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REMARKS PREPARED FOR DELIVERY BY  
SECRETARY OF TRANSPORTATION DREW LEWIS  
TO THE DELAWARE VALLEY MARITIME CONFERENCE  
WILMINGTON, DELAWARE  
JUNE 12, 1981

We missed "Maritime Day" by a couple of weeks, but last Friday I was able to announce the proposed transfer of the Maritime Administration from the Department of Commerce to the Department of Transportation.

That might not be headline news in Wichita, but it should be significant for the people of Wilmington and the Delaware Valley, and for all of our port cities. I am pleased, therefore, to have this occasion as my first public opportunity to talk about maritime matters -- along with a few words on where we are in our Conrail deliberations.

Thirty years ago the U.S. maritime fleet was first in the world in size and in cargo-carrying capacity. Today, it ranks 11th, accounting for only 3.4 percent of world shipping capacity.

The U.S. maritime industry is long overdue for revitalization. From the days of the Clipper ships until recent times, America has taken great pride in our merchant marine. It is time to renew that pride, and to acknowledge the contributions of our merchant marine to the nation's economic strength and national security.

My responsibilities call for me to carry out the "coordinated administration of the transportation programs of the United States." When this transfer is accomplished, the Secretary of Transportation — for the first time — will be able to do that for all modes of transportation. The action will complete the organization intended 15 years ago when a Department of Transportation was first planned.

Last fall the President outlined to the members of the National Maritime Union a seven-point program for a strong American maritime industry. First, as the President said, "we must provide a unified direction for all government programs affecting the maritime interests of the United States." The shift of MarAd from Commerce to Transportation marks the first step in carrying out President Reagan's commitment to the revitalization of the U.S. maritime industry.

That program includes:

- The preservation of our vital shipbuilding mobilization base;

- A commercial maritime manpower reserve for a growing naval fleet;

- Bilateral agreements with other countries to assure equal access to cargoes;

- The assurance that American flag ships carry an equitable portion of our trade.

- The revitalization of our domestic water transportation system through a coherent national policy;

- Reduction of restrictive regulations that increase shipping and shipbuilding costs and reduce the ability of American firms to compete.

I support the President wholeheartedly in these areas. I intend to work personally with the Maritime Administration to promote the President's goals for the development of our marine commerce and to represent the nation's maritime interests at the White House.

The transfer of MarAd will assist that purpose. It also affords a greater opportunity to integrate maritime policy into national transportation policy. I disagree with those who say that the United States does not have a maritime policy, but I am inclined to agree with those who say that it is time to re-examine and update that policy. It is time to existing policy to see how our economic and international trade interests might be better served by a revitalized maritime program.

We further believe the transfer is well advised because we already have strong working relationships with many of the Congressional committees dealing with transportation matters, and we will be able to recommend policies and programs that include maritime concerns. And, with the Maritime Administration a member of the DOT family, we will achieve close coordination between the Coast Guard's technical and policing responsibilities and MarAd's merchant fleet promotional activities.



The pending transfer also comes at an opportune time. We are facing a decade or more of tremendous growth in exports, especially coal.

Coal production in the United States is expected to reach 1.35 billion tons by 1990, nearly double the 780 million tons mined in 1979. Since the United States is one of only three countries with significant coal reserves, much of what is produced will be for export. Coal exports increased 50 percent last year alone (to 70 million tons) and are expected to total 125 million to 150 million tons a year by 1990.

We are not yet a net exporter of energy but, with the growth in coal production and in world demand, we are an energy-exporting nation again. The principal challenge before us is to assure that we have a transportation system equal to the job - and that means adequate rail service, adequate inland waterway facilities and adequate port capacity.

As you know, an Administration Task Force is currently looking into our total coal exporting policy, to assure that the growing world market for U.S. coal can be fully and adequately served. I am a member of that task force, which has, as one of its major concerns, the ability of our ports to meet the challenges of the 1980s.

Those matters, and port policies in general, take on added significance today because shipping patterns have changed. Fifteen or 20 years ago 85 percent of all U.S. maritime commerce moved in scheduled service. To put it another way, the cargo went to the ship. Today 85 percent of the cargo tonnage in our national maritime commerce moves in the charter trades; the ships, in other words, move to the cargo. The large number of ships waiting at Hampton Roads to load coal at the port of Norfolk illustrates the increasing significance of the port and the cargoes it attracts in today's ocean commerce.

