

REMARKS PREPARED FOR DELIVERY BY  
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NATIONAL GOVERNORS' ASSOCIATION  
TRANSPORTATION COMMITTEE  
FEBRUARY 25, 1985

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THANK YOU, GOV. (BOB) ORR, FOR THOSE KIND WORDS AND ALL OF YOU FOR YOUR WARM WELCOME. I DEEPLY APPRECIATE THE SUPPORT THE GOVERNORS HAVE GIVEN ME ON MANY CRITICAL ISSUES DURING THE PAST YEAR. MANY OF YOU HAVE WORKED VERY HARD TO CONVINCE CONGRESS TO RELEASE THE LONG-DELAYED INTERSTATE HIGHWAY CONSTRUCTION FUNDS. YOU'VE GIVEN ME INVALUABLE ADVICE AS I EVALUATED THE BIDS FOR CONRAIL. YOU'VE BEEN VIGOROUS AND ENTHUSIASTIC IN SUPPORTING OUR HIGHWAY SAFETY CAMPAIGNS. THE NATIONAL GOVERNORS ASSOCIATION HAS JOINED WITH THE DEPARTMENT TO STUDY WAYS OF FOSTERING GREATER MOTOR CARRIER REGULATORY UNIFORMITY. IN SHORT, YOU'VE BEEN JUST WONDERFUL AND I AM TRULY GRATEFUL.

WE MEET TODAY IN A POSITIVE ENVIRONMENT FOR TRANSPORTATION. I'M DELIGHTED TO REPORT THAT THE PRESIDENT SENT TO CONGRESS EARLIER



OF 1982, FOR EXAMPLE, WE'VE SEEN \$29.6 BILLION IN FEDERAL FUNDS PUMPED INTO THE HIGHWAY PROGRAM. EVERY ONE OF YOU HAS WORKED HARD TO ACHIEVE THE PROGRESS WE'VE MADE IN THE HIGHWAY PROGRAM, BUT IT IS NOW THREATENED BY THE CONGRESS' FAILURE TO APPROVE THE INTERSTATE COST ESTIMATE (ICE). AS YOU ALL KNOW I PROPOSED EMERGENCY LEGISLATION ON JANUARY 14 TO APPORTION THE FUNDS. I APPRECIATE YOUR SUPPORT OF THE ADMINISTRATIVE APPROVAL APPROACH TO APPORTIONING HIGHWAY FUNDS.

QUITE SIMPLY, WE NEED A "CLEAN ICE" BILL AND WE NEED IT NOW. THE PRESIDENT HAS SAID HE WOULD VETO ANY BILL CONTAINING A LAUNDRY LIST OF COSTLY "DEMONSTRATION PROJECTS." I STRONGLY SUPPORT HIM ON THIS. THE MECHANISM IS ALREADY IN PLACE AT THE STATE LEVEL TO DETERMINE WHICH PROJECTS ARE SELECTED FOR HIGHWAY FUNDING. IF THE

PROJECTS REFLECT STATE PRIORITIES, THE STATES CAN FUND THEM THROUGH THE EXISTING SYSTEM, WITHOUT SPECIAL LEGISLATION. THESE DEMONSTRATION PROJECTS WERE NOT TAKEN INTO ACCOUNT WHEN AUTHORIZATION LEVELS WERE ESTABLISHED IN 1982 FOR THE FEDERAL-AID HIGHWAY PROGRAM, AND IF NEW ADDITIONAL AUTHORIZATIONS ARE ENACTED, THEY WOULD SERIOUSLY THREATEN THE LONG-TERM SOLVENCY OF THE HIGHWAY TRUST FUND.

