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REMARKS PREPARED FOR DELIVERY BY SECRETARY OF TRANSPORTATION
ELIZABETH HANFORD DOLE
TO THE IOWA BANKERS CONVENTION
DES MOINES, IOWA
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I have visited in Iowa so frequently in recent years that it almost seems like home. In fact, whenever I come to the Midwest -- to Kansas with Bob or on business of my own -- I am deeply impressed by the friendliness of the people and the heartland sincerity found in this region of the country. Regardless of how long I am away from Iowa, five minutes after I return I feel as if I never left -- as if I belonged here. And that goes for odd numbered years as well as even.

One of the characteristics I always associate with midwesterners is their resourcefulness. Bob and I have developed that same sense in our personal lives, particularly since the time recently when we happened upon each other at a Chamber of Commerce dinner in Washington -- the first time we'd seen each other in several days. Bob had been in Kansas. I had been traveling a great deal -- 4-5 days a week -- on Department of Transportation business, and we each had flown back to Washington and gone straight from the airport to the dinner. And you know somehow we ended up shaking hands with each other, and then I said, "Bob, you've lost weight since I saw you last." Now how do you explain that to bystanders?

In truth, we get a great sense of pleasure out of each other's careers. At the same time, like any husband and wife, occasionally we do find some areas of difference. For instance, Bob did complain one morning about a headline in the Washington Post reporting Dole's position on a certain issue. "That's not my position at all," he exclaimed. "No," I said, as tactfully as possible, "but it is mine."

Then there was the letter from an irate constituent who had seen the picture of us in People Magazine shortly after I became Secretary of Transportation. The photograph showed us making the bed. The constituent chided Bob about doing domestic chores, saying that now his wife would expect him to help her with the beds. Bob wrote back: "You don't know the half of it. She only helped me because the photographer was there."

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The point is, I suppose, that while we have our separate careers, we do enjoy helping each other. That's been one of the great traditions of our land, and a source of our strength. Here in Iowa, neighbors help each other. Here, freedom has never been confused with individual license or personal selfishness. Caring for country, sharing the burdens of others, meeting people's concerns: this is the essence of private compassion and of public service.

This Association has a 96-year tradition of such service. It is expressed not only in your interpretations of laws and regulations for your member banks, but in the many things you do to educate the public on the values and usefulness of banks -- all part of an industry which, like the transportation sector, is undergoing some very dramatic changes. This convention, with its theme of "Pursuing Excellence" promises to carry that tradition to still greater heights -- to combine the best of yesterday with the most promising of tomorrow. It's been said that the most successful businessmen hold onto the old just as long as it is good and grab the new just as soon as it is better. When government performs its functions properly, it does that too.

Which brings me to the job I've held for the last seven months, and a field of economic activity especially vital to an agricultural state. Transportation's importance is deeply imbedded in the Iowa economy. Your state is among the leaders in railroad track mileage. You rank very high among the states in road and highway mileage. You are uniquely blessed with two inland waterway systems. Your more than 60 river terminals along the Mississippi and Missouri make these inland waterways major arteries for the abundance of farm and industrial products that flow from local fields and plants to satisfy domestic consumption and foreign markets alike.

Next to the weather itself, and even Washington doesn't pretend to be able to offset that, the future of Iowa's economy is linked very closely to the future of transportation. With that in mind, I could hardly come here without talking about the changes taking place in our national economy, in our national transportation system -- and what these changes mean for Iowa now and in the days ahead.

Of course, I realize that any good economic news nationally is dampened by the summer drought. Come to think of it, that may be the only dampness around these parts. But I know also that you have had the wisdom to diversify -- to build your industrial might so that impressive as local agriculture may be -- and it's impressive, even in a drought year -- manufacturing income is greater. Farm machinery, electronic equipment, mobile homes and home appliances are just part of the variety of products turned out by the assembly lines of Iowa. And they are as much a part of the future as cornstalks and hog pens.

Iowa is changing. It's no longer the same place that it's most famous native son, Herbert Hoover once described as a place of swimming holes and rabbit tracks in a snowy field of prairie chickens and blacksmith shops. And just as the physical face of the state evolves with time, so too does the profile of our nation's economy change as the long hoped-for recovery becomes more and more evident.

