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ADDRESS BY U.S. SECRETARY OF TRANSPORTATION DREW LEWIS,
TO THE NATIONAL AUTOMOBILE DEALERS ASSOCIATION CONVENTION.
2:00 P.M. PST

Los Angeles, CA -- It is no coincidence that I am here so soon after accepting President Reagan's invitation to serve as his Secretary of Transportation. As I told members of the Senate Commerce Committee during my confirmation hearings, I consider the health of our auto industry to be the single most pressing problem in transportation. It is not simply that people are not buying enough American-built cars; they are deferring the purchase of new cars in general, and that is bad for labor, it is bad for the manufacturers, it is bad for the automobile dealer and it is very bad for our economy in general.

After a scant three weeks on the job, I am not prepared to lay out a definitive solution to the problem. I am here on behalf of the President because I recognize that as business people you are among the most severely hit victims of the problems that afflict the domestic auto industry and, to a somewhat lesser extent, the retail industry as a whole. I want you to know that you have my concern, you have my attention and you have my support.

Past government efforts to reverse the misfortunes of the automobile industry have been slow and have not come to grips with the crucial issues.

We will not bring buyers back to the showrooms, we will not return workers to the plants, we will not get production lines moving again --until we solve the economic

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dilemma that has put new cars out of the reach of customers and floor plan costs beyond the means of too many dealers. The cost of credit is certainly one of the key issues. You cannot afford to stock cars that consumers cannot finance. And without sales, the industry cannot generate the capital needed for new development projects, new tooling and new cars.

We won't fix what's wrong in the auto industry until we repair and renew the fabric of our economy. That has been and remains President Reagan's first priority. The economic program he will unveil in his state of the union address one week from tomorrow is designed to reduce government's demands on the private economy, encourage consumer and investor confidence and bring interest rates down to reasonable levels -- so that lenders will no longer reject 30 percent of the deals you write.

While the relationship between the Federal government's spending habits and the public's ability to buy new cars may seem obscure, the fact is that the Federal government borrowed \$75 billion from private lenders in fiscal 1980. Without that kind of competition for capital, interest rates could -- and would -- have been lower. President Reagan's commitment to trim the Federal budget is one of the cornerstones of a new economic policy that will put more money to work in the private sector by lowering the demand in the public sector.

However, as I said at my first news conference, the auto problem has many facets. It is closely linked with a host of other problems that must also be addressed and ultimately resolved. These include burdensome tax rates, on both individuals and businesses; excessive and wasteful Federal spending; overbearing government regulations that in many cases cannot meet the cost-benefit test; and a failure on the part of government to enact policies that enable U.S. industries to compete more effectively in world markets.

NADA recognizes these and other economic and regulatory problems affecting the auto industry and its dealers. I can assure you that we share many of the same concerns.

President Reagan, for example, has frozen all pending government regulations for a 60-day period. There are no NHTSA regulations among those, but there are several on the near horizon that we will carefully review item by item. As I have said before, we want to do away with regulations that have proven to be non-productive, that are clearly not cost-effective, or simply generate red tape.

I might add that in my opinion the motor vehicle has been over-regulated. We intend to examine this whole area very carefully, to see where regulations can be eased without sacrificing the necessary safety and emission standards that have been set up and are working. It means we will scrutinize all regulations, on the books and those pending, and do a better job of weighing their benefits against their costs. As President Reagan said last Thursday night, government regulations -- right or wrong -- have added some \$600 to the cost of a car, and government regulations in total add \$100 billion to the cost of goods and services. Much of that burden inhibits the ability of basic industries such as the auto industry to invest in more productive equipment, and it certainly adds to the prices consumers must pay.

The members of the Task Force President Reagan appointed on January 27th are exploring their respective areas of responsibility with respect to the auto industry's needs. That task force, consisting of the Secretaries of Treasury, Commerce and Labor, the President's Trade Representative, the Chairman of the Council of Economic Advisors with the Secretary of Transportation as chairman, has already met and will meet again as needed to formulate a prompt program to recommend to the President. As the chairman of the Task Force I need the advice of NADA, as well as the counsel of the leaders of management and labor and the communities affected by the auto economy.

Whatever proposals we recommend, I can assure you they will be consistent with the Administration's goals. And those goals, I remind you, include tax relief for individuals and businesses, and tax incentives for industry. The President's economic policy will spell out these objectives in greater detail.

In addition to the steps already taken, I am going to Detroit next week to meet with industry, labor and community leaders to discuss first-hand what can be done to hasten the return of prosperity to the Motor City, and to those who build and sell its products.

What I do not intend to do is engage in another overall review of the problem, starting from scratch. We have a detailed report produced by the Department of Transportation which contains excellent analytical data and other information useful to the Task Force. Our purpose is not to look backward, to criticize or to fix blame. Our purpose is to focus on actions that will get us back to the leadership in automotive technology and sales that have been a source of American pride and prosperity for 70 years.

The challenges are tough. A world that 20 years ago produced 10 million vehicles now produces 30 million a year, and competition that was once largely between companies is now between countries. We must learn anew how to compete, and that will be costly. The industry estimates its capital needs through 1985 at more than \$70 billion, and GM chairman Roger Smith suggested a week or so ago that his company alone may have to spend \$80 billion in new products, plants and technology by 1989.

There is no way to turn the clock back -- to institute the energy policies that years ago might have triggered a gradual but orderly shift to smaller, more fuel-efficient cars. President Reagan, however, has acted to decontrol energy prices fully and immediately, sending a clear signal that Detroit no longer need be uncertain about the cars its customers will want in the future.

Over the weeks ahead the task force will look at every aspect of the nettlesome problems we share. As soon as possible we will consolidate our findings and submit our recommendations to President Reagan. At the same time the President's actions in behalf of the economy will help to stimulate sales.

The American auto industry is vital to our economic well-being and has spearheaded our peacetime prosperity. It has given us a mobility unparalleled in the world. It has been a fountainhead of technology and a leading supplier of jobs for

American workers. We must work to advance this industry that has served us so well and so faithfully.

We are determined that through a concerted effort of everyone involved -- the Administration, Congress, management, labor, the nation's dealers and the public --we keep the American-built automobile first in sales and competitive in world markets.

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