

# America's Auto Industry: A Period of Transformation

By Claude Reed, Jr.

Last year, *National Scene* presented a three-part series on the American Auto Industry illustrating the impact of that industry's downturn on the national economy. The problems experienced by Detroit not only affect the autoworker, but a vast number of interdependent industries that have all severely felt the repercussions of decreased auto production and sales. A great number of Black Americans work in the auto and related industries and all have certainly been impacted by layoffs—both short-term and indefinite. In this year's auto industry series we will offer an update on the state of what has been called America's cornerstone industry.

Although Detroit's automakers maintain an attitude of optimism and are aggressively moving to update the technology of the American automobile, they have not found the road to recovery smoothly paved. By the end of 1980, the industry experienced significant declines in vehicle output and sales. The Motor Vehicle Manufacturer's Association reports that American and Canadian motor vehicle production declined for a combined total of 28%. Separately, Canada suffered a 16% decrease in production while America's production fell by 30%. (see chart).

Further, North American motor vehicle production of 9.4 million units in 1980 was the lowest since 1962. U.S. passenger car production fell to 6.4 million in 1980 compared to 8.4 million units in 1979—a 24% drop. Truck and bus production declined by 46% in 1980 compared to 1979.

Coupled with diminished vehicle production in 1980 domestic passenger car sales posted a 21% decline from 1979 levels and 29% below 1978. Conversely, import auto sales increased last year by

2.8% over 1979.

It is not difficult to determine what these auto industry setbacks mean when you consider the following: According to the MVMA's 1981 publication *Facts and Figures* the nation's transportation industry represents nearly one-fifth of the Gross National Product. Latest available data reflect that vehicle and parts manufacturing represents an 18.4 Billion dollar payroll. When vehicle sales, maintenance, highway construction and related industries are included an additional \$38.8 Billion is added to the national payroll. As of 1978, motor vehicle and related industries accounted for one of every five private sector, non-agricultural jobs in the nation.

In addition, the Bureau of the Census reports that there are 3,725 motor vehicle and equipment manufacturing facilities in 46 states. It is obvious that the influence of the auto industry is nationwide.

## Brighter 1981 Picture

Although there were severe declines in the American auto industry in 1980,

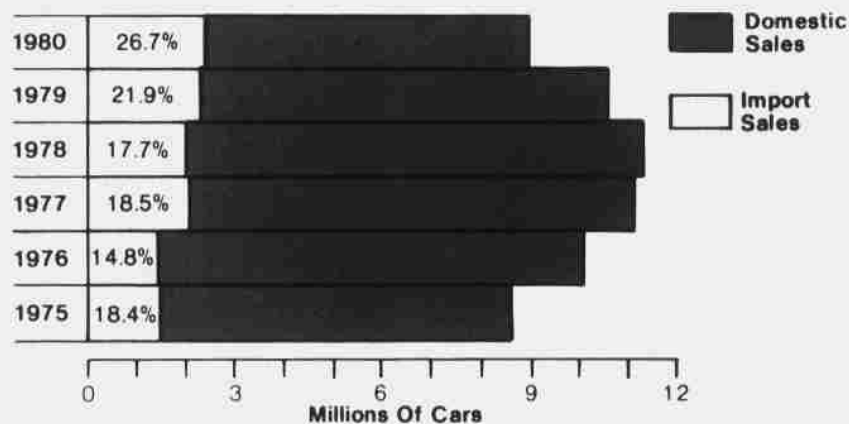
domestic automakers have made some positive gains over last year. In its second quarter report for 1981 Ford Motor Company reported a net income of \$60 million compared with a \$468 million loss in the second quarter of 1980. Also, in that quarter Ford earned \$31 million before taxes compared with a \$971 million pre-tax loss in 1980. Much of this company's success is attributed to their efforts to reduce costs and the positioning of the Ford Escort as "the best selling car line in America" Ford reports. In addition, Ford's entire line of compacts have either outsold its domestic competitors or been in strong competition with them. As a result, Ford's share of the U.S. auto market increased in the second quarter.

General Motors also enjoyed a profitable second quarter this year—their best in two years. The second quarter upswing was GM's third consecutive profitable quarter. World-wide sales of GM cars and trucks were up 17% from last year's second quarter. GM's net income for the quarter totaled \$515 million as opposed to a net loss of \$412 million at the same point last year. Although this is encouraging, GM cautions that earnings are still below the needed level to fund the company's enormous capital expenditures for new technology, plants and products.

Chrysler Corporation has also enjoyed a dramatic recovery in 1981's

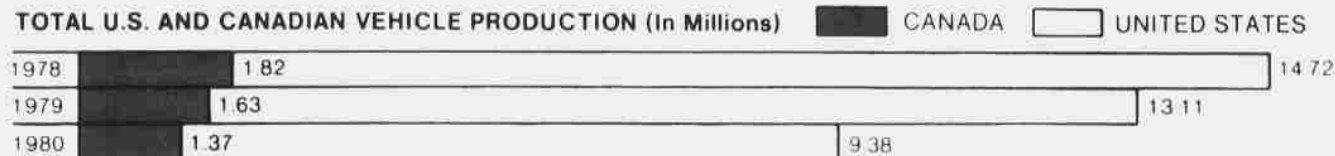
SOURCE: Motor Vehicle Manufacturers Association of The U.S., Inc. and *Ward's Automotive Yearbook*

### PASSENGER CAR RETAIL SALES



The chart on the far left illustrates the increase of the imports into the domestic auto market while U.S. auto sales declined.

Source: Motor Vehicle Manufacturers Association of the U.S., Inc. and Motor Vehicle Manufacturers Association (Canada). (included with others)



SOURCE: Motor Vehicle Manufacturers Association of the U.S., Inc. and Motor Vehicle Manufacturers Association (Canada).

This chart gives emphasis to the decline in auto production in 1980 for Canada and the U.S.

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