Not only has the recovery taken hold, its pace has surpassed even the most optimistic forecasts of a few months ago, and there seems to be agreement -- from economists at their computers to consumers in the stores -- that recovery will be sustained. Industrial production rose by 1.8 percent in July and nearly another percentage point in August. With the rise in production comes the welcomed decrease in unemployment. Unemployment is still too high but markedly better. What's more we've generated over a million new jobs since last December alone -- and the auto

industry isn't alone in reporting a pent-up demand finally asserting itself and drawing down inventories to near record levels.

Sales may be up -- but prices aren't. There's an old story about Adam's first comment to Eve after that fateful bite of the apple. What did it all mean, Eve wanted to know? "It means we're living in an era of changed expectations," replied Adam. Well, for a lot of Americans, this is likewise an era of changed expectations. I thought it interesting that the subject of the lead article in a recent issue of one of our national news magazines was how to live without inflation. For years, we struggled with the problems of no-gain prosperity. Higher earnings were consumed by high prices, higher interest rates and sky-high taxes. Inflation squeezed the poor and hurt the elderly. Record interest rates of 20 percent or more discouraged investments in plant and equipment and depressed sales in high ticket items like cars and major appliances.

Look at the picture now, when inflation is at its lowest point in 20 years and interest rates are holding at levels half of what they were little more than two years ago.

Obviously, these are very positive changes in the economy. But they are hardly the only ones. For we are experiencing just as many changes in transportation -- changes that will greatly improve the quality, efficiency, reliability and safety of our transportation systems; all changes that will bear directly on the economy of Iowa.

We are rebuilding our highways and transit systems to assure that the high quality surface transportation system we enjoy today endures for future generations. The resources for this program come primarily from the nickel a gallon increase in the Federal gasoline tax, revenues that are being put to work -- revenues that are putting people to work. For instance, the Iowa Department of Transportation has estimated that the additional funds pumped into an accelerated highway program will employ an extra 4,200 people in this state alone. The Surface Transportation Assistance Act of 1982 has already meant a \$50 million increase in Federal highway funds for Iowa for this year. And these funds will continue to grow throughout the legislative life of the Act, so that Iowa's bonus is expected to approach \$73 million by FY 1986.

Too often, it's easy for Washington and those who work there to speak merely in terms of dollars and cents -- or more likely, of long rows of zeros. What do all these zeros add up to? Here, they have made it possible to speed up projects like the new bridge across the Mississippi at Keokuk. Or build a replacement bridge at Burlington. Or think about plans such as the Route 61 project in Dubuque where the Federal Highway Administration provided \$9.5 million recently to help with the right-of-way purchases. Indeed, bridge replacement and Interstate rehabilitation are getting priority consideration not only here in Iowa, but in other states as well, as we move to preserve one of the nation's most valuable assets -- her infrastructure of concrete and steel.

Another of the changes quite literally on the horizon is the modernization of our air traffic control system. Today we're operating that system on technology appropriate to the 1950's. It's a safe system. It does the job. But it has capacity and weather limitations. And so what's being developed under our National Airspace Plan will provide all the latest in the way of automation. It will give us the most precise landing system available today. It will essentially "weatherproof" the airways. It will double the capacity of the airspace. And, perhaps, best of all, it will reduce operational costs, both for the government and for users. We estimate the total costs of the modernization program at about \$10 billion, but it will save \$25 billion in lower operational costs by the end of this century. I know that sounds a bit like the shopper

who buys two more coats at 25 percent discount in order to save 50 percent but in this case, the savings are for real.

Nor is this all. One of the most remarkable changes in an area of interest to Iowa is the imminent sale of Conrail, the Northeast freight railroad that once threatened to practically derail the Federal treasury. It is now much improved and ready to be returned to the private sector. So if anyone here is interested in owning a railroad, I'm open to bids.

I know the importance of rail service to Iowa. I understand the problems of the localities. And I stand ready to work with you in any way I can to resolve those problems, without overwhelming you under the heavy hand of the Federal Government.

