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REMARKS PREPARED FOR DELIVERY BY
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NORTH CAROLINA BANKERS ASSOCIATION
PINEHURST, NORTH CAROLINA
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AS ONE WHO HAS SPENT 20 YEARS IN PUBLIC SERVICE, I'D LIKE TO REFLECT ON
A MOST CRITICAL ISSUE OF OUR TIME, THE ABILITY OF THE PUBLIC SECTOR TO
SIMPLY PERFORM, AND OUR CAPACITY TO GOVERN OURSELVES.

THOSE OF US IN THE PUBLIC SECTOR MUST PROVE ONCE AGAIN TO THE AMERICAN
PEOPLE THAT THE BRANCHES OF OUR GOVERNMENT CAN INDEED GOVERN IN THE MANNER
WHICH THE FOUNDERS OF OUR DEMOCRACY ENVISIONED. FOR THE TRUTH OF THE MATTER
IS THAT IN RECENT YEARS, WASHINGTON HAS BECOME A CITY GRIPPED BY
INSTITUTIONAL GRIDLOCK: HER NATURAL CHECKS AND BALANCES HAVE BEEN USED ALL
TOO OFTEN TO DELAY AND POSTPONE, RATHER THAN TO DELIBERATE AND DECIDE.

THERE IS PERHAPS NO BETTER EXAMPLE OF PUBLIC SECTOR GRIDLOCK THAN
CONGRESS' INABILITY IN RECENT YEARS TO EXPEDITIOUSLY PASS A FEDERAL
LEGISLATION AUTHORIZING HIGHWAY CONSTRUCTION. FOR THE FOURTH TIME IN FIVE
YEARS, OUR NATION'S HIGHWAY CONSTRUCTION PROGRAM WAS AT A STANDSTILL LAST
FALL, BECAUSE CONGRESS FELT COMPELLED TO DICTATE SPENDING RATHER THAN
ALLOWING THE STATES TO SET THEIR OWN PRIORITIES. AS A RESULT, MANY STATES
HAD USED UP MOST OF THEIR CONSTRUCTION FUNDS BEFORE LEGISLATION WAS FINALLY
PASSED. HUNDREDS OF THOUSANDS OF JOBS WERE THREATENED. IT'S TIME FOR CHANGE
IN OUR HIGHWAY PROGRAM, SO WE NEVER AGAIN HAVE TO SAY TO THE AMERICAN PEOPLE
THAT THEIR GOVERNMENT IS INCAPABLE OF PROPERLY MANAGING THE FUNDS ENTRUSTED
TO IT. SOON I WILL BE PROPOSING FUNDAMENTAL CHANGES SO THAT MUCH OF THIS
FEDERAL RESPONSIBILITY WILL BE TURNED OVER TO THE STATES.

BUT WHILE GRIDLOCK HAS BEEN DEVELOPING IN WASHINGTON, AN INSTITUTIONAL
REVOLUTION HAS OCCURRED IN THE PRIVATE SECTOR THESE PAST FEW YEARS, A
REVOLUTION YOU IN THIS ROOM HAVE HELPED BRING ABOUT. THERE ARE MANY LESSONS
TO BE LEARNED FROM THIS REVOLUTION, I BELIEVE, AS WE STRIVE ONCE AGAIN TO
GOVERN EFFECTIVELY, TO ACT, TO PERFORM.

DEREGULATION, DECENTRALIZATION AND ENTREPRENEURSHIP HAVE COMBINED TO
CAUSE ABSOLUTELY FUNDAMENTAL ALTERATIONS IN OUR WAY OF DOING BUSINESS IN
AMERICA. THERE HAS BEEN A RENEWAL OF RISK-TAKING AND INNOVATION, DOWNSIZING

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IN LARGE ORGANIZATIONS AND SUCCESS IN SMALLER ONES. OUR CULTURAL HEROES HAVE BECOME THE ENTREPRENEURS, THE JOB-CREATING PROBLEM SOLVERS WHO HAVE CAPTURED THE IMAGINATION OF THE MEDIA AND THE AMERICAN PEOPLE.

