

STATEMENT OF SECRETARY OF TRANSPORTATION DREW LEWIS AT THE NEWS CONFERENCE IN DEARBORN, MICHIGAN, FEBRUARY 20, 1981.

I have no formal remarks to make, but I would like to make two or three comments about this visit to Detroit.

As relates to President Reagan's budget speech of Wednesday night I think we all know that budget cutting isn't easy but, I'm totally supportive of President Reagan's budget package. Raging inflation, high interest rates and excessive unemployment are more damaging to our economy, to the state of Michigan and city of Detroit than the alternatives. Therefore, we're taking the position that by decreasing the inflation rate two points, we more than offset all the cuts made in the Federal budget. So the basic program for this city and for the entire country is to try to cut inflation and high interest rates.

A comment or two about the auto industry which is really the purpose of my visit.

As most of you know yesterday I did meet with members of the United Auto Workers. Unfortunately, Doug Frazer delayed by the fog as I was and he could not make the meeting. I did meet with a number of UAW officials, and met with the Ford Motor Company. I also talked on the phone, with American Motors and Volkswagen because again due to the fog we didn't get here until about noon. Today I'll be meeting with Chrysler and General Motors. I met last evening with the Governor and this morning had breakfast with Coleman Young. The thing that's most encouraging to me, and I'm sure will be to the President is the fact that it's very clear that this entire community has the same concern as we have in terms of the automotive industry. The community is united in trying to help solve the problem. As we develop a package to take to the President, in terms of recommendations for the industry, I'm going to be able to go to the President with a united forum. The problem of the auto industry is many faceted. Many of you asked me yesterday what's

going to be part of the package? Basically, I think everybody has to bring something to the table. For example, in terms of the labor unions, there are going to be certain concessions and I think they are prepared to make those as long they see industry make comparable concessions. As far as the government is concerned, I'm going to be working as hard as I can with a broad package of deregulation of the automotive industry to try to help them to that extent. I'm also prepared, if necessary, and if it appears reasonable, to recommend to the President some kind of import restraints. I think this combination, if we're able to stay together with it, could be very successful in helping the problems of the ailing automotive industry. I also am here to report that on March 6th Governor Milliken and six other Governors who are principally hurt by the ailing automotive industry, will meet with the President and with me, following which we will go to the Department of Transportation and talk about problems of the industry.

Lastly, just a comment or two about Detroit and the budget cuts. I met with the Mayor this morning as indicated earlier. I am concerned, as he is concerned, about how the budget cuts will affect your city. Basically all of us are hurt when we have budget cuts. The real bottom line of it is though, that if we can cut inflation and the high interest rates the benefits will far outweigh the negative effects of specific budget cuts.

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Secretary of Transportation  
Drew Lewis  
News Conference  
Detroit  
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Q. Sir, this morning we talked to Mayor Young after he met with you. He said that no decisions have been made yet on the Detroit subway or people mover and that while yesterday you were telling us that both projects would be delayed at least a year you were telling him that there hasn't been any decision yet and he was still hopeful of getting money and maybe even getting not that far off schedule.

A. Well, from the conversation with the Mayor this morning, what I told him is that it is very obvious with the heavy unemployment in Detroit and in Michigan that this is an area we would like to help. That's the purpose of the meetings which are going to take place in the next week or two to review our budget. In point of fact, as the budget presently rests, those projects are delayed. What the Mayor was referring to is a willingness on my part to open up those discussions in the next two weeks with the idea that if there are funds that can be diverted from other areas within the limitations of our budget we would be pleased to do it if that would be helpful to Detroit and the state of Michigan.

Q. Do you still stand on your statement yesterday that those projects already started in other cities will have priorities?

A. There's no question, that is our priority. But in the directed cuts in my budget we have not reviewed every project state by state and city by city to the extent that we are able to move Detroit up on that list. Because of the problems of this community, I'm prepared to do so. That's why we're not going to have a political type meeting. We're going to have a working session with representatives of the Governor's office, sitting down with

the specific people in my department that handle mass transit and highways to see what we can do and if there are funds available to ship to Detroit. However, there's no guarantee that there will be. It's an effort on our part to try to find them if they are available in our budget limitations.

A. Mr. Lewis, as a result of your trip here, do you see Detroit as the worst off city in the U.S. at this point in time?

A. I don't think there's any question. But that's not the result of my being here. I was aware of that before I came. You have the highest unemployment of any major city in the country, and - I believe - seven of the highest unemployment rates of any state in the union are in cities in this state, so I was aware of that problem before I came.

