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TO THE COMMONWEALTH CLUB
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It's a privilege to address an organization which for more than 80 years has provided a forum of international significance on public policies and national directions. It is in such places that public opinion is shaped, for communication to government officials. I gained a great deal of respect for the importance of citizen participation when I was at the White House as Assistant to the President for Public Liaison. My door was always open then, as it is now, for to me an open door is a sign of an open mind, and an open mind is a prerequisite to successful public service.

Public service is rewarding because of the opportunities to make a difference in people's lives -- a difference for the better. I equally value occasions such as this, to meet with those who share my concerns.

I'm also delighted to be in San Francisco which, with all its other virtues, is a major transportation center. From the arrival of Spanish explorers in the late 16th century, San Francisco was destined to become a city of commerce and a thriving port. The transcontinental railroad that reached here in 1869 confirmed this city's promise, opening San Francisco to the millions who have since come to settle, to trade or simply to admire its beauty.

Transportation is the web that ties this dynamic city together. Bridges, ferry boats and transit systems connect the diverse communities of the Bay area. Your bustling airport and busy freeways shuttle commuters and visitors alike -- and this Thursday, after a nearly two-year absence, San Francisco's famed cable cars return to regular service along California, Powell and Mason Streets, running to Chinatown, Fisherman's Wharf, the Cannery and all points on the refurbished system. I recently had the privilege of presenting awards to the San Francisco Public Utilities Commission and the Committee to Save the Cable Cars for their success in merging transportation and historic preservation objectives. We are also pleased to have helped in the actual cable car restoration project by providing \$46 million in Federal public transit capital grants. But the cable car project was unique because, along with the public investment, private sector contributions provided \$10 million -- 14 percent of the total cost. Such commitment reflects your pride in this great city, and your faith in its future.

Transportation affords us all the personal mobility we treasure. But it is so much more. Winston Churchill, speaking in a wartime setting, once compared victory to a bright flower, of which transportation was the stem -- the base that allowed it to grow. The image is apt, for it suggests the significant force of a \$620 billion industry, accounting for 20 percent of the gross national product, and one of every eight in the nation's work force. Transportation puts us in motion, carries our commerce, lightens our burdens and links us to the world.

I thought of Mr. Churchill during my recent London visit. While debate in our Congress is almost always courteous, the British parliamentary style is quite different. Although I have long been aware of this difference, I was still taken aback by the heckling a prime minister must endure twice a week, during the 15-minute question and answer sessions. But then Sir Winston, as I recall, was adept at handling criticism from the floor and skillful at verbal creativity himself. Denied the freedom of calling a political opponent a liar, Churchill accused him of a "terminological inexactitude." And speaking of a political rival after the war, he said "an empty cab drove up and Clement Attlee got out."

Despite the differences between the British parliamentary process and our own -- we, of course, would never resort to name-calling -- I enjoyed my time in London and found my conversation with Prime Minister Margaret Thatcher especially rewarding. My scheduled 15-minute courtesy call turned into an hour-long exchange of our two countries' experience with what we call economic deregulation and our British friends call "privatization." I found Mrs. Thatcher an astute observer of the American scene, well-versed in the central issues of transportation economics.

While in London I also met with Mr. Srivastava, Secretary General of the International Maritime Organization (IMO). Our representatives had been meeting for almost a month with other IMO delegates in an effort to reach agreement on new oil spill liability levels for vessel owners. The United States had not signed the 1969 and 1971 international conventions dealing with oil pollution compensation for the simple reason that their liability limits were too low. My job was to convince the IMO delegates that the Reagan Administration would urge ratification of the conventions if agreement could be reached on more realistic liability levels.

The need to provide for a comprehensive regime of clean-up costs and compensation for damages is an international problem deserving an international solution. The IMO delegates did vote to raise shipowner liability levels from a minimum of \$3 million for vessels of 5,000 gross tons or below to a maximum of \$62 million for the largest ships. Total coverage was raised to \$140 million per incident, and that coverage can be expanded to \$208 million when at least three major oil importing countries ratify the agreement. The IMO recommendations also virtually assure adequate compensation to cover costs associated with oil spills.

To assure a complementary domestic program of similar proportions, I testified before the House last week in support of a \$75 million oil pollution liability limit for ship and barge owners and a \$200 million trust fund. The fund, to be financed by a small user fee of 1.3 cents per barrel on domestic and imported oil, would be used only when individual liability limits are exceeded or for clean-up expenses when those responsible for an oil spill are unknown. The fund would guarantee in advance of an accidental oil spill that adequate funds are available for clean-up, property damage compensation and restoration of natural resources. The United States has an

opportunity to lead the world in this environmental concern. I am urging swift Congressional hearings on domestic legislation and in ratifying the IMO conventions. Our goal should be for the United States to be the first signatory to these historic and important conventions.