IN MEETING OUR CHALLENGE TO PERFORM, WE IN THE PUBLIC SECTOR CAN LEARN FROM THOSE TRAITS THAT HAVE CHARACTERIZED SUCCESS IN THE PRIVATE SECTOR. THE AUTHOR OF THE BEST SELLING BOOK, IN SEARCH OF EXCELLENCE, TOM PETTERS, RECENTLY LISTED THE SIX KEY CHARACTERISTICS IN SUCCESSFUL COMPANIES HE HAS SURVEYED. THEY ARE SIMPLIFIED ORGANIZATION, CUSTOMER ORIENTATION, AN EMPHASIS ON VALUE, AN ORIENTATION TOWARD PEOPLE GENERALLY, INNOVATION AND SPEED.

IT IS THOSE CHARACTERISTICS WHICH MUST BE ADAPTED IN THE SEARCH FOR EXCELLENCE IN THE PUBLIC SECTOR. WE'RE GOING TO HAVE TO SIMPLIFY OUR BUREAUCRACIES IN BOTH CONGRESS AND THE AGENCIES, AND CONTINUE TO DECENTRALIZE GOVERNMENT BY RETURNING RIGHTS AND RESPONSIBILITIES TO CITIES, STATES AND TO THE PEOPLE. WE'RE GOING TO HAVE TO MEASURE OUR PROGRAMS NOT BY HOW MUCH WE SPEND, BUT WHAT VALUE WE CREATE, AND SORT OUT THOSE PROGRAMS THAT WILL NEVER SHOW VALUE. WE'VE GOT TO ASK WHETHER PROGRAMS BENEFIT THE "CUSTOMER," NOT THE SPECIAL INTEREST WHO WANT TO SEE THE STATUS QUO UNCHANGED. WE MUST ENCOURAGE INNOVATION AND SPEED, NOT DISCOURAGE IT BY STIFLING CREATIVITY.

IN SHORT, WE'VE GOT TO BECOME ENTREPRENEURS IN THE PUBLIC SECTOR. WE CAN LEARN TO DO BETTER WITH THE RESOURCES WE HAVE. FOR EXAMPLE, ADDITIONAL BILLIONS TO A WELFARE SYSTEM THAT HAS INSTITUTIONALIZED DEPENDENCY IS AS IRRELEVANT AN ANSWER AS IGNORING THE NEEDY AND DEPENDENT. WE'VE GOT TO START ANEW TO DEVELOP A SYSTEM OF WELFARE THAT WORKS.

WE LEARNED THE HARD WAY WHAT I'M SURE YOU'VE KNOWN ALL ALONG -- GOVERNMENT "SOLUTIONS" CAN OFTEN BE WORSE THAN THE PROBLEM, AND GOVERNMENT OFTEN CAN DO A GREAT DEAL OF GOOD SIMPLY BY DOING LESS.

TREASURY SECRETARY JIM BAKER RECENTLY TOLD THE BOARD OF DIRECTORS OF THE NEW YORK STOCK EXCHANGE, "THE CHALLENGE FOR POLICY MAKERS IS CLEAR: A COUNTRY WITH UNCOMPETITIVE FINANCIAL PRODUCTS, OR OUTMODDED FINANCIAL REGULATIONS, IS A COUNTRY THAT RISKS SUFFERING A LOSS OF CAPITAL AND JOBS, AND PERHAPS A DECLINE IN ECONOMIC GROWTH."

AFTER A RECENT CABINET MEETING, I TOLD JIM THAT I WAS GOING TO BE SPEAKING TO THE NORTH CAROLINA BANKERS. WE GOT TO TALKING ABOUT DEREGULATION IN THE FINANCIAL AND TRANSPORTATION INDUSTRIES. CLEARLY, THERE ARE SIMILARITIES BETWEEN THE TWO. YOUR INDUSTRY IS REGULATED BY FEDERAL AND STATE LAWS THAT RESTRICT THE KINDS OF PRODUCTS AND SERVICES BANKS CAN OFFER, THE PRICING OF THESE SERVICES AND THE STRUCTURE OF BANKS.