Q. But what specific things is the Federal government prepared to do to help the auto workers?

A. Well, I think first and foremost in terms of regulations, we have I don't know how many thousands of regulations that effect the automotive industry, from EPA to NHTSA and right on down the line. As you know, I called for a roll back of one year on passive restraints as least in terms of a hearing on that, and we're going to be looking at every one of these regulations. We have a group within the Department that's working on this and the Vice-President of the United States is charged by the President with that overall responsibility.

Q. Mr. Lewis, unemployment in the auto industry is a very serious problem. Can we expect any kind of training program to come out of the Reagan administration to help some 300,000 unemployed auto workers?

A. Actually, when you talk about 300,000, if you add the suppliers you probably would be talking close to a million people unemployed in the automotive industry. Let me mention two or three things. First of all there's no cure to the auto industry beyond an improvement in the economy, a lowering of interest rates, a curbing of inflation. That probably first and foremost is most important. That is a longer range solution to the problem that you'd like to hear. But the other things that we can do are to cut these regulations. For example, in Ford Motor Company, they indicated yesterday in terms of their long range plans that certain regulations, (I'm not prepared to answer these requests at the present time) could save them as much as a half a billion dollars. This is extremely important to their cash flow with their current loss situation. That's the kind of thing we can do which will help unemployment. Secondly, we think that if the industry is geared to make a capital investment to improve productivity and certain concessions from the labor unions and conceivably, and I say conceivably, the possibility of import restraints, if you tie those together, that's the only way you're going to get relief. The function of this Administration is to try to get people back to work more than it is to pay them when they're not working which is clear in the President's message.

Q. Mr. Lewis, you took a lot of criticism over at the UAW yesterday for Mr. Reagan's discussion of cutting TRA down to basics on the unemployment.

A. TRA was raised in those discussions. In terms of criticism, I think the spirit in which I came to this city was to try to be helpful both to the United Auto Workers and to the industry, and I would not say I was criticized. I would say that they were receptive to trying to help the industry recover. I was delighted with the enlightened attitude both the industry and the union have as well as your government officials. They look upon it as an all out war and they want to win.

Q. Are you saying then, from what you can tell, the UAW will accept cuts in TRA?

A. We did not get involved specifically with TRA in our discussions. Mark Stett did raise the question. Obviously this was part of negotiations between the Office of Management and Budget and the Labor Department. I did talk to Secretary Donovan on the phone this morning in Miami. Obviously, we're going to review that situation but the basic criteria, again, are the things that I described that we think we can do to help the auto industry.

Q. Mr. Lewis, you're aware of the incredible loss that the auto industry has sustained this year, and given the fact that you have said the automakers are going to have to come up with some concessions in order to get import restraints from the government, what kinds of concessions can you reasonably ask the automakers to give you?

A. Well, first of all, they have to do something in terms of a commitment to capital investment that's going to improve the productivity of the automotive industry because productivity is a combination of, well, it's a concession in this sense, the auto industry has many alternatives including foreign investment compared to investing in this country. We're interested obviously in American jobs and seeing they're preserved. A commitment to not buying America in total but basically investing our capital in this country, investing it in jobs that are going to put the people presently unemployed back to work. These kinds of concessions we think are extremely important. There are others we are reviewing, but until we're through with our negotiations, I'm really not prepared to say what they are, but we ought to see that everybody brings something to the table.

Q. Price cuts?

A. Conceivably price cuts. Obviously part of this program is going to have to be fair pricing.

Q. What about from the UAW? What would you expect from them?

A. At the present time we can't define that. I'm going to be meeting in Washington next week with Mr. Fraser. He has indicated a willingness to cooperate. Obviously he is not going to make any concessions until he sees what the total package is going to be and how its going to benefit his workers, and that's exactly the same position I would take if I were in his position.

Q. Mr. Secretary, the UAW has only one thing to give. That's something they've already won in their contract.

A. That's correct. I'm not prepared to make that decision for Mr. Fraser. It's his decision and he'll be calling that shot.

Q. Inaudible..

A. We have not made a determination on that. Again, I would like to meet with Mr. Fraser personally, and again I have to look at this in the context of the total package. If I'm to go to Washington and make an effort to sell restraints of Japanese imports, which is not going to be popular with many segments of the Administration in terms of our desire for free trade, I have to make it very clear that out of that is going to come increased employment in the automotive industry, a return to profitability of the companies, so that they'll have the capital and the where-withal to invest. These things have to be part of the total package and until I can see how that package can be put together I'm not prepared to ask Mr. Fraser or his union for any specific concessions. I do recognize it has to be part of the total picture.

Q. Based on your conversations with President Reagan, is it your feeling that he will indeed go for import restrictions?

A. I really can't comment on that until I've prepared a report and gotten back to him. One thing though, I sense in the President that he has very basic ideals and basic principles, and free trade is one of them. I also know him to be someone who has deep concern for the automotive industry and almost a million people unemployed, therefore, I think we will get a fair hearing which is really what it's about when you're putting together a task force report.

