



U.S. Department of
Transportation

News:

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REMARKS PREPARED FOR DELIVERY BY
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AT THE 1985 ANNUAL MEETING OF
THE COUNCIL OF STATE GOVERNMENTS
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LAKE TAHOE, NEVADA

What a pleasure it is to join you -- the distinguished leaders of our state governments and corporate America -- here today to review "The State of the States". For over 50 years, this organization has played an important role by informing state officials about issues of particular concern to them -- responding to over 6,700 inquiries this year alone with an enviable 24-hour response time.

I must confess that I have been eager to take part in your annual meeting this year because it gives me a chance to reflect. There is an old saying that a day away from Washington is like a week in the country.

As columnist James J. Kilpatrick wrote recently, "Washington is a great place for doing, acting, achieving, moving and shaking. The city is constantly meeting, voting, hearing, deciding, confirming, passing, rejecting, sustaining, overriding, conniving, quarreling, plotting, confronting and joining. Washington," he concluded, "is perfect for all of these things, but it is not much of a place for thinking."

In Washington, pursuit of conviction can sometimes be a perilous course. Our government wields great power over individuals and businesses, and those who are affected by government decisions have armies of people to do their bidding. It takes courageous dedication to a vision to maintain convictions in such a setting. That courage, I believe, is the special badge of Ronald Reagan.

dollars into this railroad and depends on its service. Thus, more than two and one-half years ago I asked Goldman Sachs and Company, my investment advisor hired at the direction of the Congress, to contact every conceivable buyer, and to review the public offering alternative. Goldman Sachs worked vigorously for a year on both tasks. In the spring of 1984, more than a year and a half ago, Goldman Sachs advised me that the risks of a public offering were substantial. It recommended a competitive bidding process, which I immediately initiated.

By Labor Day of last year, I was able to narrow the original fifteen bids to six. After another five months of tough negotiations with the remaining bidders, and after yet another review of the public offering alternative, I concluded that the public interest would be best served by a sale to the Norfolk Southern Corporation.

I chose the Norfolk Southern Corporation over all other bidders because this single bidder best met the sale criteria which I established. Norfolk Southern is the best guarantee of a financially strong Conrail. The Norfolk Southern transaction best preserves service to shippers and communities, and consistent with these two criteria, it also maximizes the financial return to the government.

And as a part of the purchase consideration, I sought and obtained an extremely strong set of public interest covenants, which I consider to be essential to ensuring the future strength and viability of Conrail.

The merger brings to Conrail the enormous financial resources of a strong parent. Further, Norfolk Southern does not rely on Conrail's cash or mortgaging Conrail's assets to meet purchase obligations to the government. The sale plan provides for the integration of Conrail's services into a larger rail system. It will increase Conrail's volume of traffic due to cheaper, faster North-South single line service. It will diversify Conrail's traffic base and lower its operating costs. It will stimulate competition, not inhibit it.

The time has come to fulfill the important goal that Congress set back in 1981: a decision should be made. The employees of Conrail and their families have waited too long to learn what the future holds for them; shippers deserve to know with whom they will be doing business; the American taxpayers are entitled to ironclad assurances that they will not be asked again to bail out a private freight railroad.

Transportation issues -- whether they affect our railway, aviation, waterway or highway systems -- have a wide purview, affecting millions of Americans every day as they travel to work and home, and no single issue is more paramount than the safety of their journey. This widespread concern is reflected in the fact that of the many questions the Council of State Governments receives about transportation, a large majority are in the area of highway safety, specifically about drunk driving and safety belts.

I know that the issue of occupant protection is still contentious and that questions have arisen regarding the consistency of various state seat belt statutes with the criteria set forth in our final rule. The Department's rule is currently in litigation and my preference all along has been to await the court's ruling before commenting on specific state statutory language. Unfortunately, one of the three judges hearing the case died recently and we have no indication when the case will be decided. We have therefore decided to provide the states with informal advice regarding consistency of their laws with the criteria set forth in our rule and will transmit letters to states having enacted belt use laws in the very near future.

