UNITED STATES OF AMERICA

Congressional Record

PROCEEDINGS AND DEBATES OF THE 90th CONGRESS
FIRST SESSION

VOLUME 113—PART 11

MAY 25, 1967, TO JUNE 8, 1967

(PAGES 13967 TO 15308)

UNITED STATES GOVERNMENT PRINTING OFFICE, WASHINGTON, 1967

objectively. Then we can move forward provided all parties work together in good faith and follow sound operational procedures.

Another significant matter which can have far-reaching implications for education is a nation-wide assessment of education. Education, like any other important social endeavor, needs to be objectively evaluated. Such an evaluation would give us a better understanding of our achievements and the strengths and weaknesses of our educational system and would provide a basis for making decisions affecting education. The concerns which board members should have are: who will administer this evaluation, and what uses will be made of the results?

We must always keep foremost the thought that the strength of the nation lies in the hearts, the minds, the spirit, and the conscience of the people. The nation's welfare lies not in the laws of government but in the honesty and the moral responsibility of its citizens, which are acquired through an effective educational program. Board members must be aware of their creative role, their service role, and their leadership role if we are to see the full realization of our nation's democratic ideals.

Mr. BYRD of West Virginia. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that further proceedings under the order for the quorum call be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

Is there further morning business?

DISCRIMINATION AGAINST THE BLIND

Mr. MILLER. Mr. President, the eminent columnist, Bob Considine, has written a warm article about the very able director of the Iowa Commission for the Blind, Kenneth Jernigan. The article appeared in the Cedar Rapids Gazette of May 23, and in other newspapers around the Nation.

The headline of the column, "The Blind: 'So Loved and Discriminated Against,'" sums up the content. The article merits the attention of everyone.

Mr. President, I ask unanimous consent that the article be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Cedar Rapids Gazette, May 23, 1967]

THE BLIND: "SO LOVED AND DISCRIMINATED AGAINST"

(By Bob Considine)

NEW YORK.—Kenneth Jernigan, director of the Iowa Commission for the Blind, directs his crusade in the eternal night of his sightlessness. But his vision of a new day for the blind is strictly 20–20.

"The blind have a serious complication: Nobody hates us," the educator said. "We are discriminated against, like the Negroes and other minority groups. We can't go here, we can't go there. Jobs we could handle are not available to us. But it is difficult to rebel, to stand up for our rights as citizens and human beings, because we are so loved. And pitied.

"Aside from cancer, blindness is the trouble people fear the most. But at Des Moines we teach the newly-blinded what we feel is a new outlook on sightlessness. We think of it as a characteristic, one of perhaps 500 each human being has. Each characteristic, in a sense, is a limitation, but it does not destroy the whole man. Nor should he permit it to destroy him.

"For example, I can never own a car driver's license. Is that sad?" It might be for you but not for me. I don't want to drive a car. Years ago I thought it might be nice to be a jockey. But I was cut off from pursuing that kind of life not by blindness alone but by another characteristic: I weigh too much.

"I would not have hired Albert Einstein to teach at our place in Des Moines. He had two characteristics which would have made him a poor member of the facility: He was too intellectual for us, and was easily bored.

"The Negro has reacted strongly to the discrimination against him. Some of the reaction to the hostility against him has resulted in his going in for riotous disorders—which have only short-term value. Progress lies beyond that, one hopes. But hostility is a sign of progress. Every ethnic group that progressed in this coutry went through a period of hostility—the Irish, Italians, Germans, Scandinavians, Jews. They rebelled against that hostility and won equality. The blind tend to be smothered in kindness."

Sometimes, sympathy can rile a blind person. Jernigan said:

"We get a lot of people who mean well, God bless them, and when they are attracted by something we say or do they in turn will say in a most surprised way, 'I'd hardly know you were blind.' It's like saying to a Negro with a doctor or philosophy degree, 'say, you're pretty smart.' What they mean in that case, of course, is 'you're pretty smart even though you're a Negro.'

"We've got to be kind to good souls with sight, too," the good man said. "Not long ago at the end of an especially long and hard day at the office I was tapping my way home and came to a particularly busy intersection. I knew it well. As I started to cross it I felt a hand on my hand. It was the hand and voice of an old man. I felt he might be eighty. He said he would help me across the street. I pulled away from him, stepped out ahead of him, and made my own way. And then when I reached the curb I examined my conscience and found myself grievously at fault. I wish I could find him to apologize to him.

"There are so many little things that can get under your skin, if you let them. A hotel clerk permitted me to check into his place on a business trip not long ago—sometimes they won't take me, of course. I was taken to my room by a bell-hop who gave me the layout of the place: Bed, table, bathroom, so forth. I extended my hand with a tip and he refused to take it. He said an odd thing. He said, 'I'm a gentleman. I wouldn't think of taking a tip from a blind man.'

"And my Lions club. God knows the Lions have done more for the blind man than almost any other organization. But last Christmas it didn't ask me to join the volunteers who rang bells beside the Salvation Army collection pots. As if a blind man couldn't ring a bell just as well . . ."

Mr. BYRD of West Virginia. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The Clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

ORDER OF BUSINESS

Mr. MONDALE. Mr. President, I ask unanimous consent that I be recognized for 10 minutes so that I may make a statement.

The PRESIDING OFFICER. Without objection, it is so ordered.

GOVERNMENT SAFETY STANDARDS AND NEW CAR PRICES

Mr. MONDALE. Mr. President, within the past 2 weeks three of the four major American automobile manufacturers have announced that the price of 1968 model cars will be "substantially" increased over 1967 car prices.

These announcements of forthcoming substantial increases in car prices are most disturbing, Mr. President, for while declining to specify how much of an increase to expect, it is claimed in each instance that the cost of complying with the initial Federal motor vehicle safety standards and air pollution requirements will necessitate a substantial increase in the price of 1968 model cars.

