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REMARKS PREPARED FOR DELIVERY BY SECRETARY OF TRANSPORTATION BROCK ADAMS, TO THE ECONOMIC CLUB, DETROIT, MICHIGAN, DECEMBER 5, 1978.

I want to deliver a challenge to those in the industry who determine what we will be driving tomorrow, and what our children will be driving two decades from now.

I bring you a challenge because I think it is time to create a car that is new from the inside out -- a car that represents a commitment, not a concession, to a world short on energy and concerned about the future.

Let's not be deceived about the energy situation. We are skating on thin ice. The motor vehicle is the prime mover of our society, and our mobility as well as much of our economy depend on a fragile alliance with the OPEC countries.

We are using well over 100 billion gallons of motor fuel a year in our cars and trucks, and both the supply and the price of about half of that are subject to substantial uncertainties.

Events in Iran and the announcement of rationing by American oil companies reinforce my belief that the curtain is quickly dropping on the age of the internal combustion engine as we know it -- and the fact is we have no replacement.

It's time for industry and government to stop butting heads and to start working together. All of the trench warfare between government and industry over fuel economy has resulted in a 1979 car that gets about as many miles per gallon as did the "Model A" of 50 years ago.

We all know our oil imports have helped fuel the inflation President Carter is fighting so hard against. The full cost of this dependence shows up in other ways as well:

1. In a chronically negative balance of trade. Presidential advisers estimate that the decline of the dollar on foreign exchange markets adds one percent to the U.S. inflation rate. Our weakness for oil is weakening our currency.
2. In foreign acquisitions of U.S. property. To offset the dollar drain for imported oil, we are tolerating -- even encouraging -- foreign investments in U.S. property. There is growing concern, in the Corn Belt, along Maryland's Eastern Shore and in the financial capitals of our country as the ownership of land, buildings and companies passes into foreign hands.
3. In the danger to our defense and the efficacy of our foreign policy. Our international relations could be constrained and our defense posture compromised by our dependency on foreign oil.

I bring these matters before you, because regardless of what other directions present and future national energy policies take, motor vehicle fuel consumption must be reduced.

There are, of course, two ways to do that: by shifting to other forms of transportation, or by making a quantum jump forward in auto technologies.

I have learned that we can divert people from their cars only to a limited degree. People do not want to give up their personal mobility. They may be persuaded to take transit where it is convenient -- and we are trying to make public transit more attractive and accessible, here in Detroit and elsewhere throughout the country. People will fly to save time, and they are doing that today in record numbers. Under certain circumstances people will even travel by train or bus.

But the car is still the people's choice -- far and away the preferred mode of travel. And little wonder. We have built an impressive network of roads. We have made the car a virtually indispensable element of our economy and our culture.

So, except in urban areas where a real alternative is made available, the American people will not give up their automobiles. We had better accept this fact.

For the past two years we have been caught up in the problems of how to preserve the motor vehicle in forms acceptable to the public and still live within our energy means.

Many of you here are, and have been, involved in that debate. Some of you are telling me that if the rules set in Washington remain -- that if fuel economy standards, in particular, are not relaxed -- the cost to some components of the industry may be severe; that sales, and jobs, will be lost.

I'm concerned about that. I'm listening to what you're saying. But I'm also concerned about the alternatives -- cars without gasoline, and trains and buses, planes and subways that can't handle the demand; which is why I believe the only practical course of action is a daring one. I believe we must do nothing less than re-invent the car -- create a new, superior vehicle within a decade.

I propose this challenge for two reasons:

1. Despite the fuel economy standards now mandated, consumption is not dropping and shows signs that it will begin to rise again by 1985; and
2. We are coming close to exhausting the possibilities for further fuel economies using existing commercial technologies. With the more efficient cars that will be common in the 1980's, we will have used up much of the potential for our present technologies. Further incremental improvements will still be possible. But if the next generation of cars is to meet the conditions of the 1990's we will have to begin to develop advanced automotive technologies now so they will be ready for commercialization.

The fuel economy standards now posted, as difficult as they may be to meet, will not suffice. Beginning in the mid 80's energy demand will spurt again and I, for one, am not prepared to guarantee the industry or the American public that sufficient supplies of affordable fuel will be available.

I am aware of the school of thought that says energy supplies will be adequate for as long into the future as we can see. I do not have that confidence. And as Secretary of Transportation I can't take that chance -- nor, in my opinion, can our society.

What I am saying is that we are engaged now in a holding action. We are not solving our basic energy problem; we are only deferring it. It is not how much fuel we save this year, or the next, or in 1985 that matters in the long run. What concerns me, and must concern you, is what the auto industry will be able to build and what people can buy in a decade.

Beyond 1985 even a one mile per gallon improvement in fuel economy per year for new cars will not be sufficient to offset increases in total demand for motor fuel. Instead we must focus on the necessity to again double the fleet fuel economy average to something like 50 miles per gallon, or its equivalent, before the new century.

I am not suggesting we set regulatory standards at that level but that industry and government together establish performance goals for ourselves, as the nation and its aviation industries did in the space program. Frankly, I am not at all sure that legislation written in Washington is the best way to inspire the building of better cars in Detroit. But the only alternative I see is for the auto industry and government together to take the leap forward in technology that focuses on long-range goals, not just short-term objectives.