The Local Rail Service Assistance Program provides funding to states for rail planning, acquisition of rail lines, track rehabilitation, rail facility construction and substitute service projects. Iowa has been granted a total of \$22 million under its provisions. Additionally, we recently added \$100,000 in discretionary funds to a \$1 million grant to begin rehabilitating the Chicago and Northwestern lines from Marshalltown to Bridgeport.

As you probably know, Congress designated \$15 million for the rehabilitation of a portion of the North-South Line of the former Rock Island Railroad called the "grain route." It runs between Minneapolis-St. Paul and Kansas City -- a distance of about 430 miles. The Chicago and North Western Railroad is applying for a combination of funds to complete the rehabilitation estimated to cost \$50 to \$60 million. Negotiations are under way with the railroad and a decision on Federal funding for the "grain route" project will come later this year.

The East-West portion of the Rock Island Line is the chief interest of the organization called TRAIN. This non-profit group is seeking to purchase and rehabilitate that portion of the main line between Council Bluffs, Iowa and Bureau, Ill. as well as several connecting branch lines. We have met with officials of TRAIN to discuss possible loan assistance. And of course we will carefully consider the TRAIN application when it is submitted.

One of the brightest stars in Iowa's vast transportation network -- even in a drought year -- has to be the beautiful inland waterways that form the Eastern and Western boundaries of Iowa. While barge operators have been struggling to survive the lowest level rates in years, the positive side of the coin has been record grain shipments on these waterways. Ironically, the depressed barge rates made the waterways even more competitive, thus contributing to the record grain movement.

In both the short and long range, the cost efficiency and energy efficiency of cargo movement by water ensures the continuing growth and importance of the water mode -- Iowa is fortunate to be able to benefit from that natural resource. It is a form of transportation -- a tool of commerce -- which requires no costly purchase of rights of way, no massive construction through inner city traffic, and maintains a good safety record. Of course, safety is never good enough so long as one accident occurs. The Coast Guard has responsibility for enforcing safety and other laws on the inland waterways and as head of the Coast Guard, I'm backing boating and water safety efforts all the way. When I came to the Department of Transportation I found my little corner of history as the first woman to head a branch of the Armed Services. The Coast Guard does an outstanding job and I'm proud of every member.

The issue prominent in the minds of many who deal with the inland waterways is the prospect of increased user charges, particularly on the inland waterways. Everyone agrees that we must find a way to finance the maintenance and improvement of the structures that comprise our waterways. Many of the locks and dams, which have a life expectancy of 50 years, are nearing the point where they must be rehabilitated. The current system of financing, through general revenues, is cumbersome, inefficient and simply takes too long. Lock and Dam 26 on the Mississippi is a good example. When completed, it will cost in excess of \$800 million. There is no doubt in anyone's mind that Lock and Dam 26 is absolutely critical from any point of view on the Mississippi. Yet it took ten years just to get approval plus another seven years to build it.

Of course, some opponents of user fees contend that they "are contrary to the historic free use of the waterways." That ignores the inevitability of change in general, and the fact that there is already a user fee in place and a growing trust fund ready to be disbursed when the issue is settled. I'm talking about the present 6 cents a gallon tax on fuel used by commercial vessels on the inland waterways. It started as 4 cents in 1980 and will be increased to 8 cents in October and to 10 cents in 1985. Funds collected are put into the Inland Waterways Trust Fund, which currently has a balance of about \$90 million on deposit. So, when we get approval of an adequate inland waterways user fee system, we will already have a start on a trust fund. That's something to consider as we debate the issue.

User fees are only one of a number of issues facing the maritime industry. Let me just say a few words about our maritime policy. To a casual observer, it might seem strange for the Secretary of Transportation to be talking to Iowa bankers, here in the heartland, about maritime policy. But I know you share a number of my concerns for the future of waterborne transportation. Your farm exports must travel the rivers and the seas to reach their far away destination. I know how important the wheat contract with Russia is to Iowa and I think the President made the right decision not to cancel it, despite the despicable act of the Soviet Union in the Korean plane incident. Sometimes calm reasoning is called for and in this case to cancel the contract would only have hurt midwestern farmers.

