



U.S. Department of
Transportation

News:

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

Contact: Dale A. Petroskey
Tele.: (202) 366-4570

REMARKS PREPARED FOR DELIVERY BY
SECRETARY OF TRANSPORTATION ELIZABETH HANFORD DOLE
CEDAR RAPIDS-MARION AREA TRANSPORTATION CLUB RECEPTION
APRIL 27, 1987
CEDAR RAPIDS, IOWA

What a joy to be in Cedar Rapids among so many people of like mind and friendly persuasion and to have this opportunity to visit with you briefly about an issue of mutual concern -- the future of rail deregulation.

Last week, Jenna Yeager and Dick Rutan visited the DOT on behalf of my drug initiative. And I recalled that in the wake of their non-stop around-the-world historic journey, Dick Rutan struck the keynote of our shared philosophy. He took the occasion to thank the President for establishing and maintaining an environment conducive to pioneering. As he put it, he had to fill out two pieces of paper in the six-year history of his aircraft, Voyager. One was an application of airworthiness, the other, an application for a tail number.

We are facing a serious reregulatory threat from Capitol Hill. Last year we were barely able to beat back a major attempt to gut the Staggers Rail Act and substantially reregulate the railroads. This year the attempt may be even stronger. And we confront an equally powerful threat to reregulate the nation's airlines. We also face opposition this year in our efforts to totally deregulate the trucking industry. I look forward to working with many of you as we move forward in these important debates.

I know I don't have to tell anyone in this room that economic deregulation of the nation's transportation industries has saved American industry and consumers literally billions of dollars. A 1986 study by the Brookings Institution, for example, estimated that airline travelers have benefited by about \$6 billion per year in lower costs and more frequent flights. Since passage of the 1978 Airline Deregulation Act, the number of passenger boardings has grown by over 100 million -- a 40 percent increase. Many people who never thought they'd have the means to fly are in the air today.

Here in Iowa, where so many of you depend on good rail service, you already know that the effect of the 1980 Staggers Rail Act reducing regulation of the nation's railroads has been dramatic. Only a decade ago, the heavily-regulated railroad industry was literally on its knees. Nearly one-quarter of the nation's track was in bankruptcy. The industry faced a ten year capital shortage in excess of \$13 billion. Undercapitalization and deferred maintenance had exacted a heavy price: a seriously deteriorating rail infrastructure.

In fact, the rate of train accidents was three times as high as it is today. And, in the late '70s a new type of accident appeared in the Federal Railroad Administration's data bank. It's called a "standing derailment," in which a freight car standing perfectly still simply fell off the track, because the roadbed was in such deplorable condition. And that, believe it or not, occurred twice in a single year.

Decreased regulation has revitalized that once dying industry. Service to shippers has improved markedly with faster, more reliable delivery, reduced loss and damage, and more competitive options for both operations and rates. With their new flexibility, railroads are now vigorously marketing their services and competing for traffic. They have also made great progress in reducing costs, so their new competitiveness has brought with it improved earnings. Since 1980, the industry has been able to generate the capital necessary to upgrade its infrastructure and build a safer system. Train accidents have been cut by two-thirds.

There have already been more than 50,000 contracts negotiated between railroads and shippers. Today you can negotiate a contract providing service tailored to your specific needs, and that was not permitted under regulation.

Grain shippers have been particularly active in contracting. Along with the improvements in car supply and delivery times, the grain industry has seen its rail freight rates go down significantly since the Staggers Act, for both contract and non-contract shipments.

The average freight bill for a grain shipment has decreased more than 25 percent since 1980. And that is without adjusting for inflation. Overall, rail rates for all commodities have generally matched inflation, until the past year, when they began to go down even in current dollars.

Deregulation has revitalized that once dying industry. Since 1980, railroads and shippers have signed over 50,000 contracts tailored to the specific needs of individual shippers. Under regulation, such contracts were prohibited. Rates per tone mile have fallen significantly and service has improved markedly with faster, more reliable delivery, reduced loss and damage, and more competitive options. Train accidents have been cut by two-thirds. Conrail, our government-owned freight railroad turned a profit for the last five-years, thanks largely to deregulation.

Success in rail deregulation has led to one of the most challenging and rewarding tasks of my service as Secretary of Transportation: presiding over the sale of Conrail, our government-owned freight railroad, through a public stock offering. It was the largest initial industrial public offering in U.S. history. It would not have been possible without deregulation's revitalization of the rail industry -- a revitalization that enabled a sickly ward of the state to be transformed into a \$1.88 billion publicly-traded, privately-owned railroad. It was thrilling for me to stand on the floor of the New York Stock Exchange as eager investors bought every last share of the government's stock in Conrail.

Let me say again how happy I am to be here and issue you this challenge for the year ahead: We must keep the momentum of the free market running in forward motion. We cannot turn back the clock on deregulation. I need the help of everyone in this room on this issue. And I look forward to making the journey with you. I'm confident the road leads to an ever safer, ever stronger transportation system.