AND LIKE THE TRANSPORTATION INDUSTRY, YOURS SUFFERS FROM EXCESSIVE REGULATIONS WHILE FOREIGN COMPANIES AND OTHER COUNTRIES BENEFIT. FURTHER DEREGULATION, IMMEDIATELY, IS CRUCIAL -- CRITICAL. IN BANKING, FOREIGN FINANCIAL INSTITUTIONS ARE ENTERING LUCRATIVE AREAS OF BUSINESS THAT ARE

WE HAVE HAD IMPRESSIVE SUCCESS IN OUR CONTINUING EFFORTS AGAINST DRUNK DRIVING, AND WE WILL NOT STOP UNTIL WE GET EVERY LAST DRUNK DRIVER OFF THE ROADS AND HIGHWAYS OF AMERICA. BUT THAT'S NOT ALL. WE'VE NOT GOING TO TOLERATE DRUNK DRIVERS IN AUTOMOBILES -- WHY SHOULD THE AMERICAN PEOPLE HAVE TO TOLERATE DRUNK AND DRUGGED DRIVING ON TRAINS, PLANES OR ANY OTHER FORM OF TRANSPORTATION, WHERE EVEN MORE LIVES ARE AT STAKE?

THE PROBLEM OF DRUG AND ALCOHOL ABUSE IS PERVERSIVE IN AMERICAN SOCIETY. THAT MEANS, TRANSPORTATION IS NOT EXEMPT. TO COMBAT DRUG USE IN THE TRANSPORTATION SYSTEM, I ANNOUNCED RECENTLY A SWEEPING PROGRAM OF RANDOM DRUG TESTING, AND COUNSELING AND REHABILITATION FOR DOT EMPLOYEES WHO HOLD SAFETY AND SECURITY-RELATED POSITIONS AND WHO MAY BE SUFFERING FROM A DRUG PROBLEM. ALSO, WE'LL ADDRESS SUCH PROBLEMS AMONG AIRLINE AND RAILROAD PERSONNEL. WE ARE TRYING TO BE SENSITIVE TO OUR EMPLOYEES' NEEDS, AND PROVIDE HELP WITH THIS TERRIBLY SERIOUS PROBLEM. OUR GOAL IS TO PROVIDE THE MEANS FOR REHABILITATING EMPLOYEES WHO NEED HELP, WITHOUT THE THREAT OF THEM LOSING THEIR JOBS.

BUT AS WE MOVE FORWARD WITH THESE INITIATIVES, GOVERNMENT ACTION MUST NEVER BECOME SO EXTREME THAT IT THREATENS THE PRESERVATION OF INDIVIDUAL LIBERTY -- A BASIC PURPOSE OF GOVERNMENT. THUS, IN THE IMPLEMENTATION OF ANY DRUG TESTING PROGRAM, LET ME EMPHASIZE OUR WATCHWORD AT ALL TIMES WILL BE UTMOST RESPECT FOR INDIVIDUAL DIGNITY AND PRIVACY.

THE DEREGULATION EXPERIENCE IS ONE WAY IN WHICH THE PRIVATE SECTOR HAS SHOWN WHAT IT CAN DO IF THE GOVERNMENT GETS OUT OF THE WAY. PRIVATIZATION OF GOVERNMENT-PRODUCED ASSETS IS ANOTHER. THE WORD "PRIVATIZATION," AN AWKWARD WORD AT BEST, WAS ASSOCIATED FIRST WITH MARGARET THATCHER'S SPLENDID PROGRAM IN GREAT BRITAIN. I HAD THE OPPORTUNITY ON SEVERAL OCCASIONS TO DISCUSS IT WITH HER IN DEPT. THE TIME HAS COME TO USE THE BRITISH MODEL HERE. WE'VE ALREADY SOLD THE ALASKA RAILROAD TO THE STATE. AND I'VE RECENTLY SIGNED THE LEASE TO TURN OVER THE LAST TWO FEDERALLY-OWNED AIRPORTS, WASHINGTON NATIONAL AND DULLES, TO AN INDEPENDENT REGIONAL COMMISSION. THIS WILL CLEAR THE WAY FOR THESE TWO GATEWAYS TO THE NATION'S CAPITAL TO USE REVENUE BONDS LIKE EVERY OTHER AIRPORT, so \$700 MILLION FOR BADLY NEEDED IMPROVEMENTS CAN GO FORWARD -- \$700 MILLION THE FEDERAL GOVERNMENT DOES NOT HAVE TO SPEND.

IN ADDITION, 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 \$1.88 BILLION FOR THE FEDERAL TREASURY. IT WAS THE LARGEST INITIAL INDUSTRIAL PUBLIC OFFERING IN U.S. HISTORY. AFTER SEVENTEEN YEARS AS A WARD OF THE STATE, CONRAIL IS NOW A HEALTHY, PUBLICLY TRADED, PRIVATELY OWNED RAILROAD. CONRAIL COULD NOT HAVE BEEN SOLD WITHOUT DEREGULATION. AND THANKS TO DEREGULATION, IT TURNED A PROFIT FOR THE LAST FIVE-YEARS.