SAFETY BLAMED

These announcements are also disturbing in light of last year's experience when the industry increased the price of 1967 model cars. Those increases were also blamed on safety and now the industry is again talking about increasing car prices and again blaming safety improvements for the bulk of the increase.

These announcements of another price increase because of safety are disturbing because many of the safety standards being required on 1968 model cars were met or exceeded by many 1967 model American cars—and presumably were paid for by the 1967 increases which averaged from $54 to $66. In fact, experts in the automotive safety field claim that 1967 model cars met most of the safety standards being required on 1968 automobiles.

PUBLICITY CAMPAIGN

And they are disturbing, Mr. President, because these statements about skyrocketing costs requiring substantial price increases have all the earmarks of a publicity campaign to gain advance acceptance of higher car prices, and at the same time, to create the impression that any price increase—regardless of how substantial—is a result of Government action in attempting to reduce the tragic toll of death and injury on our streets and highways by requiring that motor vehicles meet certain minimum safety standards.

From the outset, the American auto industry opposed enactment of effective legislation to make automobiles safer. When Congress enacted this long-overdue legislation, the industry transferred the fight to the newly created National Traffic Safety Bureau which was required by law to promulgate the first nationwide vehicle safety standards for 1968 automobiles.

INDUSTRY OPPOSITION

Despite the modest nature of these initial standards and despite compromises by the National Traffic Safety Bureau on many of its proposed standards, the auto industry has fought them all the way. The traffic safety agency has been attacked as being uncooperative and unresponsive to industry problems and the proposed standards have been attacked as being unreasonable, arbitrary and technically unfeasible. Six months ago the president of one auto company even claimed that imposition of the proposed minimum safety standards would be detrimental to the national economy and might force production lines to be shut down.

DIRE PREDICTIONS

And throughout there have been dire predictions about how much the new standards would cost. For several months now, unidentified industry sources have been floating predictions that the new safety standards alone would add between $100 and $200 to the price of 1968 model cars and that the antismog requirement would add another $40 to $50. Thus the recent announcements of forthcoming substantial price increase for 1968 cars are simply the latest variations on an old theme. But they are significant, nonetheless, because in each case it was the president of the company who made the statement.

Mr. President, no one questions the fact that some of the new vehicle safety standards will cost money—but we should also keep in mind that there are others which can be implemented at little or no cost, that a few will even result in a cost savings, and most important of all, that many if not most of the standards are already included on 1967 American automobiles.

EXCISE TAX CUT IN 1968

Mr. President, I wonder if instead of a price increase whether a price decrease on 1968 models might not be more appropriate—especially in view of the fact that on April 1, 1968—in the middle of 1968 model years sales—the excise tax on automobiles will be cut 5 percent—from the present rate of 7 percent to 2 percent. For a $3,000 automobile, a 5-percent reduction will amount to $150. In enacting the Excise Tax Reduction Act of 1965, Congress intended that these tax savings be passed on to the consumer, not just the 3-percent reduction which took effect in mid-1965 but the subsequent reductions as well. I have yet to hear this forthcoming 5-percent tax reduction mentioned by automobile company spokesmen in their statements about the necessity of increasing 1968 prices because of the high cost of complying with safety standards. However, this is hardly surprising in view of the fact that the 3-percent cut in 1965 was not passed on to the consumer until a public issue was made of Congress' intent in authorizing the reduction.

NO INCREASE FOR STYLING CHANGES

In addition, I think it is most strange that an industry which is so experienced and expert at making expensive annual styling changes in automobiles without increasing prices, finds it necessary to substantially increase prices to meet the modest safety standards being required this year. I can not recall ever hearing an industry spokesman say "prices will have to be increased this year because of the costly styling changes in our new cars." But let anyone mention the most trivial safety requirement and immediately we hear that it will be terribly costly and that the consumer will have to pay extra for it.

President Johnson referred to this practice when he signed the National Traffic and Motor Vehicle Safety Act into law last September with the comment that: "Safety is no luxury item, no optional extra. It must be a normal cost of doing business"—just, I might add, as the industry considers annual styling changes a normal cost of doing business.

BUILT-IN PROFITS

In 1958 the Senate Judiciary Subcommittee on Antitrust and Monopoly conducted extensive hearings on "Administered Prices—Automobiles," in an attempt to determine if the pricing practices in the American automobile industry were monopolistic. While no specific legislative action resulted, the hearings identified for the first time some of the pricing policies in the industry. At the conclusion of my remarks I will ask to include in the RECORD the introduction to the November 1, 1958, committee report which provides an excellent summary of these policies.

One of the pertinent facts brought out by the hearings is that, in setting prices, the major automotive companies include a net profit of about 20 percent as part of the cost of producing automobiles. This practice virtually guarantees a profit return, after taxes, of more than 20 percent of net worth each year, depending on the variance between sales estimates—which are generally conservative—and actual sales.

But last year was an exception. As reported in last Sunday's Washington Post, the industry's profits after taxes dropped from about 23 percent in 1965, the highest in American industry, to about 18 percent in 1966—still one of the highest profit returns in American business. So the question arises whether the industry is trying to make up for last year's slippage with a higher rate of return on 1968 cars.

IS SAFETY AN EXCUSE FOR INCREASES

Thus when the auto industry says that substantial price increases are necessary, one begins to wonder just how necessary. And when the bulk of these substantial increases are blamed on safety standards, one begins to wonder whether safety is being used as an excuse to raise prices or whether price increases are being used to promote opposition to future vehicle safety standards—or perhaps both.

I do not think it necessary to detail the detrimental impact on future vehicle safety efforts which would result from creation of the impression in the public mind that the minimal safety standards laid down this year required major price increases.

