



U.S. Department of
Transportation

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I was delighted to accept Lee diPaci's invitation and to be with so many old friends and supporters of the maritime industry. Lee, I want you to know just how much I appreciate your leadership in sponsoring this outstanding conference. You and the Downtown Athletic Club had to go to extra effort to continue after the fire earlier this week and you've done a very impressive job.

Another person I want to recognize tonight is my very capable Maritime Administrator, John Gaughan, who works with you on a regular basis. And his deputy, Elaine Chao.

What a joy to be here and to have this opportunity to meet with so many representatives of the entire maritime spectrum -- port authorities, stevedores, terminal operators, ocean carriers, labor unions --along with shippers, and rail and trucking interests.

This evening, I want to discuss some of our initiatives to create a competitive environment in which U.S. transportation firms can further improve their productivity and their service to the shipping public. In today's world, global competition is the key to economic survival, and the U.S. must continue to free business from unnecessary red tape if we are to remain a world economic power.

Over the past five years, the transportation industries have become a tremendous force for progress in our nation's economy. You are using the powerful forces of deregulation to fuel progress, not only for yourselves, but for the American consumer. Thanks to deregulation of air, rail, truck and water, you are cooperating as never before and, in some cases, joining

- more -

together to offer international shippers the most efficient and cost-effective service available. You are building a cohesive transportation network.

Transportation represents one of the nation's most powerful industrial sectors. It is an \$800 billion industry and accounts for about one-quarter of our Gross National Product. It is part of the cost of everything U.S. companies produce and every item consumers buy. In short, transportation is essential to our economy -- but no one wants to pay more for it than is necessary -- nor should they. We expect carriers to operate as efficiently as possible, and shippers to bargain for the best rates. These goals, we have found, are best accomplished in a competitive climate of private ownership and deregulation. Henry Ford, no stranger to innovation, used to compare American business to the chicken, which is never healthier than when it has to scratch around a little for what it gets. The Reagan Administration agrees. The best thing the government can do for you is leave you alone to do what you do best.

Economic deregulation of the nation's transportation industries has saved American businesses and consumers billions of dollars. A 1986 study by the Brookings Institution, for example, estimated that airline travelers alone have benefitted 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 more than 100 million - a 40 percent increase. Many people who never thought they'd have the means to fly, are in the air today.

Economic deregulation of an industry, however, does not mean we are deregulating safety. On the contrary, aviation accident and fatality rates in the U.S. have declined steadily over the past 25 years, and this very reassuring trend has continued unabated since deregulation. Each day, some 17 thousand scheduled airline flights carry an average of 1 million passengers, and 99.999 percent of these flights reach their destinations without incident. Last year, almost 415 million passengers traveled 300 billion miles on the major U.S. scheduled carriers without a single fatality.

The impact of deregulation on the nation's railroads has been even more 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 10 year capital shortage in excess of \$13 billion. 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. Since the 1980 Staggers Rail Act, railroads and shippers have signed more than 50,000 contracts tailored to the specific needs of individual shippers.

I recently had one of the most exciting moments of my life standing on the floor of the New York Stock Exchange as eager investors bought every

last share of the government's stock in Conrail. That sale brought nearly \$1.9 billion into the federal treasury to help reduce the deficit. It was the largest initial industrial public offering in U.S. history, after 17 years as a ward of the government, Conrail is now a healthy, publicly traded, privately owned railroad. Had it not been for deregulation, which enabled it to turn a profit for the last five years, Conrail could not have been sold.

And the American trucking industry, re-energized by a healthy dose of competition, has never been more vigorous. Since the 1980 Motor Carrier Act, the number of trucking firms in the market soared from about 18,000 to well over 30,000, invigorating the industry with new competition. Established carriers have become more efficient and innovative by restructuring routes, reducing empty back hauls, simplifying rate structures and offering shippers incentives to move freight more efficiently. In 1980, total distribution costs, which include transportation and warehousing, were 14.7 percent of GNP. After the Motor Carrier Act, they fell to only 11.1 percent of GNP. That is a drop of 25 percent and represents a tremendous gain for our economy. And we are urging total deregulation of the trucking industry.

Like the Staggers Act and the Motor Carrier Act, the 1984 Shipping Act's deregulation of the ocean liner industry has boosted the efficiency of the maritime industry. The 1984 Act has stimulated multi-million dollar investments in new ultramodern containerships, bigger, faster cranes, higher capacity double-stack trains, larger size containers, and automated terminal management systems. The remarkable expansion of the double-stacked unit trains, pioneered by U.S.-flag carriers, is providing major economies in the land-bridge movement of containers. In fact, I was surprised to see that 25 percent of U.S. rail intermodal traffic is now being carried on double-stack container rail cars, a dramatic increase from the 1 percent that the double stacks carried in 1983.

Finally, I think it is worth mentioning that the Shipping Act of 1984 pioneered two concepts that have revolutionized ocean freight rate-making in the United States trades -- mandatory independent action and service contracts. We have had only limited experience with these concepts and their introduction coincided with the biggest and longest shipping depression of the post-World War II period. As with any new concept there is controversy in this case, over whether the Shipping Act of 1984 has favored shippers too much at the expense of shipping firms and ocean freight rate conferences. The Federal Maritime Commission is examining various aspects of its service contract regulations, but generally we at the Department of Transportation believe that service contracts should be looked upon as any other voluntary private contract. Private parties bargaining face to face are in a better position to construct mutually agreeable and efficient economic transactions than are government officials in Washington.