WE HAVE ALSO CREATED A COMMISSION, WHICH WILL EXPLORE WAYS THE FEDERAL GOVERNMENT CAN ELIMINATE SUBSIDIES TO AMTRAK WHILE PRESERVING ECONOMICALLY FEASIBLE RAIL PASSENGER SERVICE. AMTRAK PROVIDES LESS THAN ONE PERCENT OF

INTERCITY TRAVEL AND IT COST US TAXPAYERS AN AVERAGE \$27 EVERY TIME SOMEONE STEPS A FOOT ON THE TRAIN. IT'S HIGH TIME WE GOT THE GOVERNMENT OUT OF THE BUSINESS OF RUNNING RAILROADS AND AIRPORTS.

AND THE PRESIDENT RECENTLY ASSIGNED ME THE RESPONSIBILITY OF OVERSEEING THE COMMERCIALIZATION OF SPACE. YOU KNOW, I CAN JUST HERE MY MOTHER TELLING ABOUT A GREAT TRIP SHE HAD WHEN SHE WAS A YOUNGSTER. SHE WENT 27 MILES FROM SALISBURY TO STATESVILLE IN A HORSE AND BUGGY. SHE CAN'T BELIEVE THAT HER DAUGHTER IS RESPONSIBLE FOR SPACE TRANSPORTATION.

OUR JOB AT THE DEPARTMENT IS TO HELP OUR FLEDGLING INDUSTRY GET MOVING. INITIALLY, I THOUGHT THIS MEANT CLEARING AWAY EXCESSIVE REGULATIONS. BUT IT SOON BECAME CLEAR, HOWEVER, THAT THE GREATEST BARRIER TO SUCCESS WAS NOT EXCESSIVE REGULATION, BUT A HIGHLY SUBSIDIZED SHUTTLE SYSTEM. THIS FORCED COMPANIES INTO A LOSING CONTEST AGAINST THEIR OWN GOVERNMENT FOR LAUNCHING ROUTINE COMMUNICATIONS SATELLITES. THESE SAME COMPANIES COULD LAUNCH SATELLITES ON A MORE COMPETITIVE BASIS, AT A LOWER COST, AND MORE EFFICIENTLY THAN THE GOVERNMENT COULD EVER HOPE TO. AS LONG A UNCLE SAM WAS LAUNCHING ROUTINE COMMERCIAL SATELLITES FROM THE SHUTTLE AT A 40 PERCENT SUBSIDY. LAST SUMMER, AFTER THREE YEARS OF DEBATE. THE PRIVATE SECTOR WAS FINALLY GIVEN THE GREEN LIGHT. THE PRESIDENT ANNOUNCED THAT ROUTINE COMMERCIAL SATELLITES WOULD NO LONGER BE LAUNCHED BY THE SPACE SHUTTLE. NOW IF THERE WAS EVER A PURE CASE OF PRIVATIZATION, THIS IS IT. COMPANIES FOR TWENTY YEARS HAVE BEEN MANUFACTURING AND LAUNCHING ROCKETS FOR UNCLE SAM AND AT A HIGHLY RELIABLE RATE. THOSE SAME COMPANIES CAN LAUNCH SATELLITES ON A MORE COMPETITIVE BASIS, AT A LOWER COST AND MORE EFFICIENTLY THAN THE GOVERNMENT COULD EVER HOPE TO.

ALREADY MARTIN MARIETTA HAS TEN LAUNCH RESERVATIONS AND MCDONNELL DOUGLAS REPORTS IT HAS RECEIVED NINE DOWN PAYMENTS TO RESERVE FUTURE LAUNCH DATES. AND WHAT DOES IT MEAN FOR THE SHUTTLE? THE SHUTTLE IS NOW FREED TO PERFORM MORE IMPORTANT, EXOTIC MISSIONS -- MANNED SPACE, THE SPACE STATION, SDI, RESEARCH AND DEVELOPMENT, AND PLANETARY EXPLORATION. IT IS EXCITING TO WATCH THIS FLEDGLING INDUSTRY MOVE OUT NOW TO COMPETE AGAINST THE FRENCH, THE CHINESE AND THE RUSSIANS. WE AT THE DEPARTMENT OF TRANSPORTATION WILL BE SETTING THE SAFETY REGULATIONS FOR PRIVATE SECTOR LAUNCH SITES AND CLEARING THE WAY OF EXCESSIVE FEDERAL REGULATIONS. THE RAMIFICATIONS FOR THE FUTURE OF AMERICA ARE ENORMOUS.