And whether intentional or not, such an impression is being created by the constant flow of statements from Detroit claiming that the cost of complying with the safety standards is so high that major price increases will be required.

A typical example is a story which appeared in the Cleveland Press on January 4 of this year—a month prior to issuance of the safety standards for 1968 cars. This article, which I shall ask to be printed in the RECORD at the conclusion of my remarks, was entitled: "Safety Items Will Increase Car Prices." And it concluded with these words:

> In summary: Look for higher price tags pasted on rear windows next fall and thank Uncle Sam for them.

And the possibility of using safety as an excuse for price increases has long been a concern. Last August, the distinguished chairman of the Senate Commerce Committee—Senator MAGNUSON, who played such a key role in bringing the National Traffic and Motor Vehicle Safety Act into being—commented in this Chamber that:

> It would be tragic indeed to permit this significant legislation—which is designed solely to protect the lives and safety of each of the millions of Americans who drive a car—to serve as a license for automobile makers to increase prices.

Senator MAGNUSON also questioned the justification for increasing 1967 car prices and Senator RIBICOFF urged the auto companies to "utilize the fruits of their mass production techniques and increases in productivity to keep the cost of safety down." A month later, when an average increase of over $100 was announced by one company, Senator RIBICOFF noted that—

> It seems clear that at least one manufacturer is trying to make an unfair profit out of safety.

This increase and others were later cut back to about the same level as increases announced by General Motors. Nonetheless, United Auto Workers President Walter Reuther, in a news article I shall ask to be included in the RECORD, stated that rather than raising prices the industry "could well afford a substantial price cut on its 1967 models" and that the industry could have cut the price of all 1966 cars by $251 at wholesale and still earn the average rate of profits for all manufacturers.

DISCLOSURE OF SAFETY COSTS

Senator MAGNUSON also noted last August, that during the hearings before his committee, there was considerable discussion regarding the cost of mandatory minimum safety standards, that much concern was expressed that manufacturers would be able to attribute any price increase to implementation of safety standards, and that suggestions were made that the law require public disclosure of the actual cost of required safety changes "so that the buyer would know what part, if any, of a price increase he was paying to protect himself and his family and what part might be due to other factors."

This proposal was not incorporated in the law, and rightly so, I believe, because of concern that it might involve infringement of manufacturers' trade secrets.

Nonetheless, Mr. President, if prices for 1968 cars are going to be substantially increased, and if these increases are going to be blamed on safety, I think the public has a right to a precise accounting of exactly what it is paying for.

INDUSTRY ASKED TO SPELL OUT INCREASES

Thus, I am pleased to announce that Senator MAGNUSON, who is unable to be here today, and I have written the four major American automobile manufacturers requesting that they voluntarily spell out any price increases in their 1968 model cars which will be "directly attributable to compliance with the initial Federal motor vehicle safety standards."

Our letter to them, which I shall ask to be printed in the RECORD at the conclusion of my remarks, asks for a model-by-model breakdown specifying the amount of increase attributable to each safety standard. In addition, we have asked that they answer several related questions raised by the Federal Highway Administrator, Lowell K. Bridwell, in a letter to me following the recent announcements of forthcoming substantial price increases.

These questions include: First, whether the price increase would include the total cost of features affected by safety standards or only the additional cost required by implementation; second, whether the price increase would include the cost of safety features which were included on 1967 models and which are now mandatory; third, whether savings which accrue from implementation of safety standards—for example, elimination of dangerous or unnecessary ornamental metal—are being deducted from the cost increase attributed to safety; fourth, whether the cost of mandatory antismog devices is being included in the cost of complying with safety standards; and fifth, whether the cost of defect notification and recall campaigns is being included in the cost of complying with the new safety standards.

SUBSTANTIAL INCREASES NOT JUSTIFIED

As Mr. Bridwell notes in his letter, the National Traffic Safety Bureau does not have sufficient information available to make factual evaluations of manufacturers' assertions that the cost of compliance with safety standards necessitates significant price increases. However, he also comments that in his opinion, "any substantial price increase based on compliance with the safety standards is not justified."

And I am pleased to note that the safety agency is undertaking to establish an in-depth engineering and economic analysis system in order to identify the specific cost factors of future safety standards.

Mr. President, I ask consent to have printed in the RECORD at this point the letter which Senator MAGNUSON and I have sent to American automobile manufacturers, along with Administrator Bridwell's letter which was enclosed. I also ask permission to insert a news article from the January 4, 1967, issue of the Cleveland Press, entitled "Safety Items Will Increase Car Prices"; a news article from the September 23, 1966, issue of the Washington Star, entitled "Reuther Hits Car Price Rise"; and the introduction to a November 1, 1958, report of the Senate Judiciary Committee's Subcommittee on Antitrust and Monopoly entitled "Administered Prices—Automobiles."

I also ask consent, Mr. President, to have printed in the RECORD the following news dispatches regarding car price increases: New York Times, May 19, 1967, "New Safety Devices To Lift Car Prices, Henry Ford Warns"; Dow Jones News Service, May 20, 1967, "AMC Planning Price Increases on 1968 Lines"; UPI, May 20, 1967, "AMC Predicts Car Price Hike"; Automotive News, May 29, 1967, "Roche Says GM Prices Will Rise"; and Detroit News, February 25, 1967, "GM Hints Safety Items Will Boost 1968 Car Prices."

There being no objection, the material was ordered to be printed in the RECORD, as follows:

U.S. SENATE,
COMMITTEE ON COMMERCE,
May 29, 1967.

Mr. WILLIAM V. LUNEBERG,
President, American Motor Corp.,
Detroit, Mich.

DEAR MR. LUNEBERG: We are naturally concerned by recent statements that compliance with the Initial Federal Motor Vehicle Safety Standards will necessitate substantial increases in the prices of the 1968 model automobiles.