While economic deregulation is one way for the private sector to show what it can do if government gets out of the way, privatization is another.

For example, I recently had one of the most exciting moments of my life standing on the floor of the New York Stock Exchange as eager investors bought every last share of the government's stock in Conrail. That sale brought nearly \$1.9 billion into the federal treasury. It was the largest initial industrial public offering in U.S. history. After 17 years as a ward of the government, Conrail is now a healthy, publicly traded, privately owned railroad. Had it not been for deregulation, which enabled it to turn a profit for the last five years, Conrail could not have been sold.

And in addition to Conrail, we've also transferred the Alaska railroad from federal government ownership to the state and turned over the last two federally-owned airports, Washington national and Dulles, to an independent regional commission.

Commercial space transportation is yet another example of private sector potential. For three years I've argued within the government, that the federal monopoly in space must be ended. In 1986, President Reagan gave the private sector the green light when he announced that routine commercial satellites would no longer be launched by the space shuttle. That announcement heralded the birth of a dynamic new transportation industry which is already moving out to compete with the French, the Chinese and the Russians.

And recently, the Maritime Administration's Computer-Aided Operations Research Facility at the U.S. Merchant Marine Academy was transferred to the private sector. This facility houses one of the world's most advanced, computerized marine simulators. It has produced hundreds of millions of dollars in savings in reduced dredging costs for several major port and waterway deepening projects, without sacrificing navigational safety. Now its important work is being conducted under private sector operation.

We will continue to cut regulation, and to curtail government operations that should be run by the private sector. Our task -- mine and yours -- is to work together to make sure these changes are institutionalized, so that the American economy can operate to its full potential. We will do everything in our power to promote your ability to compete, and as members of the U.S. transportation sector, you share a responsibility to hone your competitive edge.

This quest for excellence, must be a nationwide undertaking --an economic call to arms for everyone in government and industry. It should challenge each of us to seek innovative approaches to traditional business problems, and to develop new markets and opportunities in U. S. trade.

First, in order for our transportation firms to maintain and increase their competitiveness, a renewed emphasis on productivity is essential. And when I speak of productivity, I am not only speaking of computers, robotics,

or high-speed container cranes. I am talking about the most important element in any service industry equation -- the American worker. The core of the competitiveness challenge is maximizing the effectiveness of the human element in modern transportation.

To give you a specific example within the maritime industry, my Department's Maritime Administration has taken a lead role in providing a road map to achieve greater marine container terminal productivity.

On October 20, MARAD will take an important step forward by sponsoring a roundtable meeting at the National Academy of Sciences of the key labor and management principals. This will not be an attempt to circumvent the collective bargaining process, but rather a clear challenge and opportunity for all interested parties to seek effective ways to increase productivity.

In addition to greater productivity here at home, we must continue to promote the expansion of world trade. History has shown us that tariffs and non-tariff trade barriers are never part of a sound blueprint for economic prosperity. President Reagan has stressed that "if trade is not fair for all, then trade can be free in name only." In a phrase, the answer to our current trade dilemma lies in promoting more trade, not passing legislation restricting it.

This trade promotion idea applies equally to American products and U.S. transportation services. We cannot, and will not, tolerate the proliferation of protectionist and discriminatory actions which adversely affect the operations of U.S.-flag liner companies and we've not hesitated to back up our words with action whenever necessary.

Let me give you an example. As those of you who are active users of ocean transportation know, foreign carriers are free to engage in all kinds of shoreside activity ranging from owning and operating piers and warehouses to providing double-stack train services. Our own carriers often find starkly different conditions abroad where they must employ nationals and national agencies of the host country for everything from shipping agents to international transportation. We have had two recent rounds of discussions with Korea and Taiwan in which we successfully pressed for reciprocity of treatment of our carriers there. Both Taiwan and Korea now have agreed to permit U.S. firms to have the same rights to pier and warehouse facilities as national lines.

And while we are on the subject of competitiveness, protectionism and discriminatory policies, let me reiterate our position on the United Nations Code of Conduct for Liner Conferences. We are adamantly opposed to the Code and we will never accede to it.

The U.N. Liner Code is simply an anachronism out of step with the times. The 1980's have brought growing demands for a more competitive marketplace, a less regulated economy and systems of government that release rather than stifle entrepreneurial instincts. Our experience in

transportation reflects something very exciting that is happening all over the world -- renewed enthusiasm for freer markets and less government intrusion.

Ladies and gentlemen, a few months ago, millions of us thrilled to the saga of two pilots -- a man and a woman from California's Mojave Desert -- who flew nonstop around the world. Together, they were part of a modern day adventure unmatched since Lindbergh flew to Paris and Chuck Yeager broke the sound barrier.

In the wake of this historic journey, Dick Rutan struck the keynote of our 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 only two pieces of paper in the six year history of Voyager. One was an application for airworthiness. The other, an application for a tail number.

Who knows what long range applications will come of this graphite ship of the air? This much we know: Voyager did not originate in the Department of Transportation. Its birth certificate was a restaurant napkin, its first blueprint a series of doodles by an aeronautical dreamer. Dick Rutan said it best...

"What kind of world would there be if there was no daring?"

It's that question which prompts the innovators in every generation to challenge the status quo and push out the boundaries of conventional wisdom. Government can't be immune to daring. Thanks to you in the transportation industries -- my hat is off to my allies in this very distinguished audience tonight. And don't forget: there are plenty of barricades yet to surmount.

Like Jeanna Yeager and Dick Rutan, we must continue to take that flight of progress into the future. America deserves it. History demands it. And our children will reward it.