LET ME ALSO POINT OUT AN ARTIFICIAL CUSHION THAT MIGHT LULL US INTO INACTION. MANY STATES HAVE CONTINUED THEIR INTERSTATE PROGRAMS WITH ADVANCE CONSTRUCTION INTERSTATE FUNDS. AS OF DECEMBER 31, STATES HAD ADVANCED \$1 BILLION IN ACI FUNDS TO KEEP THE CONSTRUCTION MACHINERY HUMMING. THIS HAS REDUCED THE IMPACT OF CONGRESS' INACTION AND PERHAPS CREATED A FALSE SENSE OF SECURITY. THIS,



HOWEVER, WILL NOT LAST FOREVER. YOU'VE GONE OUT ON A LIMB AND TAKEN THE FEDERAL SHARE "ON THE CUFF" AND I KNOW THIS IS CAUSING SOME OF YOU CASH FLOW PROBLEMS AS WELL AS INCREASED COSTS.

THE ADMINISTRATION IS WORKING TO ENCOURAGE PROMPT RELEASE OF THESE FUNDS. THE ONLY ALTERNATIVE I SEE AVAILABLE TO SAVE THE 1985 INTERSTATE CONSTRUCTION SEASON IS FOR THE STATES TO COME TOGETHER IN SOME SORT OF STRONG CONSENSUS URGING THE CONGRESS TO SAVE THIS IMPORTANT ELEMENT OF THE FEDERAL HIGHWAY PROGRAM. IT'S BEEN A SUCCESSFUL PROGRAM THAT WE MUST WORK TOGETHER TO SAVE.

WE RECOGNIZE, TOO, THAT CONSTRUCTION OF OUR OVERALL INTERSTATE HIGHWAY SYSTEM IS ALMOST COMPLETED. WITH THIS ACHIEVEMENT IMMINENT, THE TIME IS RIGHT FOR US TO BEGIN TO RETHINK THE FEDERAL-STATE RELATIONSHIP IN HIGHWAY PROGRAMS. WE HAVE AN OPPORTUNITY TO REDUCE

FEDERAL CONSTRAINTS AND PROVIDE GREATER FLEXIBILITY TO THE STATES TO MANAGE THEIR OWN HIGHWAY RESOURCES. WE CAN FORGE A NEW RELATIONSHIP BETWEEN THE FEDERAL GOVERNMENT AND THE STATES ON HIGHWAY MATTERS, RETURNING MORE POWER AND FUNDING TO AUTHORITIES CLOSER TO THE PEOPLE, ENSURING THAT THE STATES HAVE MORE CONTROL OVER THIS IMPORTANT ELEMENT IN THEIR ECONOMIC FUTURE.

MANY OF YOU HAVE DEMONSTRATED CREATIVITY AND TALENT IN MEETING TRANSPORTATION NEEDS IN YOUR OWN STATES. GOVERNOR THORNBURGH PUT THIS BEST IN A RECENT LETTER TO THE PRESIDENT. HE SAID: "WE CAN DO MORE WITH LESS IF WE ARE RELIEVED OF INHIBITING FEDERAL MANDATES AND RESTRICTIONS..." HE, GOVERNOR ORR, GOVERNOR O'NEILL AND OTHER GOVERNORS ARE WORKING TO DEVELOP THEIR OWN STATE STRATEGIES TO ASSURE THAT FUTURE TRANSPORTATION NEEDS WILL BE MET.



YOU'VE ALREADY HEARD THIS MORNING ABOUT GOVERNOR O'NEILL'S INFRASTRUCTURE RENEWAL PROGRAM. AND I'M GREATLY ENCOURAGED THAT A NUMBER OF YOU ARE TAKING THE INITIATIVE TO CHANNEL LOCAL INTEREST IN TRANSPORTATION TO LOCAL SOLUTIONS.

THE SAME STRANDS OF CHANGE RUN THROUGH OUR ACTIVITIES IN THE RAILROAD INDUSTRY. WE ARE TURNING OVER A MAJOR TRANSPORTATION RESOURCE -- CONRAIL -- FROM GOVERNMENT TO PRIVATE HANDS. AS I MENTIONED EARLIER SEVERAL OF YOU ADVISED ME CLOSELY DURING THE DELIBERATIONS ON THE SALE OF CONRAIL.

