

DRAFT

TALKING POINTS FOR
SECRETARY ELIZABETH HANFORD DOLE
AUTOMOTIVE ORIGINAL EQUIPMENT MANUFACTURERS INC.
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Draft prepared by: John Demeter

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* I have just returned from three days of travel -- observing National Transportation Week by sampling the various forms of transportation in America and meeting with many of the people involved in transportation industries and professions.

* I'm very pleased to be able to conclude the week's events by meeting with you this morning. Because the motor vehicle is still the mainstay of our mobility -- and the Original Equipment Manufacturers a vital part of that industry as well as our national economy.*

* I'm glad to have this time on your agenda, too, because we are experiencing the long-awaited resurgence of the domestic auto industry, with most forecasts indicating that this will be a good year for auto manufacturing and sales. At least one major U.S. company has announced plans for increased production -- up eight percent in the second quarter and 40 percent in the third quarter, over the same periods a year ago.**

* The things that soured the economy for the auto industry -- runaway inflation, high interest rates, energy instabilities -- are now the things that mean better days ahead for all of us.

* As President Reagan said when he took office, we have had to get government spending under control, restore consumer purchasing power and improve productivity again.

* We have made real gains in all of those directions:

* According to AOEM, they have facilities in 45 states and North American sales volume is \$15 billion annually.

** Ford Motor Company, as reported by company Chairman Philip Caldwell, May 12, 1983.

- Three years ago inflation was 12½ percent and making a mockery of wage increases. Auto companies were announcing price increases three and four times a year, and supermarket shelf prices seemed to go up every week.
- That has changed -- dramatically. The inflation rate in recent months has been measured in tenths of a percentage point; over the past 12 months it has totalled less than four percent. In April prices of finished goods fell 0.1 percent for the second month in a row.*
- Interest rates in 1980 had exceeded 21 percent. Today the prime rate at major banks is 10½ percent and new car loans at competitive rates are again available.
- The President has cut the rate of growth in Federal spending from the 17 percent level (the year before he took office) to 11 percent in 1982 and to eight percent this year.
- Median income families have benefited from the President's income tax reductions, and from the drop in inflation. Families in the \$25,000 range today have \$1,500 more in purchasing power in the marketplace than if inflation were still at the 12 percent level. They are also \$300 better off from the tax point of view -- and that's not counting the third increment of the President's tax cut due this year.
- For the first time in recent memory, economists are calling the Administration's forecasts of three percent real growth in 1983 and four percent in succeeding years "modest" and probably understated.

* Worker productivity jumped 4.8 percent in the first quarter of this year, the biggest single gain in two years.

* According to the Labor Dept., May 14, 1983.

* Dick Rahn, chief economist for the U.S. Chamber of Commerce, recently said -- and I quote: "We appear to be on the brink of having both worlds: a period of no inflation coupled with economic growth."*

* As the economy moves into high gear, production will increase. The Federal Reserve Board recently reported that industrial production went up 2.1 percent in April -- the largest monthly increase in eight years.

* This upturn is also reflected in domestic auto sales, which are showing significant improvement over a year ago. The daily sales rate for early May, as I am sure you are well aware, was the best in four years and translates into an annual rate of 6.8 million cars.**

* This means better days ahead for the members of your organization, and for the companies who assemble the products you manufacture.

* The changes we are experiencing in the auto industry, and throughout transportation, have come partly as the result of dislocations in our economy. But, as usual, we have again demonstrated the American genius for turning adversities into benefits.

-- For example. the energy problems of a few years ago generated gas lines for awhile, but they also produced a whole new generation of more efficient cars.

* As reported in the Washington Post, May 14, 1983.

** According to Automotive News, May 16, 1983.

- The foreign challenge has added to unemployment and the despair that always accompanies industries in transition, but it has led to long-needed efficiency and productivity improvements in the domestic auto industry.
- Inroads that the Japanese and German producers have made into the American auto market have changed the attitudes of both management and labor in the U.S. auto industry. There is a new respect for the importance of the worker, and a new pride of workmanship on the part of labor. I think there is compelling evidence that quality is "job one" -- not just with the company that has embraced that slogan, but all through the industry.

* Higher quality products are leading to greater consumer confidence -- and that is the key to the resurgence in domestic auto sales that all of us want.

* According to a recent industry survey,* U.S.-produced cars rate high with the public on styling, availability of parts and service, and safety.

* Consumers perceive American cars to be safer -- offering better protection to their occupants in the event of an accident. I believe this is an area of real importance as well as one of great personal concern.

- In fact, one of the most gratifying transportation developments this year has been the decline in highway fatalities. Deaths were down by more than 10 percent -- due in part, we believe, to stronger laws states are enacting against drunk drivers and the tougher penalties judges are handing out.

* By J.D. Power and Associates, Los Angeles, California.

