



U.S. Department of  
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REMARKS PREPARED FOR DELIVERY BY SECRETARY OF TRANSPORTATION  
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Looking out of the plane window this afternoon, seeing the ever-changing skyline of Manhattan, I thought how much this city and this country have changed in less than a decade.

Not many years ago, New York was supposedly teetering on the brink of financial disaster. The city's obituary was set in type. The largest, most successful metropolis in history was all but written off. Today, the energy of the financial district and the World Trade Center, the construction in midtown and the lights of Broadway all signal that New York is back --stronger than ever --and here to stay, as the financial capital of the country and indeed the world. The miracle that's occurred here is happening throughout our land. The dynamism of a city that refused to die is reflective of the economic and political rebirth taking place all across America today. It's a rebirth not made in Washington or Albany, but one fashioned from a return to what made this city and country great in the first place. It is a renewal generated by American free enterprise, challenged by risk and spurred by competition. President Reagan's policies launched our nation's economic recovery but you in the business community are responsible for its success. You take the risks. You supply the imagination. You have the stamina. You keep the faith. And you deserve the credit bestowed by a grateful nation and an increasingly confident public.

"The American dream of human progress through freedom and equality of opportunity in competitive enterprise," the President has said, "is still the most revolutionary idea in the world today." And he correctly adds "and it's also the most successful."

I am privileged to help direct one part of America's economic and political rebirth -- through deregulation of the transportation sector of our economy. After all, transportation is not just concrete and steel ribbons reaching to the horizons or the clattering of subways beneath the city streets. Transportation is our economy in

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motion. From the horse-drawn carriages that ran along lower Broadway a century ago to the space shuttle of today, it has served and it serves the needs of people everywhere. It assures the flow of food from farm to market, raw materials from mine to factory, products from assembly line to market shelves.

Transportation is a \$610 billion industry, a figure that should impress even the Chairman of the Senate Finance Committee. As a slice of our GNP it totals nearly 20 percent, a striking statistic. It is part of the cost of everything companies produce and every item consumers buy. In short, transportation is essential to our economy, but no one wants to pay more for it than is necessary -- nor should they. We expect carriers to operate as efficiently as possible, and shippers to bargain for the best rates. These goals, we have found, are best accomplished in an economic climate of deregulation. As evidence of this Administration's strong commitment, we have already taken most of the steps needed to untangle a fifty-year accumulation of red tape that had been choking our transportation industries and sapping their initiative. Such reforms are not without their controversy. As Woodrow Wilson used to say, if you want to make an enemy, change something. But in this case, change produces a lot more beneficiaries than enemies, including the American industries and, ultimately, the American consumer. Deregulation returns competition to industries too long insulated from it, and that means less expensive, more reliable transportation, for both people and their products.

John W. Gardner has said it best. "Creativity requires the freedom to consider 'unthinkable' alternatives; to doubt the worth of cherished practices." Creativity is once more the hallmark of our transportation industries, nowhere more so than in the air. For an industry both dynamic and evolutionary by nature, air transportation today is experiencing the most comprehensive period of change since its birth revolutionized our way of life. Institutions that regulate aviation are changing. Technologies are changing. And the manner in which our citizens put aviation to use is changing. For example, the number of scheduled carriers since deregulation has more than doubled. Some of the small carriers have greatly increased their fleets and expanded their routes. New entrants have come on the scene. But in the midst of all this change, one thing remains constant: our commitment to maintaining the safest skies in the world. Our national air system is first and foremost a safe system and I will spare no effort to keep it that way.

A month ago we began a comprehensive effort to increase the FAA's inspection surveillance over the air carrier industry and to explore long-term safety needs and goals. We have found ways to carry out inspection procedures more efficiently, but at the same time there are more carriers to be inspected. We have moved to increase the inspector work force by 25 percent, bringing it back to the high level mark of past years.

For the past several weeks our inspectors have been looking into every nook and cranny of airline operations and pilot performance to assure that all safety requirements are being met. We have carried out some 10,000 "white glove" inspections of airline operations and pilot performance to see that carriers are doing what they're supposed to do, the way it should be done. These inspections involve more than 400 U.S. carriers -- ranging from large airlines to commuters and air taxis. They include ground operations as well as phase one of a comprehensive inspection program to assure that the changes occurring in the industry do not affect its safety. The second phase of our program, which began on Sunday, takes the inspection process one step further -- a more intensive analysis of deficiencies found during phase one.



