many anti-competitive agreements.

We have seen the consequences of over-regulation in the rail freight industry, which for years took refuge in regulated rates and routes, until many of them were done in by external competition and internal inertia. We are seeing the effects today in the airline industry, where regulatory restraints prevent the wisest use of capacity, inhibit price competition and -- as a result -- dampen demand and depress earnings.

The costs of regulation, especially over-regulation, are high. In freight transportation alone, the economic cost of government regulation is estimated to be somewhere between \$3 and \$10 billion. The overall cost of government regulation may be as high as \$130 billion. A recent news story noted that General Motors will spend more than \$1.3 billion this year to comply with government regulations -- more than it cost to operate the entire Federal Government during its first 75 years.

While the risks an industry will face in a less regulated marketplace may be somewhat greater, the opportunities for growth and profit will be infinitely greater.

This is why President Ford is urging a four-year overhaul of all the federal regulatory agencies, or -- as he has put it -- "a declaration of independence from the needless regulations of government."

I have been talking for the most part about economic regulations, those that retard innovation and restrain competition, but I would not be responsive to the interests of this audience if I did not say a word about federal regulation of the auto industry.

I noted with some caution that when Mayor Coleman Young addressed this forum last year he used as his subject: "Are the Feds With Us, Or Against Us?" As I indicated at the outset, we are with you, responding as best we can to the public will in government just as you must in the market place. But perhaps it would be accurate to bend Pogo's philosophy somewhat and say that "we have met the Feds and they are us."

The Federal Government, perhaps, has demanded too much of the auto industry, too soon. Government has not, in the past, been as sensitive to the cost impact of new regulations as good sense would dictate. And it has proceeded perhaps too rashly in some directions, which the heated public rejection of the interlock ignition system serves to illustrate.

But I would like to make three positive points relative to the proper function of federal regulatory authority.

One: Regulatory directives should serve as a prevailing wind for the industry, in moving in the directions we are led by the necessities of energy conservation, environmental responsibility and safety.

The responsiveness of the industry in recent years has produced measurable results. Emissions have been reduced 75 to 80%. Today's cars -- both large and small -- deliver significantly better mileage than their 1974 counterparts. The safety features built into today's cars account at least in part, for the drop in highway fatalities. So regulation -- some regulation -- you will agree, is beneficial.

Two: Government regulatory policies should not, in my opinion, be unduly burdensome or too costly.

In this spirit, I announced a new regulatory policy, effective the first of this month intended to prevent Department of Transportation regulations from weighing too heavily on the pocketbooks of industry and consumers. This policy requires administrators to calculate -- honestly and objectively -- the cost impact on the consumer, the private sector and the government even before new regulations are proposed. I also expect every administrator to inform me of the substance and anticipated consequences of costly and controversial regulations at least 30 days before they are proposed.

Three: All decisions affecting the automobile or any industry will come, I assure you, only after a full and fair hearing on all the factors and circumstances bearing on that decision.

In my view, this is not just responsible administration: it's common sense. We live in a political democracy, and therefore whatever decisions are made by public officials must be well-reasoned and they must be decisions the public will support.

It has been my policy never to make a final decision on a controversial issue before the public and all concerned have had ample opportunity to influence that decision. I will follow the same course on the question of mandatory passive restraints, an issue that has been before the Department for some time and one I intend to resolve only after costs are fairly weighed against benefit.

On that subject, which promises to be one of the most difficult decisions I ever expect to make, I must weigh -- of course -- the expectation in lives saved against the measurable economic costs.

How effective would a passive restraint system be? What would the cost impact be -- to the industry and to the public? How superior would a passive restraint system be over the present lap and shoulder harness system, if we could get the majority of motorists and their passengers to buckle up?

These are among the obvious questions that have been considered and must be investigated and deliberated further. But these questions also must be addressed within the context of a regulatory policy consistent with the most basic values of the American public. We must make fundamental judgments concerning such questions as how much should the public pay to save a human life, and how far should the government go in providing health protection (for this is essentially what we are talking about) to individuals unwilling to take independent action to protect themselves. We must, further, make the decision in full cognizance of the inevitably conflicting tradeoffs between added safety protection and other, competing societal needs such as fuel conservation, environmental protection, and fiscal stability.

In concluding my time with you today, let me make two final observations:

First, I think it is clearly evident that the choice of characteristics making up the "right" car at any particular time has to represent a compromise between various ideals, and a number of social, economic and technical constraints. The industry has seen what an oil embargo and a subsequent adjustment to higher, but temporarily stable, fuel prices can do to the consumer taste in motor cars. You are also feeling the frustrations of trying to satisfy two inherently conflicting demands -- for cleaner air and greater fuel economy.