Congress has the responsibility to assess the impact of the National Traffic and Motor Vehicle Safety Act on the economy as well as on public safety. However, as the Federal Highway Administrator indicates in the attached letter to Senator Mondale, the National Traffc Safety Bureau does not now have access to sufficient cost and price data to assess this impact objectively. We would therefore very much appreciate receiving from you a breakdown by model and standard of the increase in your prices which will be directly attributable to compliance with the Initial Federal Motor Vehicle Safety Standards.

In addition, we would appreciate receiving your answers to the several related questions raised by Administrator Bridwell in his letter.

Sincerely yours,
WARREN G. MAGNUSON,
U.S. Senator.
WALTER F. MONDALE,
U.S. Senator.

U.S. DEPARTMENT OF TRANSPORTATION, FEDERAL HIGHWAY ADMINISTRATION,
Washington, D.C., May 23, 1967.

Hon. WALTER F. MONDALE,
U.S. Senate, Washington, D.C.

DEAR SENATOR MONDALE: This is to confirm our May 19 telephone conversation about our views on automotive prices for 1968 models.

In my opinion any substantial price increase based on compliance with the initial Federal motor vehicle safety standards issued January 31 of this year is not justified. However, at this time we do not have sufficient information available to evaluate the validity of manufacturers' assertion that the cost of compliance with the standards necessitates significant price increases.

For example, we do not know whether each company's figures include the total cost of features affected by the safety standards or only the additional cost which implementation of the safety standards requires. In addition, various 1967 models already meet different parts of the 1968 standards, and therefore new expenditures should not be required in a number of instances. Furthermore, we do not know whether any savings which accrue from the implementation of the safety standards, for instance, elimination of dangerous or unnecessary ornamental metal, have been deducted from the total cost increase attributed to safety improvements. It should be mentioned that, in determining 1968 model prices, the cost of our safety standards apparently has been lumped with the cost of the anti-smog devices required under the Clean Air Act administered by the Department of Health, Education, and Welfare.

Finally, we do not know whether the increased cost of defect recall campaigns has been included or to what extent. Prior to enactment of the law last fall, some recall campaigns were conducted. However, your Fair Warning Amendment requires more extensive and efficient campaigns. The increased cost of these campaigns should not be attributed to the cost of complying with the new safety standards.

In order to identify specific cost factors in the future, we are starting an in-depth engineering and economic analysis of the entire automotive industrial engineering process and product cycle.

A major part of our present contracting program is designed to develop industrial engineering and economic data concerning the industrial automotive process that will provide a technically sound, definitive framework within which the reasonableness and practicability of every proposed motor vehicle safety standard and its effective date can be evaluated. An important part of this effort will deal with the development of methodology for analyzing the impact of safety standards, both on market sales and price to the consumer.

I am enclosing a copy of a request for proposal on this subject that has already been mailed to prospective contractors. The bidders' conference is tentatively scheduled for May 24 and we hope to have the study funded and under way by the end of this fiscal year.

Thank you for your continuing interest and help.

Sincerely,
LOWELL K. BRIDWELL,
Federal Highway Administrator.

[From the Cleveland, Ohio, Press, Jan. 4, 1967]

SAFETY ITEMS WILL INCREASE CAR PRICES

(By Roger Rowand)

Predictions and just plain guessing about the economy are filling the air these days. Much attention is being focused on what the auto industry will do this year.

There's one thing you can bet on:

Car prices are going up. The car shopper who's hoping to buy a new 1968 car for what he could buy a 1967 model for had better forget it.

Reasons for the upward movement include the usual "more costly labor and materials" but this year will have two important added companions.

Those price boosters are safety and smog control.

The Federal Government at the end of this month will publish 23 safety standards that will range from the distance above the road that parking lights must be to the distance between seat belt anchor bolts.

Other standards will be more dramatic, and all will cost money. Any design change in the auto industry is an expensive proposition.

The costs arise from such factors as engineering, tooling expenses, retraining workers and jiggling of production procedures.

The industry is expert at adapting to change but will be reluctant this year to absorb the cost. Profits, while still hefty at the manufacturing end, are declining.

That means, of course, the added expense will be passed on to the retail buyer.

Detroit sources are predicting the safety features will add between $100 and $200 to the price of a car.

Most estimates range around $100.

As for smog control, as things stand now you'll be paying $45 on the average.

Prices of smoke control devices run from the $18 to $25 for the Chrysler package to much higher for others.

You will have to have one no matter where you live or drive. Uncle Sam says you have to have the equipment on any new car starting with the 1968 models.

In addition to the initial cost, you will have to maintain the device. Auto companies came up with ridiculously low figures—under $5 a year—on maintenance.

We all know it will cost that much just to ask a bonafide mechanic to look at the thing to see if it's functioning properly.

In summary: Look for higher price tags pasted on rear windows next fall and thank Uncle Sam for them.

[From the Star, Sept. 23, 1966]

REUTHER HITS CAR PRICE RISE

DETROIT.—The Big Three auto firms have increased 1967 car prices well beyond the cost of added equipment, the United Auto Workers Union said today.

"All of the companies are charging their customers the full cost of the added equipment plus a substantial amount more which can only be interpreted as direct price boost," said Walter P. Reuther, UAW president.

Reuther said, "The auto industry will give the U.S. economy a painful, perilous and entirely unjustified push up the threatening spiral of inflation if the price increases . . . are put into effect."

He said the industry "could well afford a substantial price cut on its 1967 models." Reuther said profits of the industry in the first half of this year "represented a phenomenal annual rate of return on stockholders' investment of 20.9 percent—the highest of any U.S. manufacturing industry, and one and a half times as much as the average of all manufacturers."

He said the industry could have cut the price of every 1966 car by $251 at wholesale and still have earned the average rate of profits for all manufacturers.

