MAY 16 1966

Congress gets ready to legislate safety

Pressure on auto industry is expected to ease as emphasis shifts from publicity of defects to the task of writing a safety standards bill—while Detroit and its critics look on

Washington's auto safety drive seemed ready to shift gears this week from the headlined spectacle of Congressional hearings to the quieter infighting of actually writing an auto safety law.

And as hearings on President Johnson's proposals for federal safety performance standards neared their conclusion, auto makers had reason to hope that their 1966 publicity ordeal would begin to ease.

The shift in emphasis would come none too soon from Detroit's point of view. Auto makers were still shuddering from the impact of their admission last week that 8.7-million cars had been recalled since 1960 for checking of possible design or assembly defects. The call-back reports, requested and made public by Senator Abraham A. Ribicoff (D-Conn.), gave the industry two worries:

- That Congress would be less inclined than ever to provide the industry with safeguards against overzealous and crippling federal standards.
- That the publicity would give new impetus to a growing number of product liability suits that charge its cars with causing accidents.

Industry goal. Detroit's main lobbying effort, as closed-door committee sessions on the auto-safety bill begin within the next few weeks, apparently will be to limit the federal standard-setting power that the bill will create. Specifically, the auto makers have asked that federal authorities be required to consult with the states, and that detailed criteria be established to prevent freewheeling standard-setting.

Michigan Governor George Romney, once president and board chairman of American Motors Corp., urged similar restrictions on the House Commerce Committee this week. He went even further by saying that the Administration or Congress should confer with the 50 governors before passing any legislation. The purpose would be to establish machinery for federal-state partnership in setting standards.

Romney added an economic warning: An auto purchase is postponable, and if the public is led to believe "prematurely" that dramatic new improvements are in the offing, sales declines could "put the automobile industry into a tailspin"—and drag the economy down with it.

Detroit's chances. The auto makers apparently will win at least part of their objective from the House Commerce Committee. Chairman Harley O. Staggers (D-Va.) says committee members "intend that the states be involved in this—all the way." He also indicates that the committee plans to provide tighter guidelines for governing federal standard-setting than those proposed by the Administration. But Staggers also says firmly that "the time has come when something must be done."

The Senate Commerce Committee is expected to produce its version of the bill first—one that is likely to be tougher than that written by the House.

Call-backs. Auto makers were handed a more immediate problem with Ribicoff's release of the call-back reports he had requested from the four auto makers—details of 426 recall campaigns that involved 8.7-million cars. Ribicoff said he was "startled by the size and the percentage" of the call-back campaigns. And noting that many of the defects were mistakes in assembly, not design, he added that quality control is a problem that "management and the labor unions both are going to have to address themselves to."

But Ribicoff had praise for recent call-back letters spelling out any safety defects involved. "I do think there has been a decided change," he said.

Absorbing shock. To soften the impact of the call-back publicity, Detroit is stressing several points:

- Defects are inevitable in a product that has some 14,000 parts coming from thousands of suppliers.
- Not all the defects were safety hazards; they included wind noise, vibration, and missing ash tray lights.
- Most campaigns were initiated without any customer complaints. At Ford, for example, 49 of 57 recall efforts were based on company inspection.
- Many defective cars were caught before they reached the customer.
- Even when only a small number of cars were involved, the companies recalled thousands to make sure all were caught. Chrysler, for example, is now checking 16,704 cars to locate 260 unsatisfactory wheel welds.

Criticism. Still, some critics think the recall campaigns are not effective enough. At GM, for example, only 21 of 171 campaigns (about 13%) got all the cars back.

The critics admit that it is impossible to achieve 100% recovery on all call-backs. But they say Detroit might do better if it didn't depend entirely on the dealers, who, for one thing, don't make as much profit on call-back work as they might make on other service jobs.

"Sometimes dealers are irresponsible and don't take the time necessary for an effective campaign," says a management consultant to the industry. "Customers should be required to sign a certificate that the change has been made. As it is now, the dealer can sign even if the defect is not corrected—and the auto company would never know."

Another problem in getting the cars back, says one dealer, is that many customers think letters from dealers are a "sales gimmick."

Improvement. To improve call-back procedure, GM announced this week that divisions rather than dealers will be required to notify the customers involved. No date was specified for adoption of the new system.