THERE'S A FAMOUS STORY ABOUT JUSTICE OLIVER WENDELL HOLMES, WHO ONCE FOUND HIMSELF ON A TRAIN, BUT COULDN'T LOCATE HIS TICKET.

WHILE THE CONDUCTOR WATCHED, SMILING THE 88-YEAR OLD JUSTICE HOLMES SEARCHED THROUGH ALL OF HIS POCKETS WITHOUT SUCCESS. OF COURSE, THE CONDUCTOR RECOGNIZED THE DISTINGUISHED JUSTICE, SO HE SAID, "MR. HOLMES, DON'T WORRY. YOU DON'T NEED YOUR TICKET. YOU WILL PROBABLY FIND IT WHEN YOU GET OFF THE TRAIN AND I'M SURE THE PENNSYLVANIA RAILROAD WILL TRUST YOU TO MAIL IT BACK LATER."

OFF-LIMITS TO AMERICAN BANKS. SUCH MARKET-EXPANSION HAS HELPED MAKE OUR COMPETITORS LARGE, DIVERSE AND STRONG. ACCORDING TO A 1986 SURVEY BY THE AMERICAN BANKER NEWSPAPER, ONLY ONE U.S. BANK IS NOW AMONG THE 10 LARGEST IN THE WORLD, BASED ON TOTAL DEPOSITS. JAPAN HAS THE LARGEST, AND JAPAN HAS SEVEN OF THE 10 LARGEST! AND 3 OF THE TOP 5: 1, 2, AND 3. THIRTY YEARS AGO, BY COMPARISON, FIVE OF THE TOP 10 WERE AMERICAN, AND THE TOP 3 WERE ALL AMERICAN BANKS. AND 10 YEARS AGO, THE JAPANESE WERE NO WHERE IN THE TOP TEN.

I'D LIKE TO GIVE YOU AN EXAMPLE OF HOW TRANSPORTATION REGULATION HURTS OUR COMPETITIVENESS. BECAUSE OF CONTINUED REGULATION, IT IS CHEAPER IN SOME TRADES TO SHIP GOODS FROM OVERSEAS THAN IT IS TO SHIP THE SAME GOODS WITHIN THE UNITED STATES. FOR EXAMPLE, A RETAILER IN DALLAS REPORTEDLY PAYS LESS TRANSPORTATION COST PER GARMENT TO IMPORT BLUE JEANS FROM TAIWAN THAN FROM MANUFACTURERS IN ITS OWN STATE OF TEXAS! TRANSPORTATION AVERAGES 25 PERCENT OF THE COST OF A DELIVERED PRODUCT. REGULATION ADDS AN AVERAGE OF 20-40 PERCENT TO THE TRANSPORTATION COST.

INDEED, THIS IS THE TIME FOR POLICY MAKERS AND THE PRIVATE SECTOR TO REASSESS THE SITUATION AND SEE JUST WHERE WE CAN IMPROVE OUR PERFORMANCE.

THE FIRST THING THE GOVERNMENT SHOULD DO TO IMPROVE ITS PERFORMANCE IS TO CLEAR EXCESSIVE REGULATIONS FROM THE BOOKS. I'M PROUD TO SAY THAT THE DEPARTMENT OF TRANSPORTATION HAS TAKEN THE LEAD IN THE FEDERAL GOVERNMENT'S EFFORTS TO REDUCE REGULATIONS THAT IMPEDE AMERICAN COMPETITIVENESS.

WE FACE A MAJOR EFFORT TO REREGULATE IN THIS CONGRESS, ENCOURAGED BY SPECIAL INTERESTS. I AM COMMITTED TO FIGHTING THIS TURNING BACK OF THE CLOCK, BUT I NEED YOUR HELP TO BE SUCCESSFUL. YOU BELIEVE IN A STRONG, COMPETITIVE AMERICAN ECONOMY -- AND THIS, LADIES AND GENTLEMEN, IS EXACTLY WHAT THE FIGHT IS ALL ABOUT.