I have often said that as Secretary of Transportation, safety is my highest priority. Currently, my Safety Review Task Force, which has released reports on the Federal Aviation and Federal Railroad Administrations, is reviewing the Federal Highway Administration, with a particular emphasis on motor carrier safety. In order to strengthen our nationwide truck safety system, the Administration called for a state Motor Carrier Safety Assistance Program -- known as MCSAP -- as part of the milestone highway legislation of 1982. As a result of that legislation, highway funding to the states has nearly doubled --reaching \$14.1 billion this fiscal year -- and has allowed the states to repair nearly 45,000 miles of roads and 20,000 bridges. And we're about to send our new highway reauthorization bill to Congress. The purpose of the legislation is to redefine the role of federal and state governments in carrying out surface transportation projects involving highway construction, highway safety and transit. Our legislation will propose an eight-year authorization period for these activities as a means of creating a predictable program for state governments to address major highway and transit needs. Our bill would provide a total of approximately \$129 billion in authorizations and nearly all of this funding will come from user fees paid into the Highway Trust Fund.

Let me talk about one important new idea in this legislation, namely what I call our urban mobility block grant. One of the most critical issues facing our growing urban areas is mobility. It is no longer merely an issue of building big highways and public transit systems. In our urban areas we can no longer afford both, nor should we provide funds for both. Federal funds for surface transportation should be flexible. Local officials should be able to decide whether it needs new buses or new roads, without the entanglement of categorical grants.

With regard to trucking safety, rather than building a federal police force, we sought to expand state efforts. Under MCSAP, states that enforce federal or compatible state motor carrier and hazardous materials regulations may be reimbursed for up to 80 percent of the cost of expanding these programs. In turn, federal personnel and resources can be redirected to audit problem carriers identified by state terminal and roadside inspections, to train state inspectors and to bring civil enforcement penalties against persistent violators.

traffic violations to the driver's state of record. The compact is a major step forward, but each of us in this room committed to truck safety must tackle this problem. After all, offenses such as drunk or reckless driving, or deaths caused by accidents are no less serious for being committed in some jurisdiction other than the driver's home state.

This abuse signals a crucial need for all states to have single and classified licensing systems. This is appropriate as a state responsibility, but the Department and the private sector must join together to educate the public to encourage state governments to enact legislation to implement these systems -- now. I am writing to every Governor in the nation, informing them of our efforts and urging them to strongly support the adoption of classified driver license systems and I ask for your assistance as well in this important effort.

In addition to enhancing motor carrier safety, the Department is also seeking to improve the operating environment and productivity of the motor carrier industry. Over time, state motor carrier registration and taxation procedures have evolved into a complex, duplicative and conflicting set of reporting requirements. In January of this year, the Federal Highway Administration entered into an 18-month agreement with the National Governors' Association to study this problem. This \$1.5 million project -- half of which is funded by FHWA -- has brought together state motor vehicle, revenue and transportation officials to develop a blueprint of state administrative procedures and recommendations to achieve voluntary uniformity of motor carrier regulations among states. Representatives from the trucking industry are also participating in an advisory capacity.

In its project plan, the National Governors' Association Working Group on State Truck Issues has outlined 28 different reports to be completed. The Working Group continues to make steady progress, consistently meeting its project schedule. To date, 23 of the reports are underway or have been completed. These reports cover topics ranging from present state fuel use taxation practices to the development of a promotional plan for implementation. The Working Group will continue to meet regularly each month and consult state officials with its proposals until the project is completed next summer.

Another issue facing the trucking industry that is of particular concern to the states is the difficulties that many transportation companies and providers of public and private transit are experiencing in obtaining adequate and affordable insurance coverage.

We have heard numerous complaints from both bus operators and trucking firms about refusals of their insurance companies to renew coverage, limits on availability of liability insurance and significant increases in premium rates. The Niagara Frontier Transit Metro System, Inc., Buffalo, New York, which has not filed an insurance claim in 40 years found, after contacting 25 different insurance brokers, that their insurance premium would rise from \$30,000 to \$125,000 even if they increased their deductible from \$500,000 to

in a single sentence, "One can never consent to creep when one feels an impulse to soar." Obviously, you are already soaring. May I wish you every future success.

Thank you very much.

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