From London I went to Oslo to lead the American delegation to the European Council of Ministers of Transport, an important gathering of senior government officials from 30 countries. There is intense interest in the European community about our experience with deregulation -- just as the European nations were impressed during the recent London summit with U.S. economic policies. Here in America our economy is creating record numbers of jobs while many European countries continue to lose them. As President Reagan is fond of saying, "There is magic in the marketplace, and it works."

Deregulation is of interest to leaders abroad because they are rediscovering, as we have, that free enterprise, challenged by risk, spurred by competition and unfettered by regulatory red tape, is still the most creative economic force in the world.

We now have solid experience with deregulation, and we can say unreservedly that the American people, our nation's shippers and the carriers themselves are far better served by competition than they ever were by regulation. Our airline, rail freight, motor carrier and maritime industries are industrial giants, in revenues and resources, with no further need for regulatory protection. As the engine of our economy, transportation works best when powered by private initiative. For proof, one can turn to any number of recent developments.

In 1977, air cargo became the first mode of transportation to be cut loose from federal restraints. Less than a year later we deregulated America's air passenger carriers, removing economic restrictions on fares and routes, opening the door to new lines, and even setting a date for the regulatory agency itself to go out of business. That date is December 31 of this year, when my Department will assume some of the Civil Aeronautics Board's few remaining functions. We will, for example, handle all international aviation responsibilities, including bilateral negotiations, carrier selection, tariff filings and review, and regulation of international air mail rates.

We realized when the Airline Deregulation Act was passed that some carriers would have to struggle in a fully competitive environment; and that some might not survive. But for the few U.S. carriers that have faltered, many prospered. For the few leaving the market, many new ones have entered. Throughout the airline industry there are far more winners than losers. And deregulation is delivering just what was expected: more competition, better efficiency, a greater variety of service. Travelers enjoy new choices, and a wide range of fares. Carriers have cut costs, passing the savings on to the customers -- an estimated \$10 billion since 1978. After a period of fare-slashing, union renegotiations and general shakeout, 1984 first quarter operating profits were the best in airline history. Some analysts now project a billion dollar operating profit for the year.

Our nation's railroads have responded similarly to deregulation. Until recently, many were on the verge of economic disaster. High costs, deferred maintenance, low rate of return and dwindling markets had eroded their resources and clouded their future. In the mid-70's, the government created Conrail, to operate a collection of bankrupt Northeastern and Midwestern railroads. In 1980, Congress passed legislation

bringing long-needed regulatory reform by lifting most government control of rates. That one law has been a major factor in the industry's dramatic economic turnaround, which began even in the midst of a recession.

Today U.S. railroads are earning the money they need to buy new equipment and better maintain what they have. Track is being rapidly replaced. New cars are riding the rails. Service is improving and traffic is increasing. The net result is an operating income last year of \$1.3 billion for America's principal long-haul rail lines, up substantially from 1982 levels.

America's freight railroads own and maintain their own equipment, tracks, facilities and rights-of-way. And they pay taxes. Indeed, they paid \$2.5 billion in taxes to federal, state and local governments in 1982. Even a once-troubled line like Conrail earned \$313 million in 1983 and paid over \$24 million in taxes to other than the federal government. Now, with that railroad so much improved, so much more modern, cost-efficient and profitable, I find myself in the happy process of returning it to the private sector. Yesterday, in fact, was my cut-off date for all bids. We have received several substantial offers, certifying Conrail's vastly improved market value. Once our investment banker, Goldman Sachs, gives me their careful analysis, I will determine which, if any, of the offers best serves the public interest. I will then make my recommendation to Congress. When the transaction is completed it will represent a watershed in America's drive to remove government control over our transportation industries.

As intended, deregulation has encouraged greater price competition. At the same time, however, we have retained sufficient control to guard against unfair competition. Since some "captive" shippers have no practical alternatives to using a given railroad, some limited rate protection may be needed for the foreseeable future. The trucking industry, on the other hand, will always be naturally competitive because anyone who can buy a truck can go into business. So we see no need for special government controls to protect those who ship by truck. That market is open to new carriers, and truckers are free to negotiate contracts and to mix goods that had been regulated with goods traditionally "exempt" from regulation.