- For years, lax laws and lenient judges let motorists get away with murder on our highways. Today that is changing because aroused citizens generated a protest against drunk drivers that has led to an increasing number of new state laws and a growing safety consciousness all across America. The Presidential Commission on Drunk Driving has helped to highlight those grass-roots efforts and focus national attention on the severity of the problem. Congress has followed up by voting incentive grants for states that take a tougher stand against drunk driving.
- The anti-drunk driving campaign is having an impact. And we are not going to relax our efforts or allow this momentum to fall by the roadside. President Reagan has extended the term of the special Commission, and we will continue our efforts at the Federal level both to curb drunk driving and to increase the use of safety belts by all motorists and passengers.
- As you know, we are engaged in a nationwide program, with extensive private sector participation and support, including the auto industry, to encourage greater use of safety belts. This is a high pay-off area. Every one percent increase in safety belt usage will save about 200 lives and prevent 3,000 injuries nationwide. Analysis by safety experts show that the best way to influence safety belt use is through employer safety programs. We recently put that to the test at the Department of Transportation, through an employee education and incentive program. We began with 23 percent compliance. Within a month we raised that rate to 50 percent and now, after several months of safety belt emphasis and education, we are at 62 percent. So I recommend it to all employers as a proven way to make highway travel safer.

- * We are also making travel safer by seeing to the needs of our nation's highways -- both completion of the Interstate and the repair of aging roads and bridges.
- * The nickle-a-gallon increase in the Federal gas tax, authorized by the Surface Transportation Assistance Act, will provide about \$5 billion more a year to pay for road repairs and for the rehabilitation or replacement of bridges. We're putting this money out to the states as quickly as possible. We awarded \$2.9 billion to the states in the first quarter of this year and will fund more than \$12 billion for bridges and highways over the full year -- the highest levels in the history of the Federal highway program.
- * The increase in capital outlays for 1983 should also mean more money for the Interstate System. For calendar year 1983, an estimated \$5 billion will be spent on the Interstate system, up nearly 15 percent from calendar year 1982.
- * The gas tax legislation also set higher user fees on heavy trucks.
- * The extensive cost allocation study completed last year showed that the heaviest trucks had not been paying anywhere near their fair share of highway costs. The higher fee schedule will be phased-in over a five-year period so that truckers, and the small independent operator in particular, are not hit with a sudden increase. Even with the new fees, however, they will still pay less than their fair share -- an estimated 69 percent by 1985 and only 73 percent when the tax is fully implemented in 1989.
- * Even with the fuel increase and other tax changes, truckers stand to enjoy a \$3.2 billion net gain in benefits over costs. This is because the new law authorizes trucks of up to 80,000 pounds gross weight, including "double trailers," to use the Interstate system in all the states and to operate on designated sections of the Primary system.

* We had hoped that the states would be responsive to the use of double trailers on qualifying routes. But a number of states, predominantly in the Northeast, registered objections to the sections of non-Interstate roads added by the Federal Highway Administration to provide a system of connected routes. The problem was that, while some states came in with a good system, carefully thought-out and designed to assure route continuity, others sent in maps with bits and pieces of routes that left gaps. The Federal Highway Administration tried to amend those proposals to produce a workable route system but a number of states challenged those additions, so we "de-designated" those routes from the Interim system. We are continuing to work with the states to reach agreement on a route structure that is mutually acceptable and provides adequate access to major freight centers.

* The end result of all these changes, we believe, will be greater productivity in the trucking industry, better service to shippers, and lower costs to consumers -- with no compromise in safety. There is, in my judgment, no responsibility more important than safety -- on our highways, to be sure, but in every aspect of transportation as well.

* For that reason, I believe some practical experience with respect to air bags would be very useful in our efforts to determine the relative merits of the alternative passive restraint systems.

* We are, therefore, arranging to equip 5,000 cars in the Federal government's auto fleet with air bags. We are also negotiating with three or four state police departments to retrofit 500 more cars with driver-side air bags. A contract was signed recently with a firm in Arizona that will design and produce the air bag retrofit kits. The state of Arizona has agreed to equip 130 of its cars with the air bags. We will encourage the private sector to make air bag cars available to the public. I will also talk to major

fleet operators in the business community to urge them to experiment with air bags, and I am hopeful that the insurance industry will work with me to take a more active role in safety matters.

* In concluding, let me pass along a recent comment by an auto plant worker that I believe says volumes about the changed attitude within the industry. "I've seen workers who never used to care," this man said. "Now they're saying: 'This is my job and I have to protect it.' Sure, its been a rude awakening, but anyone who says the American worker can't build top quality cars is just plain wrong."

* There is a new sense of commitment in Detroit today, just as in Washington. Both have to do with pride -- in our country and in what we produce. Both are concerned with value -- for the taxpayer and for the consumer. Both see a new prosperity and a future rich in opportunity -- for our country and all our people.

* Your industry has a vital part to play in that future, just as you have in the past. We have come through some trying times, but I am convinced that your industry -- and our country -- will be the better for it.