When we get right down to it, the last major technological breakthroughs of fundamental significance occurred about 60 or 70 years ago. I'm talking about the development of a practical, lightweight heat engine, the pneumatic tire and -- perhaps -- the self-starter. Developments since then have been important but incremental refinements of the basic technologies.

We enjoy finer, more comfortable, better performing, substantially more durable cars today, but we are still tied to the internal combustion engine. Moreover, many of the significant technological advancements that have occurred in recent years were first commercialized in Europe and Japan.

In recent years the American automobile industry, I regret to say, has acquired a reputation for imitation, not innovation. The companies have become collaborators rather than competitors. The government, in setting minimum performance standards, has found that the industry thinks of them as absolute targets and seems to feel little or no incentive to try to gain an edge by exceeding those requirements.

The time, and the opportunity, to change that perception are at hand. And the potential rewards are substantial. For example:

Never before has the American automobile industry been in a better position to compete in the world market.

1. U.S. labor costs are now competitive.
2. Motor fuel, which will almost certainly increase in price in the domestic market, has already reached the \$2 level in most foreign markets. Technologies that we don't even consider are already competitive in that kind of market.
3. The import share of the U.S. market is probably going to shrink because foreign cars are losing their price and performance advantages. Europe and much of the rest of the world will become a "growth market" for U.S. cars if the industry is aggressive and our government firm in its trade policies.

4. In percentage terms, the growth prospects are greater abroad over the next 10 years than they are in the United States. The European market, where 9 million cars were sold in 1976, is projected to absorb 11 1/2 million vehicles in 1983 and 14 million by 1990. The demand in Africa will quadruple.
5. The industry's projected \$50-\$80 billion investment in the production of more efficient, less polluting and safer cars will modernize the plant and guarantee jobs at home.

If we can pull it off -- if we can build a cleaner, safer, significantly more efficient car, one the world will love, envy and buy -- the U.S. auto industry will insure its own prosperity and the continued mobility of millions.

With the right product we can erase the \$7 billion motor vehicle trade advantage Japan holds over us. The United States can become a net exporter rather than a net importer of cars and light trucks.

I do not for a minute believe that what I am suggesting is easy. It may not even be possible.

But it is an Everest that faces us -- and must be climbed.

I believe that we have, within the public and private resources of this country, the means to produce cars free of the social, environmental and energy sins that trouble us today and cloud the future.

I ask the auto industry today for a commitment to that cause -- the second genesis of the automobile.

I ask you to join with me, and with every government agency concerned with our energy, environmental and safety needs, in an intellectual consortium dedicated to a giant step for mankind's surface transportation needs.

I shall ask the leaders of the automotive industry to meet together early next year, with the appropriate officials from government, to determine what we can do together to hasten the development of an energy-stretching, life-saving, people-pleasing car.

What I am suggesting is a "summit conference" of the best brains in the auto industry together with the government agencies that support and regulate this industry. Our first priority must be a propulsion system that combines acceptable performance with exceptional fuel economy.

I extend this invitation in the full realization that the kind of commitment I am talking about exceeds the commercial capabilities of the industry alone. The Federal government can and must play a key role in

fostering and, to the extent possible, assisting in such a development program. Substantial sums of tax dollars are already being invested in automotive-related research and development.

I see no reason why this Federally-supported research and development program should not be the catalyst for a concerted, cooperative government-industry effort toward a lofty goal that serves our national, industrial and personal interests. I see no reason why we cannot take a united stand against the common technical problems that confront us. I see no reason why we should not dedicate ourselves to the development of a new generation of automotive technology, not to warming over what we have now. And I see every reason why we should join together in this venture.

So, I shall expect the participation and the dedication of the private sector.

We do not begin empty-handed. An assortment of experimental safety vehicles, with improved crash protection and fuel economy, have been built and tested.

The industry has carried out, and is presently conducting with the support of the Department of Energy, a variety of alternative engine programs -- the Stirling, the turbine, electric and hybrids.

New plastics, carbon fibers and exotic metals have been used in prototype vehicles. Other advances -- turbo charged gasoline and diesel engines, lightweight structures and techniques to reduce drag -- are available or soon will be.

We need other more exciting prospects -- advances that depend on significant developments in materials, heat transfer technologies and energy storage systems.

I can't tell you whether the auto of tomorrow will be electric or powered by some other fuel, but the marketplace is waiting -- not only in America but worldwide. We must move from the distant and the dreamy to the real and the reachable; from the implausible to the possible. And we must do it now.

That's why I'm here today. I realize the dimensions of the challenge I am proposing. I am aware, too, of the industry's substantial investment in down-sizing technologies and its capital obligations through the mid-1980's.

But our greater need is to engage in a partnership effort aimed directly and unmistakably at the development of new-born, not re-born automotive technology. We cannot build the car of tomorrow unless we first invent the engine of the future.

The prospect, I believe, can be exciting as well as productive. As Phil Caldwell of Ford said recently: "How many times do you have the opportunity to start with a clean sheet of paper?"

That's what we must do. Start with a clean slate. Go back to "cut-and-try" engineering. Revive Henry Ford the First's tactic of pitting one engineering team against another.

In 75 years the car has gone through a remarkable evolution. In the next 20 it must be the soul and center of a revolution.

I am sounding the call today. This next year let us fire the first volley.

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