I MADE CLEAR FROM THE OUTSET THAT MY ULTIMATE DECISION WOULD BE BASED SOLELY ON WHAT WOULD BEST SERVE THE INTERESTS OF THE PUBLIC, CONRAIL'S EMPLOYEES AND THE SHIPPERS WHO RELY UPON CONRAIL'S SERVICES. MY AIM IN SELLING THE RAILROAD HAS BEEN TO SELECT THE

BUYER WHICH WILL LEAVE CONRAIL IN THE STRONGEST FINANCIAL POSITION AFTER THE SALE, BEST PRESERVE SERVICE TO CONRAIL'S SHIPPERS, AND CONSISTENT WITH THESE TWO CRITERIA, GIVE THE TAXPAYERS THE BEST RATE OF RETURN POSSIBLE.

AFTER CAREFUL REVIEW OF THE OFFERS SUBMITTED, I RECOMMENDED TO THE CONGRESS THAT A SINGLE BUYER -- THE NORFOLK SOUTHERN CORPORATION -- PURCHASE CONRAIL. I CHOSE NORFOLK SOUTHERN BECAUSE IT IS A HIGHLY PROFITABLE COMPANY WHICH PRIDES ITSELF ON HAVING THE HIGHEST OPERATING, MAINTENANCE AND SAFETY STANDARDS IN THE INDUSTRY. THOSE STANDARDS ARE IMPORTANT TO ME BECAUSE CONRAIL'S FUTURE NOW WILL BE NORFOLK SOUTHERN'S FUTURE.

WE NEGOTIATED AN AGREEMENT WITH NORFOLK SOUTHERN WHICH GUARANTEES TO THE GOVERNMENT AN IMMEDIATE CASH PAYMENT OF \$1.2



BILLION AT THE TIME OF THE SALE. IN ADDITION, ANY CASH IN CONRAIL'S ACCOUNT ABOVE \$800 MILLION AT THE TIME OF THE CLOSING WILL ALSO GO TO THE GOVERNMENT.

AND THAT IS ONLY PART OF THE PURCHASE PRICE. NORFOLK SOUTHERN WILL SURRENDER TO THE TREASURY TAX BENEFITS THAT CONRAIL HAS ACCUMULATED OVER RECENT YEARS. WE ALSO NEGOTIATED RESTRICTIVE COVENANTS TO PROTECT THE PUBLIC INTEREST BY PROHIBITING THE BUYER FROM STRIPPING CONRAIL OF ITS ASSETS. ACCORDING TO OUR PROPOSAL, NORFOLK SOUTHERN WOULD PROVIDE LONG-TERM STABILITY FOR THE CONRAIL SYSTEM. CONRAIL WOULD CONTINUE TO OPERATE AS A COMPLETE SYSTEM. THE TREASURY WOULD RECOUP IMMEDIATELY AT THE TIME OF THE SALE, A SUBSTANTIAL PART OF THE TAXPAYERS' INVESTMENT IN CONRAIL. AND MOST PLEASING TO ME, PHILOSOPHICALLY, THE GOVERNMENT WOULD GET OUT OF THE

#### FREIGHT RAILROAD BUSINESS.

ON THE OTHER HAND, A PUBLIC STOCK OFFERING, WHICH HAS BEEN SUGGESTED BY SOME, WOULD PROVIDE NONE OF THE ASSURANCES I HAVE JUST MENTIONED. GOLDMAN SACHS, OUR FINANCIAL ADVISOR, FOUND IT HIGHLY UNLIKELY THAT A PUBLIC OFFERING WOULD NET ANY MORE CASH THAN A PRIVATE SALE, AND MAY PRODUCE LESS. A PUBLIC OFFERING ALSO WOULD REQUIRE THE TAXPAYERS OR CONRAIL ITSELF TO BEAR ALL THE RISK OF CHANGES IN MARKET CONDITIONS AND IN THE RAILROAD'S PERFORMANCE.