Labor, for its part, had a word for both sides in the dispute. The United Auto Workers broke silence this week to support federal safety standards so long as auto makers are given "sufficient latitude for creative and imaginative product design."

But the union tossed quality control back at management. Too often, said UAW President Walter Reuther in a statement submitted to the House Commerce Committee, standards "are either lacking or disregarded." Reuther blamed "insistent demand that production lines keep moving no matter what the sacrifice in quality or in the creation of potential driving danger."

ket"—were no longer heard. Replac

Piled-up inventory of new cars set the stage for production cuts. Here are GM cars at the Linden (N. J.) staging area.

117,000 in May a year ago. For June, the company expects to build 136,000 passenger cars, compared to 134,485 in June, 1965. The shutdown will cost Chrysler 4,700 units.

American Motors Corp. said it planned no schedule reductions.

The sag at GM. Thus, as one observer put it, "This looks like a GM, not an industry, adjustment."

Actually, since the first of the year, according to Ward's Automotive Reports, GM has been consistently running behind its huge output in the 1965 period, when its plants went flat out trying to catch up with the backlog of orders created by the strike losses in the fall of 1964.

GM's production since January through the first week of May is off about 12%, compared to less than 1% for Ford and a gain of over 4% for Chrysler. American Motors suffered the most, with production off by about 20%. Total industry production has declined about 3.7%.

Hardest hit of the GM divisions is Chevrolet, particularly its small rear-engine Corvair, whose sales this year have been halved—partly as a result of adverse publicity on safety. Of GM's five divisions, only Pontiac showed a sales gain.

Chevrolet, racing against Ford Div. to maintain the industry's No. 1 position, has lost about half the commanding 140,000 lead it held at this time last year. In an obvious move to overcome the lag, Chevrolet has launched a massive advertising campaign on the theme: "Forget that '66 Chevy list prices start at $2,028. Beginning now, for a limited time, you can work out your own deal."

Next moves. What really concerns industry observers is not so much the present cutbacks, as whether they indicate further readjustments in the 1966 model run.

New car inventories not far below 1.6-million are at a record high. A more significant figure, however, is the days supply in the distribution pipelines—the number of new cars in the field divided by the selling rate. This figure stood at about 53.5 days supply at the end of April, against 40.4 days last year, when sales were running slightly higher.

On the other hand, the industry is still selling cars at a pace that, except in comparison to last year, can be considered nothing less than fantastic. Though last year's picture was distorted by post-strike buying, total sales through April this year were off only about 1%, and when you add in sales of imports the industry in the first four months actually topped 1965.

Change-over. Industry reports also indicate that the model change-over period will be much like last year's—starting in July with new model introductions scheduled for late September and early October, also matching the 1965 schedules.

One spokesman pointed out: "There are only 10 more weeks of the 1966 model run, and you naturally start reducing schedules." But last year, June production hit almost 900,000 units, and nobody expects such a fast finish this year. One estimate puts June output just over 800,000.

Ordinarily, as the industry adjusts its production during the model year runout, production cutbacks during the past few years have been accomplished by a reduction in overtime, not by short work weeks.

II. A batch of causes

Since the first of the year, a lot of things have ganged up on the industry. Dealers around the country blame these among other factors for what most admit is a slowdown in sales after a booming March: the added Social Security tax that started in January, the additional withholding tax, tighter credit for both customers and dealers, the calling up of men for Vietnam duty.

But uppermost in the minds of most dealers is the effect of the furor over safety. Many, though not all, call this the chief cause of the current dip in sales. Said a Cleveland dealer: "We don't get questions on safety from the people who come in—it's just that fewer people are coming in. That's where this safety factor shows up."

Dissenters. Dealers in Pittsburgh and Chicago aren't so sure that "all this hogwash out of Washington" has affected sales. Some West Coast dealers are also dubious of the safety factor. One attributes a sales decline—540 new units sold since January this year compared to 705 units in 1965—to government indecision on inflation control and taxes. "People are just too jittery to spend money on cars," he says.

In Houston, a Chevrolet dealer remained grittily optimistic: "As far as I can tell, nobody is upset about safety. Our customers aren't asking questions about safety features, and sales are just about the same as last year—and that includes Corvairs."