General Motors Corp., Ford Motor Co. and Chrysler Corp. announced increases in 1967 car prices this week. GM's new prices averaged $56 more than for its 1966 models. Ford's increase averaged $113 per car. Chrysler reported a $92 average increase, although other sources figured Chrysler's boost at $103.

All three firms said the price increases covered costs of equipment changes, mostly safety devices.

The firms also said the price increases did not include any provisions to cover increased costs for wages, fringe benefits and materials.

ADMINISTERED PRICES—AUTOMOBILES

INTRODUCTION

In making its inquiry into administered prices in the automobile industry, the Subcommittee on Antitrust and Monopoly has been examining an industry which, perhaps more than any other, occupies a pivotal position in the economy. Its trade association claims that 1 out of every 7 workers in this country is dependent directly or indirectly on the automobile industry.[1] Analysis of interindustry relationships suggests that for each worker employed in the automobile industry itself, one other worker is employed in supplying industries. The industry consumes nearly one-fifth of the Nation's steel, 1 out of every 14 tons of copper, more than 2 of every 5 tons of lead, more than 1 of 4 tons of zinc, 1 pound in 7 of nickel, half the reclaimed rubber, nearly two-thirds of the natural and three-fifths of the synthetic rubber, almost three-fourths of the upholstery leather, nearly all the tire cord, and substantial proportions of the Nation's output of glass, machine tools, general industrial equipment, forgings, and other industries. The degree to which autos are purchased and used obviously determines the level of activity in the petroleum industry, filling stations, automobile supply stores, etc.

Over a long-term period there have occurred fundamental changes in the automobile industry's structure, principal among which have been (a) a persistent and continuing decline in the number of enterprises and (b) a long-term increase in the relative importance of the leading producers. The rise in the position of General Motors has been particularly striking. From 20 percent of the new-car registrations in 1925, General Motors' share rose to 45 percent in 1957 and to 50 percent in the first quarter of 1958. General Motors has derived its strength from a number of sources. It has long been regarded as an efficient, well-organized company. It has been active in putting on the market a number of important technological innovations, such as the Hydra-Matic drive. It has a strong dealer organization which is by far the largest in the country. It has ready access to sources of capital and credit. But General Motors derives its strength from a number of other and less well-recognized sources. To a much greater extent than any of its competitors, it operates in a variety of industries other than automobiles, such as railroad locomotives, household appliances, buses, earth-moving equipment and others. The defense contracts which it has received have, by their very nature, been an important source of strength. The manner in which trade-in values on used cars are determined may also have contributed to General Motors' growth.

Regardless of the causes, however, the paramount structural characteristic of the automobile industry since the late 1920's has been the increasing dominance of General Motors. During this period the share held by the other major producers has declined and the proporton accounted for by the independents has all but vanished. As independent producers have one by one fallen by the wayside, the number of alternatives available to the consumer in the form of different makes and models has diminished. The nature of the rivalry among the remaining producers represents a classic example of the change in the nature of competition which would be expected to accompany the change that has taken place in the industry's structure. Broadly speaking, competition in price has been largely altered and deemphasized, being replaced in large part by various forms of nonprice competition—principally advertising and model and design changes. The two most outstanding characteristics of the price rivalry which does exist are (a) substantial identity of prices among the Big Three at each price level and (b) the exercise by General Motors of leadership in prices, on some occasions in a simple form but on others in a complicated and subtle manner. With each of the Big Three charging about the same price for a given type of car, they have turned increasingly in their efforts to attract customers to various forms of nonprice competition. Between 1950 and 1957 advertising expenditures (for space and time only, not counting radio and TV talent) by the Big Three rose more than threefold—from $61.6 million in 1950 to $195.7 million in 1957. Models have been changed with increasing frequency until today General Motors appears to be bringing out a new model every year. Since 1950 the amount expended by the Big Three on the amortization of special tools, which are used largely in model and style changes, has also increased more than threefold—from $182.3 million in 1950 to $762 million in 1957.

Because of its increasingly dominant position, the level of automobile prices has come to be largely determined by the pricing methods and policies of General Motors. In setting its prices, General Motors seeks to attain a target goal of 20 percent rate of return on net worth after taxes at a predetermined level of production, or standard volume. The amount of profit per car needed to yield the desired rate of return at the standard volume is incorporated as a cost in arriving at the price level. When actual production exceeds standard volume, as has been true during most of the postwar period, the actual rate of return exceeds the target. As compared to its target of 20 percent, General Motors' actual rate of return after taxes on net worth during the period 1948–57 averaged 25 percent.

But while prices are based on costs (including profits) aggregated in this manner, the level at which prices are established has an important effect upon costs. This results in part from the fact that overhead costs form an important element in the cost structure of the automobile industry. These costs, principal among which are advertising, selling, general and administrative expense, maintenance, repair and rearrangement, amortization of special commercial tools, and depreciation and obsolescence, remain virtually the same in toto regardless of the level of output. Thus the smaller the number of cars produced, the fewer the number of units over which these overhead costs are spread and the higher the overhead costs per car. Because of the importance of overhead costs to total costs, amounting to approximately $550 per car in 1957 and perhaps $800 in 1958, anything which changes significantly the level of automobile production thereby changes the cost per car.

The principal determinants of the level of automobile sales have been found to be changes in per capita income and in price. Over the former the automobile producers have virtually no control. But because demand for automobiles is responsive to changes in price, the automobile producers can affect the level of sales by changing their prices. And because of the importance of overhead costs, the changes in output brought about by changes in price will significantly affect the level of costs. Thus in this industry the two-way relationship between costs and prices is quite distinct.

That changes in price do have an important influence on changes in automobile sales is the finding reached by the studies that have been made of the elasticity of demand for automobiles. Generally speaking, these studies show that with every 10-percent increase in price, sales tend to fall by 12 to 15 percent. Moreover, there is reason to believe that during an economic downswing the adverse effect of a price increase is even greater.