The Administration, for both commercial and security reasons, places a great deal of importance on revitalizing the American merchant marine. We have evolved a maritime policy which is making its way through the Congress while other parts of it are being implemented administratively. Our efforts are not based on market interference. The ultimate solution is a healthy and competitive U.S. merchant fleet -- a fleet of ships which are:

- Competitive in initial cost;
- Competitive in terms of fuel-efficiency;
- Competitive in small crew sizes and reduced crew costs; and
- Competitive through reduced ship operating costs.

In other words, the American merchant marine must obtain cargoes through its competitiveness, rather than through additional cargo reservation. We intend to enforce existing cargo preference laws. But we do not support the expansion of the applicability of cargo preference.

Beyond the physical improvements under way in transportation, beyond the improvements to management that will be stimulated by our actions, is a very human side. Transportation is very people-oriented and I can assure you that is "job one" at the Department charged with its oversight.

Shortly after I took office as Secretary, I established a DOT Transportation Safety Task Force -- with the mandate to review safety across the entire spectrum but with particular emphasis on highways, where 90 percent of current fatalities are recorded.

A major target in our on-going highway safety campaign is the drunk driver. Many of us know someone -- a relative, perhaps, or a close friend -- killed or severely injured in an accident involving an alcohol-impaired driver. All too often we read about young people struck down by a drunk driver: the little boy, waiting for the ice cream truck, killed by a driver who crossed the curb and ran him down -- a driver with six prior convictions for drunk driving, but one who had never spent a day in jail; or the 23-year-old college student riding her bicycle in the bike lane, hit by a driver out on probation from an earlier drunk driving arrest; or the teen-age girl driving to a church social, hit head-on by a young man who had had too much to drink at a company Christmas party.

Or Candy Lightner, the courageous mother who launched a groundswell of citizen action, after her daughter was killed by a drunk driver. Since then, state legislatures all across the country have enacted or introduced tougher drunk driving laws. And communities everywhere are getting involved with comprehensive programs of their own.

At the Department of Transportation we are engaged in a nationwide effort to encourage greater use of safety belts, one that enjoys extensive private sector support. Like the campaign against drunk-driving, this is another high pay-off area. Because for every one percent increase in safety belt usage we count on saving about 200 lives and preventing some 3,000 injuries.

We are likewise firm believers in the value of child safety seats. To date, 40 states have passed laws requiring the use of such seats for small children. Iowa has more than 270 child safety seat loan programs covering all 99 counties. I applaud that effort and intend to support it.

In addition to making transportation safer, our goal is to make it more efficient and economical, to make it more responsive to shippers, travelers and commuters; to make it less dependent on government regulation and more faithful to private enterprise principles. One of the tools for accomplishing the last is deregulation. You view deregulation from a special perspective. Your own industry has undergone very dramatic change in recent years as a result of changing government regulations. You are certain to face even more change in the future. You might have unique insight into deregulation, because you know the pitfalls and the rewards, the temporary dislocations and the need to be flexible and adaptable to change. You also know the benefits of competition in terms of stimulating new ideas, injecting fresh programs and initiating exciting new concepts in banking. For transportation and as a general rule, deregulation stimulates competition which breeds better deals for consumers which, in turn, is good for business. And my belief is supported by early observations of the transportation industries that have been partially or completely deregulated -- the railroads, the trucking industry, the airlines industry, the bus industry, and the inland waterways.

Deregulation spells the difference between regulated pricing and competitive pricing; between controlled market entry and free entry; between routes that carriers must follow, even if it adds miles to the trip, and routes they can choose at their option to provide more efficient service. It is the trend today and I believe it is a healthy trend that adds strength to our economic system.

"Civilization," historian Arnold Toynbee has written, "is a movement, not a condition; a voyage and not a harbor." Transportation, I suggest, is both a movement and a voyage. We are propelled by change, and innovation is the only safe harbor we will ever know. I look forward to sharing the ride with you, and to smoothing the journey that leads to an ever-better, safer system of transportation -- the finest in our history and one that serves all the people of Iowa with considerably more reliability than the sun or clouds serve the Iowa farmer. We may not be able to control the trade winds -- but we are determined to control the means of transportation that so affect the flow of trade. I want your help -- and I promise you my own.

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