I AM CONFIDENT THAT EVERYONE INVOLVED WITH CONRAIL --CONRAIL EMPLOYEES, SHIPPERS AND TAXPAYERS NATIONWIDE -- WILL BENEFIT GREATLY IF CONGRESS AGREES PROMPTLY TO OUR PROPOSED SALE. IN FACT, ALMOST 1,200 SHIPPERS HAVE ENDORSED THE SALE OF CONRAIL TO NORFOLK SOUTHERN.



WHEN THE SALE IS COMPLETED THE RAILROAD WILL BECOME A STATE TAXPAYER ONCE AGAIN. I KNOW SEVERAL MEMBERS OF THIS COMMITTEE ARE FROM STATES IN THE NORTHEAST AND MIDWEST SERVED BY CONRAIL. I HOPE YOU AND ALL GOVERNORS WILL GIVE ME YOUR SUPPORT ON THIS IMPORTANT TRANSPORTATION ISSUE.

WE BELIEVE THAT WHEN MANY TRANSPORTATION DECISIONS ARE MADE BY STATE AND LOCAL GOVERNMENTS AND SERVICES HANDLED BY THE PRIVATE SECTOR, THE ESSENTIAL PROGRAMS ARE MORE EASILY DEFINED.

I READ A RECENT NEWS ACCOUNT IN WHICH A GOVERNOR SAID: "WE ARE NOT GOING TO PICK UP DOLLAR FOR DOLLAR EVERY FEDERAL PROGRAM THAT IS CUT, BECAUSE FRANKLY MANY OF THOSE PROGRAMS OUGHT TO BE CUT IN TIMES WHEN RESOURCES ARE SCARCE." THIS GOVERNOR RECOGNIZED WHAT WE IN THE REAGAN ADMINISTRATION ALSO REALIZE: NOT ONLY THAT THE FEDERAL

GOVERNMENT CAN'T DO EVERYTHING, BUT THAT YOU AT THE STATE AND LOCAL LEVELS OFTEN HAVE FAR SUPERIOR JUDGMENT AS TO WHAT NEEDS TO BE DONE, PARTICULARLY IN MATTERS OF LOCAL SERVICE. BY YOUR TALENT AND YOUR LEADERSHIP THE ISSUES OF RAIL TRANSPORTATION WILL BE ADDRESSED AND THE PEOPLE WILL BE SERVED.

I ALSO VALUE YOUR LEADERSHIP IN OUR HIGHWAY SAFETY CAMPAIGN. WE ARE WITNESSING AN EMERGING GRASSROOTS MOVEMENT THAT IS HAVING A TREMENDOUS INFLUENCE ON OUR SAFETY BELT CAMPAIGN, JUST AS A SIMILAR MOVEMENT DID ON THE ISSUES OF DRUNK DRIVING AND CHILD SAFETY SEATS.

ALL ACROSS AMERICA PEOPLE ARE BEGINNING TO REALIZE WHAT YOU HERE TODAY KNOW SO WELL: SAFETY BELTS ARE A PROVEN LIFESAVER. THEY OFTEN MEAN THE DIFFERENCE BETWEEN LIFE AND DEATH OR SERIOUS INJURY.

I'M GLAD NEW YORK, NEW JERSEY, AND ILLINOIS ALREADY HAVE LAWS



REQUIRING SAFETY BELT USAGE. GOVERNOR BLANCHARD OF MICHIGAN HAS A BILL ON HIS DESK WAITING TO BE SIGNED. MANY OTHER STATES ARE SERIOUSLY CONSIDERING BELT USE LEGISLATION. I FIRMLY BELIEVE THAT EFFECTIVELY ENFORCED STATE LAWS REQUIRING SAFETY BELT USAGE OFFER OUR BEST OPPORTUNITY TO SAVE LIVES TODAY AT VIRTUALLY NO COST TO THE CONSUMER. I HOPE THAT YOU AND ALL GOVERNORS WILL SUPPORT AND WORK FOR HIGHWAY SAFETY WHEN BILLS ARE IN YOUR LEGISLATURES AND WHEN THEY REACH YOUR DESK FOR YOUR SIGNATURE.