It has also been shown that price reductions are capable of stimulating automobile sales. The elasticity of consumers' demand (i.e., the sensitivity of consumers to price changes) admittedly is not high enough to preserve the present level of profits in the face of price cuts, given the current level of costs in the industry. As stated above, however, a large share of these costs are optional outlays which serve only to promote nonprice competition and which could readily be reduced. If annual expenditures for styling, advertising and tooling associated with increasingly frequent model changes by the major firms were compressed to their pre-1955 levels, substantial price reductions could be made with no sacrifice of passenger car profits by the manufacturers.

The full effect of price increases is now for the first time in several years coming home to the average automobile buyer. In the preceding 4 years the price increases made by the manufacturers were more or less camouflaged by the granting of more liberal financing terms, principally the extension of the maturity period. To those buyers whose principal interest is the amount of the monthly payment (considered by some authorities to represent the majority of all credit purchasers), the increase in price was to a very considerable extent offset by the increase in the number of months in which

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[1] Automobile Facts and Figures, Automobile Manufacturers Association, 37th edition, 1957, p. 44.

payments could be made. But now, according to what seems to be the consensus in the trade, the maturity period can no longer be extended.

For the first 10 to 15 months of a 36-month finance period (depending on the size of the downpayment) the resale value of a car remains below the amount still owed by the purchaser. Extending the finance period to 42 months, with a 25-percent downpayment, would leave the buyer owing more than resale value for as much as 21 months. Under such circumstances it may well be more to the buyer's self-interest to let his car be repossessed and use the amount still owed for the purchase of a newer used car. As a consequence any further increase in automobile prices can be expected to be immediately reflected in the average monthly payment. The full influence of price changes upon sales will be manifest.

[From the New York Times, May 18, 1967]

NEW SAFETY DEVICES TO LIFT CAR PRICES, HENRY FORD WARNS

(By Jerry M. Flint)

DETROIT, May 18.—Henry Ford 2d warned today that "substantial price increases" on new cars would be coming next fall because of the cost of new safety and anti-smog equipment.

The Ford Motor Company chairman told stockholders at the company's annual meeting here that "research, development and manufacturing costs to reduce emissions and improve safety are adding up very rapidly. We shall have to look to substantial price increases next fall to cover the added costs."

Mr. Ford said the safety and anti-smog effort had "skyrocketed" costs that would have to be recovered by higher prices. He also said labor and material costs were climbing substantially, but refused to estimate how much car prices might climb next fall.

Arjay Miller, Ford's president, pointed out to the stockholders that profit margins have been squeezed between level car prices and rapidly rising costs.

"It should be all too evident that prices of cars will have to go up. As companies in practically every other industry have already done, we are going to have to face economic realities," Mr. Miller said.

In 1966, Ford's sales were $12.2-billion, up 6 per cent from the 1965 volume, while net income was $621-million, or $5.63 a share, down 12 per cent. In the first quarter of this year Ford's sales were $2.9-billion, off 10 per cent from the 1966 level, and net income was $120.6-million or $1.10 a share, down 42 per cent from the total the year before.

Last fall, Ford raised its new 1967 car prices more than $100 a car. The General Motors Corporation then increased its prices by $56 a car. Ford then backed down on part of its increase. All car companies said the increases for the 1967 models did not cover the added cost.

Mr. Ford's warning of a "substantial" rise apparently was a hint that the 1968 price increase could be a big one.

New anti-smog devices, shoulder harnesses and added seat belts will become standard equipment on the 1968 models. These items now cost $75 to $100 when installed as optional equipment. Automobile stock analysts in Detroit have been talking about price increases of $100 to $150 per car on the 1968 models.

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They are concerned about troubles with the Government on auto safety standards set by the new National Traffic Safety Agency. They believe Ford is well on the way to winning the battle against auto-caused air pollution.

Ford is expected to take a strong stand against "unreasonably high" union demands in new contract bargaining later this year.

Mr. Ford called the last 12 months "a time of trial" for the company and the industry.

Although relations with the Department of Health, Education, and Welfare, which makes rules covering auto fumes, seem to "be excellent," he said, "I wish I could be equally encouraging about our experience with the vehicle safety standards."

"Unfortunately," he added, "we have had serious difficulties establishing meaningful communication with the Government. As a result we have incurred extraordinary costs."

Car makers have been forced to oppose the imposition of some safety rules "that would be totally unreasonable are unreasonable and unrealistic or impossible to meet in the time available to us," he said.

This has forced the industry "into a position of appearing uncooperative and seeming to resist actions that presumably would improve the safety of our product," Mr. Ford said.

The Ford company chairman said Ford wants to build more safety into cars quickly and cheaply. "But to accomplish these goals we need better communication with the Government, faster decisions from the Government, and a standards-making procedure that follows an orderly and reasonable timetable and accepts the car manufacturers as partners and sources of useful technical information."

Mr. Ford said part of the troubles are "the natural birth pains" of a new relationship with the Government and of a new Government bureau, but added, "in part, they reflect intense political pressures upon the industry and upon the safety bureau itself to come up with some kind of vigorous and dramatic action, even if it is in some ways ill-considered."

Mr. Ford also criticized an experimental safety automobile being built for New York State. "It just isn't an appropriate automobile," he said, asserting that it adds safety equipment without regard to cost. "We could all ride around in tanks," he said.

[From the Dow Jones News Service]

AMC PLANNING PRICE INCREASES ON 1968 LINES

LOS ANGELES, CALIF.—Asked Friday about the announcement by Ford Motor Co. that it will raise prices on next year's auto lines, Roy Chapin, president of American Motors Corp., said his company "will have some increases in price across the board."

