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REMARKS PREPARED FOR DELIVERY BY DEPUTY SECRETARY OF TRANSPORTATION WILLIAM J. BECKHAM, JR., TO THE AUTOMOTIVE NEWS WORLD CONGRESS, DEARBORN, MICHIGAN, JULY 29, 1980

Just a little more than a year ago Secretary Neil Goldschmidt brought a flag of truce to Detroit. Three weeks ago President Carter effectively signed a treaty with the leaders of the auto industry and its suppliers, forming an alliance based on a mutual commitment to common goals.

That partnership is a shaft of sunlight in the otherwise gloomy atmosphere that has enveloped this city and its chief industry -- an atmosphere darkened by lay-offs, idle plants and corporate losses.

That situation was not helped, sad to say, when two weeks ago America's auto workers were offered nothing better than the separation of industry and government. To those who favor an arm's length attitude I have just one thing to say: all you can do at arm's length is point a finger!

It is not this Administration's purpose to find fault or fix blame for the auto industry's plight. It is this Administration's purpose to find a cure and get this vital industry back in high gear again. Our goals are your goals: jobs for Americans, a competitive U.S. auto industry, greater energy efficiency, a healthy environment, mobility for all our people, and a strong industrial base for international commerce and as a force for peace.

These are the industry's heritage. They are also its promise for the future.

Recovery will not be simple or quick. But recovery is possible and 'doable.' The short-term challenge is to put the recession behind us, and to deal realistically but not emotionally with the free trade/fair trade issue. Long-term we must improve the productivity of our industry, establish an indelible reputation for the quality of U.S. automotive products, and make our industry a competitive force to be reckoned with in international markets.

Our two most difficult problems, capital formation and import competition, challenge the greatest skills available to government and industry. The President is disappointed that the International Trade Commission will not deliver the report on its auto import investigation by October 12 as he had hoped. Imports took 27 percent of the U.S. market during the first six months of this year. A protracted investigation by the ITC threatens to add to the already severe strain on our domestic industry.

The problems of capital formation are also difficult and complex. The U.S. motor industry's investments in the redesign and retooling of plants and equipment are estimated to reach \$80 billion through 1985. Secretary Goldschmidt has been talking with leaders in the investment and financial communities to help assure the industry's access to the economic resources needed. Beyond that, President Carter is formulating a long-term economic strategy for the country, to assist in the revitalization of American industry.

The quick and easy answers are not at hand because we are going through traumatic times together. We must adjust as a nation to the shock waves of rising energy prices, aggressive international competition, and a downturn in the economy. The auto industry, long in the forefront of our economy, is bearing the brunt of these forces.

It will take all of us -- in the industry, in government and in labor -- working together, to reverse the process that has led to plant closings, dealership failures, 40 percent unemployment in the industry and red ink for each of America's four automobile producers -- including the largest quarterly deficit in General Motors' history.

The solution is not just a new version of the automobile; we need a new automotive vision for America -- a transformation that will do for the motorcar industry what the urban renaissance has done for downtown Detroit.

We can succeed in that endeavor, not by returning to the previous adversary relationship between government and the industry or to a "hands off" policy, but only by a government-industry-labor partnership committed to recovery and revitalization.

There was a time -- not long ago -- when the last thing an auto industry executive, or supplier, wanted to hear was: "Hello, I'm from the government, and I'm here to help you!" Industry doors have never been locked to the government, but they have not always been open. Now they are open, and I have even had suppliers call me and say they want to get involved with the government in our industry recovery program. It is, indeed, a new day in government/industry relationships.

The automobile industry is important to our country for itself and for the industrial foundation it provides for our security. The industry is the center of our manufacturing economy, and the industrial base that supports it is vital to our domestic economy and our presence in the world. As the President has said, we cannot -- and we will not -- permit a situation to continue which takes American jobs, threatens the American economy or allows the American industrial base to shrink under the force of international competition.

The wheels of response are already turning.