Deregulation has transformed an industry long shielded by the government from real price competition and new competitors. It suggests the continuing validity of at least one economic theory -- that a little competition is a good thing -- and a lot is better still, especially for today's air travelers who have a far wider choice of carriers, fares and services than ever before -- including bargain prices in many markets. Passengers favoring all the amenities of flight can still fly in the lap of luxury. Travelers looking for air transportation shorn of its frills, but safe and reliable, can readily find that kind of service. And since some carriers, including those born of deregulation, have lower operation costs, they can offer low fares and still turn a profit.

Henry Ford, no stranger to innovation, used to compare American business to the chicken, which is never healthier than when it has to scratch around a little for what it gets.

Today, the flock is more diverse than ever. There are more carriers in operation throughout America, and more airlines flying what we usually think of as "big aircraft" to more places. It's no coincidence -- nor is it any surprise to me -- that the airlines are now sharing in the economic growth we are enjoying nationally. In the last half of 1983 the industry as a whole left behind the holding pattern of earlier months, and emerged strongly from the recession. When figures for the first quarter of 1984 are reported, the airlines may show as much as \$100 million in profits, compared to the \$640 million operating loss for the same period in 1983. Overall profits for the industry could reach \$1 billion for the calendar year 1984.

While the airlines have benefited from deregulation, that same renewal of faith in the private sector has set the stage for an entirely new venture in free enterprise, one that will literally fly higher than any 747 known to man. I refer to the commercial development of space. President Reagan recently designated the DOT lead agency for the expendable launch vehicle industry -- the use of commercial launch vehicles in space.

Within the Department, we have established a one-stop Office of Commercial Space Transportation. Its object: to cut through layers of government regulation that might otherwise discourage private investment. An industry that will function largely beyond the conventional atmosphere will only thrive in an economic atmosphere conducive to commercial space ventures. There is risk involved, but also promise -- great promise. We intend to reward the former and realize the latter. Already, we make down-to-earth use of space when we telephone overseas, watch a satellite TV weather report or view events unfolding half a world away. We're no longer amazed at seeing the Olympics live or transmitting computer data instantly to the other side of the globe. A satellite launched last March is assisting the Coast Guard in its search and rescue missions.

Remote sensing satellites offer possibilities, the boundaries of which are only now being explored, for locating fossil fuels and minerals and -- perhaps -- for pollution detection, hydrological management and crop forecasting. And ongoing experiments aboard NASA's space shuttle suggest that pharmaceuticals processed in space may yield purities 10 times greater than can be achieved here on earth.

Washington officials are often accused of not having their feet on the ground. In this case at least, we do indeed have our eyes on the stars. But let me return now from the skies and space to more earthly pursuits. Specifically, I'll leave our interstellar highways for the kind built with asphalt and steel. There too, old patterns are yielding



to new possibilities. The Motor Carrier Act of 1980, partially deregulating the trucking industry, has been in effect now for over three years. By and large, industry response to its basic reforms has been positive. Deregulation of the industry is clearly beginning to produce dividends for carriers, shippers and consumers. With the free entry permitted under regulatory reform, there are now more trucking firms in business than ever before -- from 18,000 three years ago to 33,000 today. New price and service options have been introduced. Established carriers have become more efficient and innovative. All of these changes are leading to shipper rates lower than they would have been otherwise, and to savings for customers.

With the economy now stronger than the most optimistic had expected even a year ago, I anticipate a continuing increase in demand for freight services. And I believe that this greater freedom to compete, together with productivity improvements in the industry, will mean higher earnings for many truckers.

As our truckers emerge from the transition period, those who adjust more effectively to the competitive way of life -- by trimming operating costs, offering new service and developing new markets -- will prosper the most. For shippers, the evidence we have indicates a wider and growing satisfaction with the results of motor carrier reform. And why not? Shippers today can play an active role in the distribution process, in negotiating rates, in selecting carriers. They can consolidate shipments, contract for particular services, and work with the carriers to design transportation services best meeting their overall needs.

Moreover, in small communities and among small firms, where some argued that service deterioration would inevitably follow deregulation, surveys show a generally high level of shipper satisfaction.