"The styling stability on our Rambler American won't preclude price changes in that line either, but our relative competitive position should be the same," he said.

He added that some of the price increases, most of which are attributed to safety improvements, will be substantial.

(Meanwhile, in Detroit, General Motors Corp. president James M. Roche agreed that 1968 prices will be substantially higher, but refused to set a dollar figure.)

Chapin said American Motors is "right on target in reducing our inventories. In January we had a 150-day supply of automobiles. That figure is down to 80 days. We plan to have half as many cars at the end of September as a year ago."

[From the Detroit News, Feb. 25, 1967]

GM HINTS SAFETY ITEMS WILL BOOST 1968 CAR PRICES

(By Robert W. Irvin)

CHICAGO.—General Motors President James M. Roche has indicated that new safety items required by the federal government may force an increase in 1968 car prices.

"Anything you add to a car increases the cost of it," Roche replied to a question yesterday.

"It's too early to say," whether 1968 prices will go up, he commented, but added:

"Additional equipment costs money and everything that goes into a car is reflected in its overall price."

Under the new safety standards, all cars next year will require two more lap-type safety belts and two shoulder belts. These items now sold as optional equipment for around $40.

In addition, all cars next year must have exhaust emission control devices. These anti-smog systems can add anywhere from $20 to $50 to the price of cars, depending on the model and type of unit installed.

Roche said he believed GM "can comply with virtually all of the standards as currently written—based on our best interpretation of the requirements."

All of the companies, it was learned are worried about exact government requirements for interior crash protection.

Because of the procedure for testing, the executives aren't sure the instrument panels can meet the U.S. standard. They will ask for clarification when they submit their formal comments to the national safety agency late next week.

The auto executives were here for the opening of the 59th Chicago Automobile Show.

[From the Detroit News, Feb. 25, 1967]

AMC PREDICTS CAR PRICE HIKE

LOS ANGELES.—Roy D. Chapin Jr., board chairman of American Motors Corp., said Friday at a news conference that 1968 AMC cars will have "substantial" price increases, mostly due to safety improvements.

Chapin's predictions of price hikes echoed similar statements made by Henry Ford II, board chairman of Ford Motor Co., during a Ford stockholders meeting Thursday in Detroit.

[From the Automotive News, May 29, 1967]

DONNER PROMISES FIRM STAND IN LABOR TALKS—ROCHE SAYS GM PRICES WILL RISE

(By John K. Teahen, Jr.)

Labor negotiations, the boss's retirement and a variety of other matters were paraded before General Motors shareholders at the corporation's protracted and often yawn-filled annual meeting at Detroit's Cobo Hall.

There was talk of car prices, too (they'll be up for '68), although no shareholder raised the question during the meeting itself. The price discussion was part of an impromptu news conference staged by President James M. Roche at the end of the long afternoon.

The meeting droned on for four hours and eight minutes, and the official transcript of the proceedings covered 126 pages. It was five minutes longer than last year's marathon. Some 1,100 shareholders were on hand for the start, but there were plenty of empty seats at the finish.

Chairman Frederic G. Donner served notice that GM will be no patsy in this summer's contract negotiations with the UAW.

"We will bargain hard to reach a fair and equitable settlement," Donner said. "We hope to accomplish this without interruption of production."

On the price issue, Roche acknowledged that "there has to be an increase," but he wouldn't comment on how it will compare with last year's. On the '67 models, GM's sticker prices went up an average of $54.13 per car.

In explaining the '68-model price hike, Roche mentioned the rising costs of labor and materials, the upcoming labor settlement and the addition of such standard equipment as shoulder harnesses, a third set of belts for front and rear seats and the antismog device.

It's quite possible that the labor negotiations will still be in progress when the '68s reach the showrooms. How will this affect pricing?

Roche said that by introduction time, GM should have a good idea of what the settlement is going to be. If negotiations are still going on, he said, "we'll just have to take the bit in our teeth."

As expected, Donner's retirement was discussed. The GM chairman will observe his 65th birthday next Oct. 4.

In his prepared remarks, Donner spoke at some length of the changes in the industry and at GM during his 41 years with the company. To some observers, it sounded like a farewell address.

Later, a shareholder asked Donner about his retirement. Donner replied: "I retire the first of November."

That's certainly a definite statement, but the picture became a little less clear a moment before the meeting adjourned.

A shareholder asked: "If you are retiring as chairman in November, you will not preside at our next annual meeting. Isn't that correct?"

Donner answered: "If the 'if' goes, the other goes."

Earlier in the meeting, Donner turned aside a question about dollar sales by individual GM divisions, but he assured another shareholder that every division operated at a profit last year.

Said the shareholder: "I'm happy to hear that."

Replied Donner: "So am I."

Executive compensation came before the meeting when "professional stockholder" Wilma Soss recalled her year-ago recommendation that no bonus be awarded to anyone involved in the shadowing of Ralph Nader. She wanted to know if her suggestion had been followed; for instance, how about the legal department.

Donner said these matters were considered by the Bonus Committee, and that he feels they were properly dealt with. But he declared that he would not discuss individual bonus awards.

Sol A. Dann, Detroit attorney and Chrysler Corp. critic of several years ago, delivered a vigorous protest against one of the proposals in the GM proxy statement. The proposal concerned the revision of a 1945 bylaw by broadening the indemnifications provisions for officers and directors involved in lawsuits.

Dann called it a "vicious resolution" and asked, "Why revise this bylaw, if not to protect corrupt officials for misfeasance or malfeasance in office?"

He asked that the vote on the resolution be tabled, but the chair ruled that his motion was out of order. The resolution was approved, as Dann acknowledged that it would be, with some 99 percent of the shares voted supporting the company's stand.

