



U.S. Department of
Transportation

News:

Office of the Assistant Secretary for Public Affairs
Washington, D.C. 20590

Contact: Jennifer Hillings
Tele.: (202) 426-4570

REMARKS PREPARED FOR DELIVERY BY
DEPUTY SECRETARY JIM BURNLEY
KIWANIS CLUB LUNCHEON
GREENSBORO, N.C.
JUNE 27, 1985

Let me say at the outset that Secretary Dole is working very intensively on ways to improve the safety and security of international airline passengers. At the President's request, we are reviewing security procedures at major airports around the world.

In addition, last Thursday the Secretary submitted to Congress proposed legislation to deal with the problem -- the "Anti-Hijacking Act of 1985." If the Secretaries of Transportation and State determine that an expanded airmarshal program is necessary, this bill would authorize the necessary funds. Airmarshals would be given the authority to carry weapons and to make arrests.

The Secretary of Transportation, through an amendment to the Federal Aviation Act, would also be given the clear authority to act immediately, without notice or hearing, to suspend all services between the United States and an inadequately secured airport where a condition exists that threatens the safety of those traveling through that airport.

In short, this statute would send a clear signal to countries that have inadequate security procedures in their airports that the United States is prepared to act quickly and decisively when serious problems are found in the international aviation security system.

Day before yesterday, Secretary Dole sent the President a detailed set of recommendations to tighten security immediately for domestic and international flights. It also includes larger-term enhancements of our security program, including additional training of airline employees and strengthening of research on explosive detection methods.

This morning the Secretary addressed the Council of the International Civil Aviation Organization, which is in session in Montreal. She outlined the numerous steps the United States is taking and called upon the international community to join us in these efforts. The good news is that a number of western nations are already taking actions similar to ours.

I wanted to give you this brief background on what we are doing to improve our ability to prevent terrorist attacks on the aviation system. The taking of hostages and acts of sabotage such as that resulted in more than three hundred deaths last weekend are acts of barbarism. We need to get the hostages back; and I can assure you that no one in this Administration will relax until they are returned safely home and every step has been taken to prevent another such incident.

It was right here at a Kiwanis Club luncheon back in 1978, that I recall hearing a very interesting and forceful speech about transportation policy. Little did I know then that I would some day find myself addressing you as the Deputy Secretary of Transportation, and I'm sure this is as big a surprise for some of you as it is for me. At any rate, let me refresh your memories about the speech we heard in 1978. The speaker was an airline executive, and his topic was deregulation of air transportation. This airline executive, just like the officials of many other airlines back in 1978, regarded deregulation as a radical, even threatening, sort of proposition. "If it ain't broke, don't fix it" fairly described their attitude. Federal government control over where and when airlines could fly and what passenger fares and freight rates they could charge was a comfortable status quo. Deregulation, it was argued, would throw an orderly market into chaos.

Well, our airline executive's warnings about the supposed evils of deregulation went unheeded. There was in fact strong bipartisan support for deregulation, with the chairman of the Civil Aeronautics Board, a Democrat, vigorously arguing -- and successfully persuading Congress -- to enact full deregulation that would actually abolish his agency.

Today, the domestic air transportation market is fully deregulated. The Civil Aeronautics Board, after several years of phasing out its activities, shut its doors December 31. Air travel has been revolutionized. Nowhere is the change better exemplified than here at the regional airport, where the growth in traffic has been phenomenal. Weekly scheduled flights to the Greensboro-High Point-Winston-Salem Airport have increased nearly sixty-seven percent since 1978. Air service to North Carolina as a whole has increased eighty percent. One airline with very competitive service in and out of the regional airport today did not even exist before deregulation. Happily, we have a magnificent new terminal that can accommodate much more growth.

There is another air carrier that has enjoyed tremendous expansion in service to this area and many other markets since deregulation. I am not going to mention any names, but I cannot resist telling you that this particular company which is faring so well in the free economic environment and which is headquartered in Winston-Salem is the same one whose spokesman appeared before this club seven years ago and prophesied disaster. It is to the credit of its management that it has so fully exploited the opportunity that deregulation has provided to grow and vigorously compete.