Speaking of satisfaction ... in the last year, there has been a marked improvement in the financial performance of the nation's leading motor carriers. For one thing, 1983 represented the first upturn in total tonnage since 1979. Total profits of \$214 million almost doubled the 1982 level. Fewer major carriers operated at a loss last year than in 1982, and the financial position of both profitable and recently unprofitable carriers improved significantly.

Rail deregulation tells a similar story.

It doesn't seem so long since America's railroads were on the verge of becoming an economic basket case. High costs, deferred maintenance, low rates of return and dwindling markets were devouring both their resources and their spirit. The Staggers Rail Act of 1980, bringing regulatory reform to the industry, was largely responsible for their turnaround even in the middle of a recession.

Today, railroads are better able to buy new equipment and maintain what they have, so service is more reliable and efficient. And it is much safer service, too, I might add. Some 10,000 rate and service contracts between shippers and railroads have been signed. Such contracts didn't exist before 1980. Now rail carriers have business they can count on and shippers are assured dependable rates. Rail "Piggyback" business has grown to record levels, increasing nearly 20 percent between 1980 and mid-1983.

Then there are the buses. They provide striking confirmation of a principle as old as supply and demand -- our own belief that the doors of economic opportunity are marked Push and Pull. Deregulation of the intercity bus industry just over a year ago has prompted 2,300 applications for new operating authority. By comparison ... in the 4



or 5 years prior to deregulation, only about 190 route applications were filed annually. Carriers offering service innovations, such as vehicle type and size adapted to demand, or newly competitive fares structured to demand and competitive conditions, are in evidence from coast to coast. For example, a carrier recently opened a new route running north/south across Western Kansas. Using mini-buses and vans, this operation is serving 25 communities that had no bus service at all, because full-size buses were unsuited to the light density market. Yet this new carrier plans to expand to neighboring states and will soon serve a route system of some 4,000 miles. In Wisconsin and in western New England, routes abandoned by former carriers now have more frequent bus service than before.

We have even taken our deregulation efforts to sea. Two weeks ago the President signed the Shipping Act of 1984 reducing government intervention in the ocean liner business. Essentially, it assures ships hauling freight to and from our shores the ability to compete more equally with foreign flag counterparts. This landmark legislation clarifies antitrust status. It also allows carriers and their conferences to offer more innovative services, and shippers to bargain for service contracts. The new law expedites regulatory actions by the Federal Maritime Commission, and removes a source of discord between this country and our trading partners. Incredible as it may seem, this Act is the first complete revision of international ocean liner shipping statutes since 1916. It is a major, even a historic, accomplishment for the Administration and for the maritime community. But, as the President said when he signed the bill, it's only a first step toward revitalizing the U.S. merchant marine.

Today, all of our transportation industries -- air, rail, truck, bus and water -- are drawing new energy from competition. Those who would succeed must put aside the conventional wisdom suited to earlier times. The traveling public and shippers will now decide who is efficient and who is not. They are no longer merely along for the ride. They are in the driver's seat.

There is a touch of irony to all this. Deregulation, when we really stop to think about it, is a revolutionary idea. But it is not newborn. In fact it was one of the first principles of our founding fathers, who believed supply and demand, competition and creativity, were the most efficient "regulators" of our society and the surest providers of both social justice and individual dignity.

For as long as we have called ourselves Americans, we have taken pride in our native ingenuity. We have displayed a willingness to take daring economic risks for great economic gains. We have placed our faith in a free market disciplined by competition and tempered by a social conscience.

Today drawing upon the best of those traditions, we have rekindled the fires of competition. Out of that contest, that age-old race to be first and best, there will come progress and a powerful antidote to economic stagnation. As nations rise to meet the challenge of change, so do individuals. I think of a woman who knew great adversity, one whose spirit and example inspired millions. Her name was Helen Keller -- and she summed up her philosophy in a single sentence. "One can never consent to creep," she wrote, "when one feels an impulse to soar."

We have an impulse in America to soar -- to loosen the shackles of economic regulation, to go as far and rise as high as our competitive skills will take us. As the landscape of New York has changed dramatically in a decade, so our economic landscape as a nation will be transformed. "There's magic in the marketplace," our President has said, "and it works." I know that is your ideal, and I assure you it is mine.