FINALLY, WE ARE WORKING TOGETHER TO ENCOURAGE GREATER UNIFORMITY IN MOTOR CARRIER REGISTRATION AND LICENSING REQUIREMENTS. UNIFORMITY WOULD SIGNIFICANTLY ENHANCE THE EFFICIENCY AND PRODUCTIVITY OF THE MOTOR CARRIER INDUSTRY AND ULTIMATELY BENEFIT SHIPPERS AND CONSUMERS ALIKE. I'M DELIGHTED THAT MY

DEPARTMENT AND THE NATIONAL GOVERNORS' ASSOCIATION HAVE ENTERED INTO A COOPERATIVE AGREEMENT TO STUDY STATE MOTOR CARRIER REGISTRATION AND TAXATION PROCEDURES. I AM VERY HOPEFUL THESE STUDIES AND REPORTS WILL PROVIDE A FOUNDATION FOR ACHIEVING MORE UNIFORM PROCEDURES WHICH WILL BENEFIT YOU, THE MOTOR CARRIER INDUSTRY AND THE CONSUMER. I LOOK FORWARD TO WORKING WITH YOU ON THIS ISSUE.

SO THE CHALLENGES OF CHANGE ARE UPON US AGAIN IN 1985 --CHANGES CREATED BY A RISING ECONOMY IN NEED OF MORE TRANSPORTATION SERVICES; BY A NEED TO CONTROL FEDERAL SPENDING AND FURTHER DEFINE PRIORITIES OF FEDERAL AND STATE GOVERNMENTS; AND BY A PEOPLE FULL OF HOPE FOR THE FUTURE. THE BEAUTIFUL CONSTANCY ABOUT AMERICA, ITS PEOPLE, ITS SYSTEM OF GOVERNMENT, HAS BEEN ITS ABILITY TO ADJUST TO SWEEPING CHANGE. PART OF THAT ABILITY LIES IN THE WILLINGNESS OF LEADERS



SUCH AS YOURSELVES TO WORK TOGETHER TO RESOLVE DIFFERENCES, TO HELP EACH OTHER. YOUR LEADERSHIP IS OUR REAL STRENGTH. ONE GOVERNOR WROTE THE PRESIDENT RECENTLY. HE SAID HE SUPPORTS EFFORTS TO REDUCE THE FEDERAL DEFICIT, CUT THE SIZE OF GOVERNMENT AND MINIMIZE THE TAX BURDEN UPON ALL AMERICANS. HE ASKED ONLY TO BE INFORMED AT THE EARLIEST POSSIBLE MOMENT OF LIKELY CUTS AFFECTING HIS OWN STATE'S BUDGET SO THAT ADJUSTMENTS COULD BE MADE AT THE STATE LEVEL. THAT GOVERNOR AND ALL OF YOU WILL BE KEPT WELL INFORMED BY MY DEPARTMENT. ON THIS YOU HAVE MY WORD. WE WANT TO WORK VERY CLOSELY WITH YOU -- TO SHARE IN YOUR COUNSEL, TO BUILD OUR FUTURE TOGETHER.

WITH YOUR KNOWLEDGE AND LEADERSHIP, WITH STATE AND FEDERAL GOVERNMENTS WORKING TOGETHER, WE CAN MAKE THE CHANGES NEEDED TO

ASSURE AMERICA'S MOBILITY AND ECONOMIC STRENGTH AND PLACE TRANSPORTATION DECISIONS WHERE THEY BELONG -- WITH THE PEOPLE.

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