I think many of you who fly in and out of our airport today will share my feeling that it is hard to believe that less than a decade ago, it made no real difference which airline one chose to fly to a given destination. The fare was the same with only the most marginal variations in service. By contrast, today air travelers have the right to choose between low-fare, no frills service or high-priced, luxury service or any offering from the broad spectrum in between.

Secretary Dole and I are proud to serve in an Administration whose President is the strongest advocate of free-market policies of all the Presidents in modern times. We believe that all transportation industries can conduct their business more creatively and efficiently by enjoying greater economic freedom. We strongly support the reforms underway in freeing the railroad and trucking industries from inhibitive economic regulations. Regulation of these freight carrier industries had its genesis in a different era under different circumstances than we know today. Trying to regulate the economics of our major transportation industries is totally inconsistent with the best interests of shippers, consumers and the carriers themselves.

In the trucking industry, the Motor Carrier Act of 1980 has brought about partial deregulation. One of the most important reforms brought about by the Act was the easing of entry restrictions. With freer entry permitted under deregulation, more trucking firms have come into the market than ever before. In fact, the number almost doubled from 1980 to 1983, jumping from eighteen thousand to thirty-three thousand. The new entrants have introduced a wide range of price and service options. In addition, a heightened competitive atmosphere brought with it an urgency to "trim the fat," to make the necessary cost reductions and productivity improvements.

The reforms of the Motor Carrier Act also offered shippers a more active role in the distribution process. Carrier and shipper are now working together negotiating rates, consolidating shipments, contracting for particular services and designing services to meet overall transportation needs more effectively.

We are encouraged by the results of partial deregulation of the trucking industry, and we are determined to complete the process. As President Reagan said in his State of the Union Address last winter, we will be sending legislation to Congress later this year to complete the economic deregulation of trucking.

The railroad industry is also being transformed for the better by deregulation. The Staggers Act of 1980 gave the Interstate Commerce Commission more flexibility to encourage competition and greater economic freedom within the rail freight industry, and the gains have been substantial. There is little doubt that the new incentives to competition have helped save the railroad industry. Less than a decade ago, extremely low rates of return and dwindling markets were eroding both the resources and the spirit of America's railroads. The stranglehold of the regulatory hand was clearly a major cause of their slow starvation.

Today, railroads are buying new equipment and maintaining existing stocks. Track is rapidly being renewed. New cars are riding the rails. Costs are being vigorously cut. Regulatory reform can be credited with helping make it possible for the industry to remain profitable throughout the most recent recession. Railroads have been marketing

their services aggressively, and competition is providing excellent opportunities to many of our shippers.

Some special interests would like to re-regulate the railroad industry. I want you to know that we are determined to keep our successful new free-market policies on track.

We are also working hard to get the federal government out of the business of owning and operating transportation enterprises such as railroads and airports. Already this year, Secretary Dole has completed the sale of the Alaska Railroad, which had been created some sixty years ago by the federal government, to the State of Alaska. She also has sent legislation to Congress to transfer the Washington, D.C., area airports -- National and Dulles -- to a regional authority. It is ridiculous to ask the Secretary of Transportation, who has to set national transportation policies for agencies within the Department such as the Coast Guard, the Federal Aviation Administration, the Federal Highway Administration, the Federal Railroad Administration, and the Maritime Administration; manage over a hundred thousand employees and oversee a budget of more than twenty-eight billion dollars, to also worry about the day-to-day operations of two airports. So we are trying to turn them over to an authority comprised of representatives of Virginia, Maryland and the District of Columbia.

We are also working hard to get out of the freight railroad business by selling Conrail. As you may recall, it was created from the wreckage of seven bankrupt northeastern railroads, including the Penn Central, in the early 1970s. After many months of negotiations, beginning with fifteen bidders, Secretary Dole selected Norfolk Southern Corporation as the buyer. It is now up to Congress to approve the sale.

This single transaction can make a significant dent in the federal deficit. If Congress approves the sale, Norfolk Southern will pay the government a minimum of one point two billion dollars in cash at closing. Norfolk Southern will also surrender Conrail's accumulated tax benefits of one point eight billion dollars in net operating losses and three hundred six million dollars in investment tax credits.