But the motor vehicle industry has proven itself equal to almost any challenge in the past, and I have been consistently confident that the same dedication and competence will prevail in overcoming today's problems. The industry has done a remarkable job, voluntarily, in moving toward the 40% mileage improvement goal we had set in 1974 as a reasonable and worthwhile target for 1980. In two model years, the average - on a fleet basis - improved 26%, from less than 14 miles per gallon to better than 17. In other words, the industry is two-thirds of the way toward the 1980 goal.

Those of you who followed the course of the Energy Policy and Conservation Act through Congress last year will recall that we vigorously opposed the mandatory approach to fuel economy, recognizing that fuel efficiency has market value and the manufacturers, therefore, have a strong economic incentive to produce new cars that can be operated economically.

When Mr. Reagan addressed this forum on May 14, he implied that the mandated fuel standards had the support if not the endorsement of the Administration. The truth is that we spared no effort in fighting the mandatory standards and tried to get a responsible energy bill. When our resistance to the measure itself did not succeed we managed to work out a compromise. As it now stands, the Secretary of Transportation has some administrative flexibility in enforcing the 1985 standard, and in setting the mileage levels for the 1981 through 1984 model years.

Since there are obvious trade-offs between fuel and emission standards, a decision by Congress to relax the present schedule for implementing tighter emission controls could have a favorable effect on the industry's ability to meet the proposed mileage standards. The point is, there are provisions in the act that would permit reasonable adjustments, and even some standard less than 26 miles per gallon can be set for 1985 and thereafter without Congressional approval - although such an action could be overturned by either House.

While President Ford signed the act, he did so with some reservations, recognizing the difficulty inherent in trying to legislate technology or dictate consumer choices. Nevertheless, the need for energy conservation is real; as the price of gasoline goes up people will turn increasingly to cars that offset the higher pump price by delivering more miles per gallon.

Then, secondly, I would say just a word about the important role transportation must play in the survival and revival of our cities.

The nation's highway program was designed originally to meet intercity and rural, not urban, needs. But when the urban migration and the automobile combined to move 70% of the population from the country to major metropolitan areas, the complexion of urban transportation changed -- and left us with the realization that neither the transit system of yesterday nor the highway system of today could fully or single handedly satisfy this new situation.

Obviously, we must have methods of getting people in and out of a city the most efficient way possible. But in most cities it is no longer enough, or even possible to build more freeways. In most cases it's not enough just to install a good mass transportation system. The key, clearly, lies in perceptive planning and in the effective application of good transportation management. The automobile should be partner to such a program, not its victim.

In that sense then, we must change our thinking about the proper place of the private car in urban territory. The car is not obsolete for urban travel; it simply must be used more efficiently, through carpools, vanpools or in park-and-drive partnership with public transit.

Our cities, after all, are the citadels of our civilization, worthy of preservation and restoration. They are centers of culture and commerce, trade and transportation. If they are to be made more accessible and livable they must have better transportation. Our national program of transit grants and operating assistance -- which to date have provided \$75 million for Detroit; and our continuing efforts to make more urban highway funds available to cities for their optional use in transit projects, are designed to serve that purpose -- to improve the utility of urban mobility.

Here in Detroit transit ridership has been declining steadily, falling from 130 million revenue passengers in 1967 to fewer than 75 million in 1975. Perhaps this should not be unexpected in the Motor City, but I do not believe that any major city -- particularly the Nation's fifth largest -- can function effectively without an efficient public transportation system that serves those without access to a car and those who prefer not to use a car for urban/suburban travel. The motorcar industry, I know, has supported proposals for a community-wide transportation improvement plan, involving various transit options, and I would recommend a renewal of interest in such a plan.

I close now with this:

Since moving to Washington, I have had frequent occasion to recall the story about Abraham Lincoln and his Secretary of War, Edwin Stanton. One day mid-way in the Civil War when things were going badly for the Union armies, Mr. Stanton came to the White House to urge the President to declare war on England. The British, he said, were running Union naval blockades and aiding the Confederacy. President Lincoln considered this for a moment, and then said: "I think not, Mr. Secretary, please -- one war at a time."

It seems that someone forgot to tell the airlines they couldn't have any problems until we had dealt with the problems of the railroads.

And no one told us we couldn't have an energy shortage until we had solved the emissions problem.

But I am not discouraged. An optimist, I submit, is not one who pretends that challenges do not exist, but one who believes that challenges exist to be mastered.

We have never regarded challenge as a cause for despair; only as a call to action, a stimulus to achievement, and a priceless chance to do something better -- to build something better -- than ever before.

That challenge, as it pertains to the automobile in our national transportation system, is -- I am confident -- in able and responsible hands.

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