That significance will grow with the anticipated increase in the dry bulk cargo marketplace from today's 900 million tons to an estimated 2.3 billion tons by the end of this century. So you are wise indeed to plan now to assure the Delaware Valley region's share in this growth market. And in bringing MarAd over to DOT we will be better able to serve yours and the nation's maritime interests through the linkage of land, air and sea transportation policies in one Department.

The second program I want to talk about today is Conrail.

Our freight railroads carried about 500 million tons of coal -- 65 percent of domestic production -- and a total of more than 900 billion ton miles of cargo in 1979. The importance of our railroads to our economy cannot be overstated.

It is also vitally important to this region, where so much of the cargoes bound for Delaware Valley ports travel by rail, that railroad service be preserved, protected and improved.

Those are the goals of our plan for the restructuring of Conrail. We want not only to avoid any interruption in rail service to this region, but to make sure that in your plans for the future of Delaware Valley ports you can count on the presence of dependable, efficient rail freight service.



In its present form, Conrail is not a viable railroad.

In the fiscal sense, Conrail is hurting. Over the past four years, it has lost \$3.3 billion for its "stockholders" — America's taxpayers. Conrail is also losing traffic. The railroad carried 237 million tons of freight in 1980, down from 270 million tons the year before — the lowest traffic levels since the Depression over the lines it now operates. The very uncertainty over the railroad's future is causing shippers to turn to other carriers, while Conrail's high overhead costs limit its ability to compete for business.

The irony is that Conrail physically is a far better railroad today than it was five years ago. More than \$3 billion in Federal capital assistance has made Conrail's core system the equal of any major railroad in the country today and better than some.

It is also very important, as I said, to this region. Conrail serves 35 percent of the productive capacity of the United States. It is a mainstay of the Northeast -- originating 800,000 carloads a year in New York, 767,000 in New Jersey and carrying 370,000 commuters a day in the urban metropolitan areas of New York, New Jersey, Connecticut and Pennsylvania. The railroad employs 25,000 workers in my home state of Pennsylvania — 8,000 in the Philadelphia area alone.

We believe that the key to an effective, efficient rail freight system for the Northeast is not to allow Conrail to limp along from year to year, dependent on Federal subsistence allowances, but to improve, stabilize and assure continued service by getting to the root of Conrail's problems.

There are basically three issues.

- One, labor protection provisions that guarantee 70 percent of Conrail's employees lifetime income protection.
- Two, commuter operations that detract from the railroad's ability to carry out its freight operations.
- Three, the high cost of terminal operations in the Northeast.

We are prepared to deal with each of these issues. We have recommended a substitute Conrail labor package consisting of \$400 million in Federal funds to cover severance pay plus ample retraining and relocation assistance.

We also propose to transfer commuter operations to passenger-oriented transportation agencies, and provide the interim subsidies that may be needed to assure continued service.

The end result, we believe, will be a rail freight system that is both attractive and affordable to private industry.

Under an agreement worked out earlier this week with the Senate Commerce Committee, and which has the support of the full Senate, Conrail will have an opportunity until December of 1982 to stay as one entity and become profitable. If it is unable to become profitable, however, we will insure service by permitting the sale of Conrail properties either intact or as a package of different parcels to different purchasers.

As the chairman of the Senate Commerce Committee, Senator Packwood, who worked with me on this agreement, has said: "Our goal remains the same -- to maintain rail freight service which is vital to the Northeast, and to improve it to the fullest extent that we can."

Of the several measures that have been proposed, the Administration's plan is the only proposal directed toward a stable, productive rail freight system for the Northeast, with private sector benefits for workers, efficient service for shippers and relief for the taxpayers. It is the only plan that assures this region the continuing rail freight service you must have as the essential companion to your port development program. We are confident that we can work with the members of the House to achieve all of our fundamental objectives in one legislative package.

By way of concluding my part in this conference, let me commend all those involved in organizing and coordinating this program for your concern and for your foresight in planning today for the future of this region.

President Reagan's programs for budget restraint, tax reform and greater dependence on the private sector will make American industry increasingly productive and more competitive in the days ahead. An efficient, well-coordinated national transportation system will become more important than ever in the growth and development of our maritime commerce and international trade. Our emerging rail and maritime policies address those objectives and support our national economic goals.

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