- This Administration's anti-inflation program is pointing us toward the secure economic base from which new industrial initiatives can be launched. Interest rates are coming down, and consumers are returning to the marketplace.
- The President's energy program has underscored the necessity for conservation. We are unlikely to see another shift of consumer preference back to large cars.
- President Carter supported and helped gain Congressional passage of the Chrysler Loan Guarantee Act.
- And on July 8 the President announced a five-point assistance package involving:
 1. A relaxation in certain air pollution standards, estimated to save the industry \$500 million;
 2. A six-month moratorium on new safety rules;
 3. \$50 million in Federal aid for communities and business firms hard hit by layoffs;
 4. A program of \$200 to \$400 million in loan guarantees for dealers; and
 5. Creation of an Auto Industry Committee, representing government, management and labor, to address common problems.

These are the first actions -- what has been called a "down payment" -- in the Administration's commitment to the renewed prosperity of America's auto industry. We envision a three-year recovery program, a five-fold increase in U.S. small car production capacity by 1983, and the eventual return of the imports to the 15 percent or so of the U.S. market they have traditionally occupied.

We have another -- unwritten -- goal: we would like to see boatloads of American cars some day leaving our shores for foreign ports. For that reason we prefer to maintain a free trade policy, but with assurances that it is also a fair trade policy. I am sure that we do not want to foreclose the freedom of our manufacturers to import their products or parts from abroad as the price of protection against foreign cars. Neither can we see trading protection of the auto industry for reciprocal protection barriers against our aircraft or farm products, and Japan -- I would point out -- is a major purchaser of both of these commodities.

At the same time, it is no bargain for us to reduce our imports of foreign oil if we do so at the expense of increased imports of foreign automobiles. What we must do is move to reduce the vulnerability of our industries to foreign competition, while we undertake an active program to improve our ability to compete in the world.

The auto industry is where we must begin, and where we must succeed.

How well we succeed, and how prominent U.S.-built automotive products ultimately become in the world market, depend to a large extent on what happens over the next 12 to 36 months.

Our first indication of success will be in how well the public accepts the new models coming out of Detroit this year and next. A favorable consumer response is important if the industry is to build the lender confidence needed for the second and third rounds of product and plant improvement.

Second, will the U.S. industry be successful in improving productivity? Automobile production is one of our country's older industries. By comparison, 25 years ago Japan did not even have an auto industry. Production facilities, therefore, tend to be more modern and productivity higher among Japanese automakers. Our industry experts tell me they expect to achieve at least a four percent improvement in productivity, as a result of the retooling of U.S. plants now planned.

Third, will U.S. technology produce new engineering advances and technical breakthroughs? The Administration has given priority to the cooperative auto research program, supported by Federal funds, to encourage basic research in the auto industry. The work now going on in materials, electronic and computer technologies, and in new propulsion systems --especially the electric car -- leads me to believe that we can expect some exciting things from America's automotive workshops in the next 10 years.

A fourth measure of success will be how effectively the new management/labor emphasis on product quality brings customers back to domestic dealer showrooms. I personally believe there is tremendous potential in the agreements already reached between management and labor for restoring the faith of the American consumer in the quality of Detroit's products. The pact signed in June between Chrysler and the UAW establishes a joint responsibility for the quality of assembly line work. A quality consciousness throughout the industry is an essential part of the overall strategy for recovery and revitalization.

Fifth, we will succeed when industry goals and national goals are meshed in a process that produces a strong domestic auto industry and a healthy national economy; maximum employment and significant energy conservation; free trade and fair international competition. A continuing, and increasingly effective government-industry partnership is essential to the melding of those goals.

One thing we must bear in mind is that an increased capacity for small car production will not, by itself, solve the U.S. industry's problems. The U.S.-built cars clearly must be equal or better than the imports, and the public must perceive them as good automotive values. As one industry executive said: "I used to get letters from owners bragging that one of our cars was delivering 25 miles per gallon; now I get letters complaining that the car gives only 25 miles per gallon."

In retooling to produce more efficient cars, America's automakers must also produce a more efficient industry -- motivated and equipped to compete with any other producer in the world.

