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AUTOMOTIVE SUPPLIER ACTION COUNCIL  
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As many of you know I was recently in Detroit for a visit with the Big Three. It was a good trip and we packed an awful lot into two days. But I guess you can't really get a feel for the city unless you stop for a bite at Lafayette Coney Island or watch the cars zooming down the local drag-strip called Woodward Avenue. So I look forward to going back soon.

This is actually my third speech to an automotive group. While I was in Detroit I spoke to the Motor Vehicle Manufacturers Association and back in April I talked to the Association of International Auto Manufacturers.

Since April there have certainly been challenges: but the trend lines are up. Together -- with you and others -- we faced a major rail strike without seeing crippling economic damage. While at the same time, the Administration unveiled a new dynamic policy to save America's Merchant Marine and pumped billions of dollars into this nation's infrastructure for airports, mass transit and highways.

We expect more surprises, of course, and plenty of hard work ahead. But I can say things appear to be headed in the right direction.

This week, in fact, marks the occasion when back in 1938, Douglas Corrigan -- just another American airplane pilot -- took off from New York, supposedly to fly to California. The next day he arrived in Dublin, Ireland after an outstanding job of flying a plane that he insisted had taken him the wrong way. From that point on, he became known to history as "Wrong Way" Corrigan and his name has been symbolic of a total reversal of direction. Many suspected that "Wrong Way" Corrigan had actually known exactly where he intended to go all long -- but he just didn't advertise it.

The world in its time has often been advanced by those who did not hesitate to take a sharp turn in a different direction. And I wholeheartedly agree with so many others that the American automotive industry has made a dramatic turn in a new and better direction -- one stressing quality and manufacturing excellence.

The American people have seen this and responded enthusiastically. The Big Three have grabbed back a point and a half of market share from the Japanese in the first five months of this year. And although the pace of new cars sales has slowed compared to last month's



record level, we believe that the industry will continue to make a comeback.

I must tell you how impressed I was by what I recently saw in Detroit. By Ford's new modular engine design ... by Chrysler's impressive new Technology Center ... by General Motors' new electric car. America's automotive industry is making a dynamic and dramatic comeback and we -- President Bush and this Administration -- strongly support your efforts.

We know how vital the American automobile industry is to America --how one in every seven jobs in this country is directly tied to your industry.

But you do more for the nation than simply create jobs -- your industry is on the cutting edge of new technological innovations. Your research and development in ceramics ... battery powered engines ... alternative fuels ... IVHS technology ... will help define the future of international vehicle design and manufacturing. Equally important, your efforts in these high-tech developments will further our common goal of reducing congestion and pollution, and enhancing safety and fuel efficiency.

Of course, the question on your minds is what can we do to help your industry stay on this dynamic course -- of meeting the competition and satisfying customer needs

and wants. That's what I would like to talk to you about briefly this evening.

While trade and foreign imports are not a part of my purview as Secretary of Transportation, as a member of the President's Cabinet, I can say that President Bush, his Secretary of Commerce and his Special Trade Representative are all working hard to open those foreign markets. And I strongly believe that as a result of the President's earlier trip to Tokyo, headway has indeed been made in addressing a number of bilateral trade issues with the Japanese.

Already Japanese automakers have drawn up voluntary plans to increase auto parts procurements from the United States and progress has been made with them on auto standards and certification issues. In fact, I just read in the New York Times how Toyota is adding Chrysler as an auto parts supplier.

Of course, more still needs to be done , especially to counter the anti-competitive practices of the "Keiretsu" (KAR-RET-SU) system -- which is nothing more than a cartel. But the way to go about it is through tough negotiations and aggressive enforcement of already existing trade tools. Passing legislative proposals that would impose auto quotas or any other form of



protectionism simply won't help the American consumer or your industry.

We are committed to opening markets, not building barriers.

The Administration is especially committed to revising laws which restrain you from investing and working together to compete worldwide. The ankle weights of antitrust laws -- many of which are no longer relevant in a global market -- are coming off. Your industry's efforts to pool information and costs in the development of new technologies is to be encouraged. And we support many of your joint ventures --including your recent partnership to study the development of better crash-test dummies. To borrow a pun from the Wall Street Journal, that truly is a venture "destined for disaster."

We are also committed to lifting the regulatory burden on your industry. We are slashing red-tape in order to strengthen your ability to compete in the international marketplace. Simply put, we will no longer allow unnecessary federal regulations to hold back your industry. And the Department of Transportation has been at the forefront of the Administration's effort to pare down existing regulations.

Every one of DOT's operating administrations has looked at every single regulation with a critical eye as to its usefulness. We're now busy scrapping those that don't work or revamping them so they do. For the foreseeable future, our rulemaking will be subject to this one, simple golden rule -- does it make sense?

And one series of regulations which doesn't make much sense concerns fuel economy standards.

As I said recently in Detroit, the report by the National Academy of Sciences independently confirms what you and the Administration have been saying for years about CAFE -- that the program is seriously flawed.

The NAS study confirms our belief that achievement of energy conservation in the transportation sector simply cannot rely on fuel economy standards. The NAS study supports our view that large cars are generally safer than small ones. And the NAS study exposes the problems of applying a single fuel economy standard to all manufacturers.

As I also mentioned in Detroit, I have decided not to go ahead with the Phase 2 study of CAFE. Because of the comprehensive nature of that study, we believe we have the information we need to move ahead and formulate policy.



Regulations governing safety standards for motor vehicles are also being closely reviewed. And my new Acting Administrator of the National Highway Traffic Safety Administration -- Marion Blakey. -- will now be working closely with you on these safety issues.

You will find Marion to be an aggressive promoter of safety through public education and our initiatives with states and localities. With her broad experience in government, she will be actively conscious of the need to coordinate regulatory activities, not just within DOT, but government wide.

While our commitment to safety always remains a top priority, we're equally committed, as I said earlier, to regulations that work and that can be phased in appropriately and that make sense for all of us.

In fact, the auto industry has shown that it is ahead of the curve on many government requirements for safety -- and I know it will stay that way.

You're offering air bags on a faster schedule than the law requires, you're making anti-lock braking systems increasingly available on a wider selection of models, and you've taken the lead on tackling the problem of safety belt fit. It's not surprising that one size really doesn't fit all. Differences in height and weight do make a difference. "Refrigerator" Perry -- Chicago's

massive defensive lineman -- and Art Monk -- Washington's svelte wide- receiver -- definitely don't match up with a seat belt in the same way.

Again, your industry has responded quickly and decisively to engineer a solution: all without government direction. We have recently issued an advance notice of proposed rulemaking on the fit of safety belts, and look forward to your insight into the problem.

To help your industry become more productive and efficient we are also attacking those regulations which hinder the flow of your goods to market -- be it across state lines or across international borders.

I don't have to tell you how much your industry continues to pay as a result of outdated state imposed trucking reg's -- some \$565 million a year. And we are urging the Congress to pass legislation to eliminate the last vestiges of trucking regulation at both the federal and state level. Finally, through new Maritime reform policies, we hope to make the seas less costly for your shipping needs.

Overall, only by working together on these and other issues, can we boost your industry's and America's competitive stance in world markets. The days of confrontation between government and business are



over. Cooperation is the watchword of this and the coming century.

The Administration is committed to free market solutions to your problems. It is committed to eliminating restrictions which blunt your competitive edge. And it is committed to involving you in our rule making process.

Only by pulling together as a team, can we become Gold Medal winners in the tough race for global markets. But unlike "Wrong Way" Corrigan, we plan to let the whole world know what direction we are headed.

Thank you and have a good evening. Let me now open the floor to questions.

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