Additionally, Norfolk Southern has agreed to be bound by a strong set of protective covenants for five years during the transition to private ownership. Among these, for instance, is an agreement to invest hundreds of millions annually in Conrail's physical plant and to refrain from deferring maintenance to any level below Norfolk Southern's own standards, which are the highest in the industry. To satisfy competitive concerns, Norfolk Southern has also agreed to meet a set of stiff conditions set out by the Justice Department.

The sale of Conrail to Norfolk Southern would greatly benefit shippers. It would give them greater ability to ship north-south on single-line rates through the entire eastern half of the United States.

Even if we are successful in carrying out free-market reforms to their fullest possible extent, we will still have plenty to do. The Transportation Department has a critical mandate to promote the safety of every form of transportation.

Safety has been Elizabeth Dole's highest priority since the day she was sworn in. The Secretary has given unprecedented attention to air travel safety, ordering more rigorous examinations of the condition of equipment, of the safety systems already established, and of the fitness of the key personnel in the cockpit and on the ground. She is about to issue tough rules on drug and alcohol abuse by railroad employees. Beginning with 1986 models, all automobiles sold in this country will be required to have center high-mounted tail lamps. They add only seven dollars to the cost of a car, and in extensive tests on several thousand cars, they cut rear end collisions by fifty percent.

If you have ever heard Elizabeth Dole speaking before a group of young people, you have seen the tremendous rapport she is able to establish with them. This rapport is most helpful in her campaign against the greatest killer andcrippler of young people today, driving under the influence of drugs or alcohol. We are making progress, but there is a great deal still to be done. We are putting particular emphasis on the problem of what are called "blood borders," which are created by adjoining states with different minimum drinking ages. Teenagers drive substantial distances at night to go to a jurisdiction where they can drink, and then they face the long, often tragic drive home.

The scope of the Transportation Department's responsibilities also includes a critical role in the international war on drugs, because the Coast Guard is a part of the Department. The men and women of the Coast Guard are fighting the drug battle with tremendous courage and risk to their lives, halting and boarding drug-running vessels on the high seas.

Just last month the Coast Guard carried out its largest cocaine seizure in history -- one thousand nine hundred and nine pounds with a street value of roughly two hundred and sixty million dollars. So far in 1985, the Coast Guard has seized more than double the amount of cocaine it seized in all the years combined from 1973 through 1984. With new resources now coming on line, we expect to continue to improve our performance.

We are modernizing the Coast Guard fleet and devoting more of its resources to its law enforcement responsibilities. The Coast Guard has available major new cutters, new jet aircraft and new search helicopters to use in drug interdiction. These resources are critical because the drug war is one we cannot afford to lose.

I have very much enjoyed your hospitality on this visit home. It seems that every time I return, Greensboro seems to have improved what already was so attractive about it. Our community is progressive, warm, and increasing in prosperity. The entire Piedmont Triad is in the midst of new economic development and diversification. However, our growth in this area is dependent on a healthy national economy.

If I leave you with no other message today, I would like it to be this: we need your leadership and support for the crucial economic reforms President Reagan is urging this year.

The President has proposed revolutionary tax reform. It would make taxation so simple that by the early 1990s, potentially more than half of all taxpayers would not have to file tax returns at all if they so wished. By doubling the personal exemption for every family member and increasing the allowable IRA contribution for families with

only one wage-earner, it would considerably strengthen American families. The President's plan would restore fairness to a tax system that has become scandalous with its loopholes and its disincentives to productive work and investment.

In addition to the tax reform plan, President Reagan and the Senate majority have produced a budget package that will result in a truly meaningful reduction of the deficit. Each sector of our society may see something to lose in each of these critical reforms. That parochial attitude tends to regard economic activity as a zero-sum game. The President's vision of the American people and their economic and social potential is free of such blinders.

I would ask you to share his vision, and I believe most of you already do. This is the sort of vision that has brought about the progress Greensboro enjoys today. It looks to the broader national interest and a strong economy rather than encouraging scuffles over tax and subsidy advantages for this and that group. We need for you to put your leadership talents to work for reforms that can help assure America's well-being into the next century. For in the long run, what matters is how our children and their children will judge what each of us has done to preserve and strengthen the opportunities provided by a free society.

###