In answer to a question, Donner said that the pending litigation brought by Nader had nothing to do with revising this bylaw. He also explained that it does not apply to the Nader suit since Nader is suing the corporation, not individuals.

Donner told another shareholder that GM spent $251 million on advertising last year, compared with $234 million in 1965.

Asked whether the Corvair is still profitable, Donner said: "I think it is still carrying its weight."

Three speakers criticized GM's operations in South Africa. They accused the corporation of racial discrimination in its wage policy there and asked the company to discontinue its investments in the country.

Donner said GM has been in South Africa 40 years, that 50 percent of its employment there is non-white and that GM trains these workers and provides job opportunities. He said he felt GM is operating there in a way it can be proud of.

Arthur Hughes, 23, a New York painter, told the meeting that he had transferred ownership of 953 shares of GM stock (about $80,000 worth), which he had inherited to the African Aid and Legal Defense Committee in protest against GM's actions in South Africa.

In his address to the stockholders, Donner spoke of industry changes during the last 41 years and recalled that in 1927, a "nationally known economist" had predicted that the 22 million cars and trucks on the road represented a saturation point for motor vehicles in this country.

"It's a wonder I didn't leave General Motors," Donner observed.

Today, he noted, the vehicle total in the U.S. has passed 88 million and a growing demand continues to push the figure higher.

Donner declared that today's vehicles are the safest in history and that the industry is working on further improvements. But, he said, the industry has a communications problem with the federal government in the safety area.

He added; "There is good reason to believe that closer and more constructive working relationship will be established between the industry and government so that progress is achieved as quickly and effectively as possible."

Roche sketched GM's advances in the last 10 years in terms of unit sales, production capacity, dollar sales, net income and dividends paid.

He noted that an important part of progress is the job that GM and its dealers do in providing good service to car and truck owners. This, he said requires more skilled mechanics and service personnel.

He said that GM is training about 100,000 dealer-mechanic enrollees a year in its 30 service training centers across the nation and that 7,000 GM dealers added to 180 million square feet to their dealerships between 1962 and 1966 to meet the expanding needs of their customers.

"What I have just said about service," Roche continued, "underscores the importance of the franchise system of distribution in our industry. This unique system was in fact brought into being in order to provide the best possible basis for customer satisfaction—service satisfaction in particular."

He noted that competition in the auto industry is stiffer than ever before, and he said that this demands innovations in technology and "aggressive selling effort at every level—in national advertising sales promotion, product merchandising and direct selling at the dealer level."

Roche added, "Our GM dealers are the finest in the industry. We are proud of the stability and business continuity represented in our dealer body. One-third of our dealers have been with us for 20 years or more and 65 percent for at least 10 years."

THREE AMERICAN MEDICAL WOMEN STRUGGLE VALIANTLY TO KEEP THEIR VIETNAMESE HOSPITAL OPEN

Mr. PROXMIRE. Mr. President, I would again like to call the attention of the Senate to the truly outstanding work of three courageous American women in Vietnam. A doctor from Seattle, Pat Smith, and two nurses from Milwaukee, Jean Platz and Joan Blonien, have persevered selflessly to keep their 40-bed hospital in Kontum, a central highland city, open and operating.

The Montagnard tribesmen whom they serve prefer a mat on the floor to a bed. Because of this, these gallant ladies are able to care for 120 inpatients instead of 40.

Unfortunately, official regulations for Government aid limit assistance to hospitals with a one-bed to one-patient ratio. Therefore, these three women, who are trying to do and who are doing more, are penalized. They are forced to make do without any form of regular aid.

The 120 patients are all serious cases. As Dr. Smith has said:

> We take it for granted that the patient is malnourished, that he has intestinal parasites and also malaria. After that we ask what's wrong with him.

Working under these conditions, these women merit our highest praise.

The American people who have aided this outstanding effort must also be mentioned: Joan's mother, Mrs. Clem Blonien, of Wauwatosa, Wis.; the parishioners of St. Jude's parish; and the ladies auxiliary of the Knights of Columbus, also of Wauwatosa, have continued to extend a helping hand. Mrs. Kay Duer, of Atlanta, Sgt. Henry G. Logsdon, of the U.S. Army, who is stationed in Vietnam, and many other groups and individuals have joined them.

Mrs. Kay Duer, of Atlanta, Ga., who learned of the problems faced by these three women from my previous comments in the RECORD, made an appeal for aid for the hospital. On her own initiative she organized a drive which gathered 25 tons of supplies for the hospital.

Through the most welcome assistance of the distinguished senior Senator from Georgia [Mr. RUSSELL], the Navy agreed to airlift the supplies gathered by Mrs. Duer to the hospital by a program aptly entitled "Operation Handclasp."

Mrs. Duer had a great deal of help in gathering the supplies. Among those who qualify for special mention are Mrs. S. D. Williams of Douglasville, Ga.; Mrs. Clare Bozeman of Cliburn, Ga.; and radio station WTOF of Mobile, Ala.—all pitched in to make the drive a success. This type of response is inspiring.

Sgt. Henry Logsdon is an ammunition specialist serving in South Vietnam. He heard of the women's efforts and hitched a ride up to their hospital. Shortly after his arrival in Kontum, Sergeant Logsdon donated some of his rare B-type blood to save the life of a dying Vietnamese woman.

The sergeant was quickly and thoroughly impressed by the job the woman doctor and two nurses were doing. Through his successful campaign to round up thousands of bars of soap for the hospital, Sergeant Logsdon earned a fitting nickname, the "Soap King." With an assist from my office, Sergeant Logsdon was able to acquire a generator to provide the hospital with continuous electricity.

These three courageous American women and all those who help them are in the frontlines of our "other war." It is person-to-person assistance such as this which proves the real concern and deep commitment we hold.

Mr. President, I want to emphasize that these women are not receiving regular aid. All those who have helped so far are to be praised. However, this aid