Q. What would you recommend at this point in the way of imports?

A. At this point, I can't say because what we're trying to do is analyze various import levels and the impact of that in terms of inflation in the economy because we are trying to curb inflation. I can say unequivocally that my position will be and has been that the present level of Japanese imports is unacceptable. What the level should be, I'm not prepared to say.

Q. There's five other Cabinet members or Cabinet level people on that committee with you. Do they pretty much agree with you?

A. We have met two or three times. We're working with our staffs and until we're able to come up with a package that's convincing to them in terms of import restraints or whatever it may be, again that has to be left to a little bit of speculation. You have to understand that we're now three weeks into the study and I should hope to make it clear that we're not going to re-invent the wheel in the study. We're starting with the basic Department of Transportation report and therefore, we think that within three weeks to six weeks



we're going to have specific recommendations to make to the President. Again I'm working on the task force. I'm to be Chairman of it but I really have an obligation to coordinate this with my members.

Q. What is your current thinking on the diesel engine restrictions?

A. I really have not looked into those regulations and we're in the process of doing that in terms of our overall review of the regulatory problems. I understand your question, but I do not have the answer.

Q. Mr. Secretary, I'd like to ask you one more subway question. There's a report that part of President Reagan's budget is to get to the point where there's not going to be any more Federal financing of mass transit rail systems and the suggestion two days ago was that systems that hadn't been begun might never be Federally funded. Is that true about the Detroit subway and people mover?

A. It's conceivable that most new starts on mass transit would not be completed. The one thing that you have to understand in your particular city is that you are probably the largest city in North America without mass transit. Therefore, I think there is a need to review your situation in a different light than others. I think you have to understand that what we were doing in that budget, that I'm totally supportive of its functions and purposes, was try to lay down the principles of the Reagan administration. We're not going to be totally inflexible in terms of reviewing projects on a case by case basis if we think they are justified.

Q. Will Detroit get a Federally financed subway after perhaps a year?

A. It's conceivable.

Q. It's been said that a number of the unemployed auto workers will never go back to the auto industry. That means that thousands of unemployed and unemployable workers might exist. What would you suggest be done with those workers? Retrain them or what?

A. Well, there are obvious possibilities of retraining. There's no question that when the auto industry finally sorts out where it presently is, we're still going to have high levels of unemployment in the automotive industry. Again, we're starting out making a study and we're not to the point where we're prepared to give recommendations on that. There's no question there's going to be re-training and re-location or re-location of industries into your state so that these people can be employed in other industries.

Q. Secretary, right now you seem to be putting the accent on the auto industry and taking it off mass transportation. We're at a period where gasoline prices are going up and many people would argue that this is the time to put the accent on mass transit but the Administration is completely cooling it off. Isn't there a chance that we may be missing the boat and in fact missing the opportunity to develop efficient profitable mass transit systems?

A. Very specifically, I am a supporter of mass transit and have supported mass transit. Coming from Philadelphia our problems aren't too different than Detroit's. So we do support mass transit. The reason I'm emphasizing the automotive industry today, my purpose in being in Detroit these two days, is to learn first hand from the people in the industry and the labor unions and your political figures how they perceive this problem and try to get a better feel of the situation so I can get back to the President. The purpose of this trip, specifically was not timed in relation to the President's State of the Union message on Wednesday but specifically to deal with the automotive industry.

Q. ....system in effect basically the administration is killing any development of mass transit at a time when mass transit.....

A. If you look at my budget in terms of both capital expenditures and the subsidies of mass transit for operating purposes, we have preserved basic operating subsidies for '81 and '82 and we do feel, and I feel very strongly, that the operating subsidies should come out of the local and state governments and not out of the Federal government because we have no control. Where we go long term on capital expenditures is largely going to be dependent on some of those other tax programs that the President referred to in his State of the Union message. For example, if there is a need, and if I can justify an increase either on an ad-valorem basis or an increase in gasoline tax from let's say four to six cents, I'll have sufficient money to do a great deal in terms of urban highways and perhaps in terms of interstate transfers and at that point we're going to be looking at that money in relation as to whether it's better to be spent on highways or mass transit. But until that tax package is further defined I'm operating under the constraints of a budget that's been reduced by four billion dollars in both highways and mass transit.

Q. Has your task force examined the subsidies paid for imports to cars to this country paid by Japan and the European countries. The commodity tax .....

A. We have looked at all of the international situations and recognize very clearly there's only one country that has free trade in automobiles and that's the United States and it's very clear that our automobile industry is restricted all over the world with the possible exception of Germany. I think we're very clear on the facts and that's why we're willing to open up this problem of whether or not we should be restraining Japanese imports.

Thank you very much.