Other changes are in the works. Deregulation of a new industry -- space transportation -- has begun even before regulations have had time to take hold. Earlier this year President Reagan designated the Department of Transportation as the lead government agency for the commercial operation of expendable launch vehicles. The space frontier, we believe, has private enterprise potentials far beyond the voice and telecommunications capabilities already demonstrated. For example, shuttle flight experiments have shown that materials can be processed in a zero-gravity environment, to produce compounds of unusual purity. Satellites can pick up distress signals generated by downed aircraft. Remote sensing to assist in mineral exploration, fossil fuel detection and crop forecasting are other promising space applications. And a global monitoring system may be capable of tracking pollutants in the air and oceans to give us a comprehensive view of our environment never before available.

I want American industry to lead the world in these and other commercial space developments. We will assist firms wanting to send payloads into space by providing one-stop service, streamlining all clearance requirements and eliminating all unnecessary regulations. We're talking about nothing less than a new multi-billion

dollar business, which is why I believe the space industry, so large a part of California's economy, has a bright commercial future.

All this taken together might suggest a complete discarding of old restraints and outworn restrictions. True, we are the voice of deregulation and we are making great progress in changing the way the transportation industries do business. But I assure you we are taking great pains, during this time of institutional and technological changes, to make certain that transportation safety is in no way diminished.

Shortly after taking office I convened a special safety task force to carry out an in-depth review of our safety policies and procedures. We began with aviation, we're looking at railroads and boating safety and I will soon be exploring what might be done to improve trucking safety.

As part of my commitment to make our aviation system even safer than it is today, we have just completed a comprehensive "white glove" national air transportation inspection program covering 350 air carriers and involving more than 14,000 separate inspections. The final report on that program, now being prepared, will both evaluate our findings in the air carrier industry and tell us how we can improve our own FAA inspection procedures. Many skilled inspectors worked long and hard, in an "extra effort" safety check of America's air carriers, large and small. They have done a superb job and we owe them a very special and heartfelt "thank you."

In a follow-up to that program, we are about to implement a comprehensive plan to examine and enhance the safety of the rest of the aviation industry. We have great confidence in our general aviation community. Yet for all our efforts, the planes, the pilots who fly them and the hundreds of thousands of people who work with them are not perfect. In terms of actual numbers, accidents and fatalities in general aviation have both declined in recent years. But that's largely due to reduced activity.

Primarily because of the recession, general aviation growth levels have been relatively flat in recent years. The upturn in the economy now suggests a return to a healthy general aviation activity. In fact, our long term forecast indicates a 40 percent increase in the general aviation fleet by 1995. Our air traffic control modernization program, now underway, will improve our ability to handle aircraft. But we must greatly reduce today's accident and fatality rates if growth is to be achieved without any additional cost in lives.

To assure we're doing everything possible, I'm announcing a comprehensive safety audit of General Aviation and commercial or contract operations. My goals are to determine the effectiveness of FAA standards for operations and maintenance of general aviation aircraft; to verify that operators and individuals are qualified and performing in accordance with FAA requirements; and to enhance safety in the operation and maintenance of aircraft used in general aviation and contract operations.

In reviewing general aviation, it became clear that we could not duplicate the air carrier inspection program. In sheer numbers, general aviation dwarfs the scheduled carriers. It is also a far more diverse segment of aviation, encompassing everything from crop dusters and home-built planes, to hot-air balloons, private single engine aircraft, sophisticated business jets and large jet aircraft operated by individuals and companies for hire. General aviation embraces much of what flying is about in America. All told, there are some 210,000 aircraft in the active general aviation fleet.

During our safety audit, our inspectors will also look at flight schools, repair stations, mechanics, and on-demand air taxis -- all part of the general aviation community. Because of the complexity and extent of the industry, the program will take some 12 to 18 months to complete.

One of the early focuses of our audit will be the contract operators of large jet aircraft. Many of these operators fly older jets, such as the 707's and DC-8's. Those planes are being phased out of U.S. fleets at the end of this year to comply with federal noise rules. I have directed that maintenance surveillance of all these aircraft be intensified to assure their airworthiness is in no way compromised during their final months in service. We will begin those closer inspections in September, following up again in October, November, and December until those planes are no longer in service.

Beyond the general aviation safety audit itself, we are considering a proposal requiring shoulder harnesses for small aircraft. We are reviewing information available on survivable crashes, the potential for voluntary compliance and additional costs to the public. We are working with general aviation pilots and manufacturers on this issue.

New techniques in pilot training may also provide an added margin of safety. Since a large number of general aviation accidents are due to "pilot error," new or additional methods of training might equip pilots to handle life threatening situations more successfully.

