

SECRETARY OF TRANSPORTATION ANDREW H. CARD JR.
ASSOCIATION OF INT'L AUTO MANUFACTURERS
WASHINGTON, D.C.
APRIL 15, 1992

Thank you ... (acknowledgements).

You must see a lot of crazy things in your business ... Well, as the Secretary of Transportation, a lot of interesting things cross my desk. For example, there was the brief note that British Airways -- the sometime airline of royalty -- was carrying a very special VIP from Saudi Arabia. In this case, the VIP was a Very Important ... Potato. That's right, a thirty-pound spud which was being transported to London. The mission -- to have its size verified by a National Vegetable Society judge in hopes of being proclaimed as the world's biggest potato.

Then there was a report I got on HOV lanes. Included, was a description of why one woman refused to carpool -- though she was the very picture of someone who should. Her comments were unique. She said she quit car pooling -- and I quote -- "because the people I commuted with were total geeks and I loathed every moment I spent with them." So much for the DOT expert who said car pooling reduces stress.

I could go on forever. There are even some travel horror stories that would make the movie "Trains,

Planes and Automobiles," look like a good example of intermodalism.

The point is: expect the unexpected -- or more to the point -- expect change. The world is changing

And so is the world's economic order.

It's a world in which products, markets and even business strategies are merging.

Stock markets know no time zones.

Entire industries make production decisions with virtually no reference to national boundaries. And there is increased competition between companies and increased cooperation among companies.

Look at your industry. Today it's hard to find an automobile company that does not have a joint venture or production arrangement with a foreign competitor. "Made in the World " could replace "Made in Japan or "Made in Germany."

THE CHALLENGES AHEAD

The automobile industry -- like the world community of nations -- is becoming more interdependent. There now exists a common set of concerns and goals. As a result, your industry will face in the months and years

ahead the collective challenges of trade barriers, pollution, safety, fuel efficiency -- and the economy!

The latest evidence is that the U.S. economy has begun to recover. The Dow just passed 3300 to set a new record. Corporate profits jumped to a 3.4 percent annual rate in the fourth quarter. And businesses plan a 6.5 percent increase in expansion and modernization spending this year.

This good news has been echoed by the Blue Chip Economic Indicators -- which reports the forecasts of the 50 leading economists. They expect growth to top an annual rate of 3 percent during the quarter beginning in July.

As the U.S. economy shows signs of picking up steam, so should vehicle sales. Sales of new cars and light trucks have been up now for four straight months. And consumer confidence seems up.

The trends are up then -- for the economy and car sales. Maybe not as much as we would like them to be ... but in the right direction nevertheless.

TRADE BARRIERS

International trade contributes to the economy's movement. Trade is the engine of growth for the U.S.

and the global economy -- your industry is a vital contributor.

The President is firmly dedicated to open markets and free trade. He continues to push for a GATT agreement, to knock down trade barriers wherever they exist, and to create a North American Free Trade Agreement to unlock the potential markets of Mexico and Canada.

We need your help in easing restrictions on world trade ... And we need your help to encourage countries around the globe to embrace a more free market approach -- one which will allow for a more level playing field for industry competitors.

INCREASED DEMANDS ON INDUSTRY

Even if the world economy expands and more nations embrace free and open markets, selling cars will not be easy. There are still a lot of challenges facing you.

The very means of production, of manufacturing, is changing. Henry Ford's assembly line is being refined globally by small, flexible regimes based on "just-in-time" production. Every year more electronics need to be integrated into the total product package -- to

increase fuel efficiency, to respond to the Clean Act Act, to improve safety. And more and more, you will be moving to "smart cars" using IVHS technology.

But of all the challenges you face, the biggest is the consumer. They are well educated and know exactly what they want -- before they enter the show room. In short, they are becoming ever more demanding.

SAFETY: A TOP PRIORITY

Quality and safety have taken a front seat along with style and accessories. Consumers are now equally concerned about air bags, roll-bars and anti-lock brakes. But you -- to your credit -- have responded quickly to these demands.

You have listened and are making airbags available in nearly all passenger cars, light trucks and vans by the 1995 model year -- as well as introducing anti-lock brakes and installing lap and shoulder belts in the rear seats of cars.

This quick compliance with consumer needs and wants only confirms what we believe: that ultimately, it's the consumer who dictates change -- not just industry or the government.

I've watched somewhat in amazement how this new technology has played a role in helping bring down this

nation's highway death toll. It's down to its lowest level in 30 years -- even though the number of vehicles on our highways jumped dramatically and the miles traveled have more than doubled.

Yet, even here more needs to be done. In the cause of safety, there is no finish line. We have to get the word out to "buckle up."

NEW REGS BOLSTER SAFETY/CLEAN AIR

We also have to make our cars even safer. We are taking a look -- a hard look -- at requiring such safety provisions as ... increased side crash protection for light trucks and vans ... protection against rollover ... and booster seat improvements.

Safety is a top priority for this President. And while all federal rules -- other than those required by the Congress -- have been placed on hold in accord with the President's moratorium, there's no going back. We aren't looking to undo safety requirements.

In fact, it was the President's concern over safety that caused him recently to announce in Detroit that he was not going to require that you equip cars with on-board, canisters. Instead, vapor recovery systems will be required at filling stations -- where they will collect pollutants at the source.

And speaking of clean air requirements, no doubt all of you have heard of the President's innovative "cash-for-clunkers" program. It's an important way to harness the power of free markets to curb air pollution.

The principle behind this program is really quite simple: give more flexibility in meeting clean air standards, while removing high-polluting cars in the process. It's a win-win situation for consumers, industry, the environment.

NAS STUDY: POINTS OF AGREEMENT

So far, I've talked about the economy, markets and safety. But I know you also want to hear my response to the long awaited report on automotive fuel economy from the National Academy of Sciences.

It's a comprehensive report and I won't go into all the details-- you lobbyists get paid for doing that and so do a lot of people at DOT. Let me just go over those points of the study which confirm our findings:

- The report confirms what we in the Department have been saying for years: the CAFE process is flawed. To quote from the report: "the CAFE system has serious defects ... it's increasingly at odds with market signals ... it does not present equivalent technical or financial challenges to all manufacturers

... and [it has had the] most severe impact on the full line manufacturers."

- The report also bolsters our belief that there are other and better ways to encourage energy conservation without having to rely solely on fuel economy standards.
- And, I should add, the President **will veto** any CAFE legislation that threatens to destroy the auto industry or cost Americans jobs.
- The report also makes clear the folly of "a" single number for fuel economy. We all know that there can be efficient big cars as well as efficient small cars. And the public has a right to expect cars that suit their specific needs -- of more performance, more comfort, more amenities, and safety
- And that's of particular concern to me. The study supports our claim that **fuel economy achieved at the cost of decreased weight has the potential for decreasing safety**. The study positively confirms our finding -- and the simple laws of physics -- that in car-to-car collisions, large cars are safer than small ones.

Overall, the National Academy of Sciences agrees with us about the relationship between safety and fuel economy. If there is to be increased fuel economy and

improved safety, then all of us must share the cost -- not just the government, or the consumer or the manufacturer alone.

Of course, we don't agree with everything in the study. But there is more to it and you'll hear about it later from us.

CONCLUSION

In closing ... as I said at the beginning, the world order is rapidly changing. We are all becoming more interdependent and more internationalized as we approach the 21st century.

You are in the front lines of this process.

And you must lend your support to efforts to free markets -- to expand world trade and bring down restrictive trade barriers.

The free market system drives the new world order -- and it is a better world. The President is committed to this goal -- and I know you are too.

Thank you. Have a good evening and a safe trip home.

###