As we look ahead together, there are -- I suggest -- two pre-eminent responsibilities we must accept, and fulfill, if our vision of today is to become the reality of tomorrow.

For one, the economy for the 80s, both in autos and in other basic American industries, must be built on a solid foundation of public/ private cooperation.

It is not enough to ask government to discard regulation of the auto industry, or for government to demand that industry produce a different car overnight. It is naive to assume that we can rescue the auto industry simply by freezing or freeing it from regulation.

It is equally naive to expect a highly evolutionary industry to produce a new product on command. We believe a partnership approach is far preferable and much more practical. If we are to assure the long-term economic health of our country, cooperation in the pursuit of that goal is essential. Government, industry and labor must have a shared agenda for the 1980s -- a partnership for America that deals with energy production and conservation, technical innovation, industrial revitalization, and a return to full competitiveness in the international economy. And just as the auto industry has been an early victim of change in our society, it must be in the vanguard of progress as we develop a new economic strategy.

In that context, President Carter has promised that he will consult with auto industry leaders in considering a tax cut next year, to ensure -- among other things -- that as the issues of depreciation allowances and capital formation are developed there will be specific relevance for the auto industry.

Another responsibility that I view as exceedingly important is a reassertion of the U.S. auto industry's competitive skills.

In the long term, beyond all that government can do, the U.S. auto industry must regain the confidence of the consumer. That is a task challenging the industry's resourcefulness as well as its resources. It is a task that dare not be postponed, and it is one that demands the most from the industry's well-respected competitive instincts.

As Secretary Goldschmidt has said, and I think it bears repeating, the largely negative attitude of the public toward this industry is, in his words, "a major obstacle to our ability to accomplish our national agenda. It weakens our prospects for successfully managing our way through this period of transition. It reduces our overall strength as a nation in responding to the world economic challenge. And it may restrict the options open to the government in assisting the industry in the future."

Today's car buyers want fuel economy, but they also want value. They want a quality product for their money, and they want service and satisfaction. There is nothing new in any of that. Except for fuel economy (it used to be styling), everyone shopping for a car has wanted the same things. We have simply come up today against a stiffer form of competition, and I am not sure that the average American company and the average domestic dealer have adjusted yet to the changes in the marketing process.

For that reason I urge that the leaders of the industry put at the top of their corporate agendas the goal of changing the public's attitude toward the industry -- because it is axiomatic that people must trust a company before they will trust its products.

Time magazine said it, too, in a recent issue. "The greatest challenge to the Big Three will be winning back customers who have defected to the Japanese."

The task may be hard, but together we are moving in the right direction. We have taken the first step. The new relationship between the auto industry and the government recognizes that we have a common competitor -- the foreign automaker.

The second step toward recovery is imminent in the 1981 models that will substantially increase the U.S. commitment to automotive fuel economy. I have previewed most of these new models, as have many of you, and I predict that while we may not push the imports back to the beaches next year, we are demonstrating conclusively that good automotive value in a small package does not have to wear a foreign nameplate.

The third step is the concerted effort the industry is making to sustain or regain customer loyalty, not only through quality products but through better service, better warranties and better marketing.

The fourth step in this recovery will come, I believe, as the industry demonstrates, and the public perceives, a growing corporate concern for the broad and long-range needs of the nation and for the interests and well-being of our people. Perhaps the most effective answer we can give to the Japanese intrusion in the U.S. market is to offer that extra measure of service to people, and a clearly visible commitment to the ideals and the values we cherish.

I am not suggesting philanthropy or charity. I am suggesting that when we ask people to "buy American" we give them good reason to do so -- not because of the quality of the product alone, but for the reputation of the company as well.

The economy of our country always has been premised on competition in the marketplace. That is where our efforts and our products have always been, and always will be tested. In determining what the automotive world is coming to, and what our place in it will be, we must -- above all -- reaffirm our belief in competition, and our confidence in the ability of American workers and American business, in a partnership with government, to take their products to the international marketplace, and meet the competition head on.

I am confident that together we can make the next 75 years of American automotive industry progress greater than the first.

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