I'm also looking at ultralights, a relatively new aviation phenomenon, introduced in the mid 1970's. What started out as hanggliders, soon became powered hanggliders or ultralights. In October 1982 the FAA issued new rules defining an ultralight and providing "rules of the road" to minimize potential hazards. The FAA made it clear that future regulatory action may be taken as circumstances dictate. We have set in motion a review process leading to public comment and hearings in October.

For all of this emphasis on aviation, I am by no means neglecting other forms of transportation. Earlier this month I issued a proposed rule that would prohibit railroad employees from reporting to work impaired by alcohol or drugs. The rule would also outlaw on-the-job use or possession of those substances.

I am also deeply concerned about highway safety, where the vast majority of our transportation-related fatalities occur. We know we can reduce highway deaths and injuries substantially by increasing safety belt usage and removing drunk drivers from our roads.

The large-scale safety belt campaign we're conducting, with the assistance of the private sector, is producing results. Employers and communities nationwide are participating in education and incentive projects. But the most encouraging progress in highway safety has come from what began, here in Northern California, as a grassroots campaign against the death and misery inflicted by drunk drivers. As a result of protests by concerned citizens, community action groups and the Presidential Commission on Drunk Driving, many state legislatures have enacted tougher laws against drunk driving. Judges, juries and the public alike are today much less tolerant, and the drunk driver -- particularly the repeat offender -- increasingly faces criminal prosecution.

I have been especially concerned by the high incidence of teenage involvement in alcohol-related highway accidents. Motor vehicle crashes, in fact, are the leading cause of death among teenagers -- and many of those involve alcohol. "Project Graduation," which we sponsored, was a nationwide campaign to discourage alcohol and drug use by high school young people during the prom and graduation season.

Last week the Administration took a more direct step. At a rally on the Capitol steps, I stood with California's Candy Lightner, founder and president of MADD (Mothers Against Drunk Drivers), and with Congressional leaders to announce the Administration's support of federal legislation encouraging states to set 21 as the legal minimum drinking age. I don't need to preach that message here. Twenty-one has been the law in California for more than 50 years. Twenty-two states have now followed your lead, many in recent years. We had hoped all the states would take action on their own. Since last fall, four states have acted. But the momentum appears to have stalled. Efforts to raise the drinking age failed in 19 states this year alone. The resulting checkerboard of different minimum drinking ages actually may create "blood borders," where young people drive across state lines to drink. We must stop this senseless slaughter. We must act so that families are spared the tragedies resulting from alcohol abuse by teenage drivers. We must raise the drinking age to 21 in all our states to protect all our people.

We know the higher age limit is effective. In states where the age has been raised to 21, results have been impressive. Drunk driving fatalities fell by 25 percent in a single year in Michigan. New Jersey reduced night-time teen-age auto-crash deaths by nearly 26 percent after its 21-year-old drinking age went into effect. I will be working closely with citizen groups and with members of Congress to win early action on this life-saving proposal.

We are making progress. Overall, traffic fatalities have declined by 17 percent since 1980. Nineteen eighty-three's highway death toll was the lowest in 20 years; our national fatality rate the lowest ever recorded. Yet we're determined to do more to make all transportation not only more efficient, but safer and better for all our citizens. Like your cable cars, transportation in America is being revitalized and renewed.

I am encouraged by what we have achieved; excited by the opportunities ahead. We still have problems to solve, but they are within reach of our skills and the scope of our commitment. For I believe, as President Reagan does, that America's "best days lie ahead."

The nation's economy is again in high gear. The GNP rose nearly nine percent in the first quarter. Inflation remains low -- under five percent. Unemployment has declined faster than expected. Economic growth is again producing new jobs -- a third of a million a month. More Americans are working than ever before.

Government did not create those jobs or prime the economic pump. The growth we're enjoying is the result of private enterprise renewed; competition rekindled. We have gone back to what we do best. Even deregulation, when we think about it, was one of the first principles of our founding fathers. They 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. In fact, 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.

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. Make no mistake about it; that summit still beckons.

More than 50 years ago, in a famous speech to this organization -- that even its deliverer probably came to regret -- Franklin D. Roosevelt publicly questioned whether the United States hadn't reached the outer limits of her economic potential. FDR soon learned, of course, that the frontier hadn't closed on American ingenuity and American enterprise. Today even the sky is no longer a limit to our achievements. Like President Reagan, I have no doubt of our will or capacity to hasten those "best days" he sees ahead. The American frontier is still open. We are in the morning of our destiny --and transportation will contribute much to a long and glorious day.

Thank you.

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