ECONOMIC DEREGULATION OF THE NATION'S AIRLINES, RAILROADS AND TRUCKING COMPANIES HAS SAVED AMERICAN MANUFACTURERS AND CONSUMERS BILLIONS OF DOLLARS. A STUDY BY THE BROOKINGS INSTITUTION, FOR EXAMPLE, ESTIMATED THAT AIRLINE TRAVELERS 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 OVER 100 MILLION -- A 40 PERCENT INCREASE. MANY PEOPLE WHO NEVER THOUGHT THEY'D HAVE THE MEANS TO FLY, ARE IN THE AIR TODAY.

THE BENEFITS OF RAIL AND TRUCKING DEREGULATION HAVE BEEN EQUALLY DRAMATIC. A DOSE OF THE FREE MARKET HAS REINVIGORATED A DETERIORATING AND UNDERCAPITALIZED RAIL INDUSTRY ONCE DIAGNOSED AS NEAR DEATH. 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. UNDERCAPITALIZATION AND DEFERRED MAINTENANCE HAD EXACTED A HEAVY PRICE: A SERIOUSLY DETERIORATING RAIL INFRASTRUCTURE. TRAIN ACCIDENTS WERE THREE

TIMES AS HIGH AS THEY ARE TODAY. IN FACT, THE LATE 70'S BROUGHT A NEW ACCIDENT CATEGORY TO THE FEDERAL HIGHWAY ADMINISTRATION'S REPORTING DATA -- THE STANDING DERAILMENT, IN WHICH A FREIGHT CAR, STANDING PERFECTLY STILL, SIMPLY FELL OFF THE TRACK.

RAILROADS AND SHIPPERS HAVE ENTERED CLOSE TO 45,000 NEW CONTRACTS TAILORED TO THE SPECIFIC NEEDS OF SHIPPERS SINCE DEREGULATION, CONTRACTS FORMERLY PROHIBITED. SIMILARLY, THE PARTIAL DEREGULATION OF THE TRUCKING INDUSTRY IN 1980 VASTLY INCREASED THE TOTAL NUMBER OF TRUCKING FIRMS BY ALLOWING FREER ENTRY BY NEW COMPETITORS. AND ESTABLISHED CARRIERS HAVE BECOME MORE EFFICIENT AND INNOVATIVE BY RESTRUCTURING ROUTES, REDUCING EMPTY RETURN TRIPS, PROVIDING SIMPLIFIED RATE STRUCTURES AND MOVING FREIGHT MORE EFFICIENTLY. SMALL COMMUNITIES ARE EQUALLY OR BETTER SERVED BY CARRIERS SINCE DEREGULATION. WE ARE NOW MOVING TO COMPLETE THE DEREGULATION OF THE TRUCKING INDUSTRY THIS YEAR, SO THE TENS OF THOUSANDS OF DOLLARS IT COSTS TO FILE PAPERS AT THE INTERSTATE COMMERCE COMMISSION IN A MEANINGLESS PAPER CHASE CAN BE SPENT MORE PRODUCTIVELY.

IN 1980, TOTAL DISTRIBUTION COSTS, WHICH INCLUDE TRANSPORTATION AND WAREHOUSING, WERE 14.7 PERCENT OF GNP. AFTER DEREGULATION. TOTAL DISTRIBUTION COSTS FELL TO ONLY 11.1 PERCENT OF GNP.

BUT WE STILL HAVE A LONG WAY TO GO. ONE INDUSTRY EXECUTIVE ESTIMATED THAT COMPLETE DEREGULATION OF TRUCKING, FOR EXAMPLE, WOULD SAVE AMERICAN BUSINESSES \$87 BILLION IN DISTRIBUTION COSTS OVER THE NEXT FIVE YEARS AND INCREASE THEIR COMPETITIVENESS AGAINST FOREIGN IMPORTS. OBVIOUSLY, ANY ACTION WE CAN TAKE TO REDUCE TRANSPORTATION COSTS IN DOMESTIC MARKETS WILL HAVE A SIGNIFICANT AND DISPROPORTIONATE EFFECT ON LOWERING COSTS VIS-A-VIS FOREIGN PRODUCTS.

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 15 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 400 MILLION PASSENGERS TRAVELED 300 BILLION MILES ON THE MAJOR SCHEDULED CARRIERS WITHOUT A SINGLE FATALITY.

BUT WE NEVER STOP TRYING TO MAKE THE SAFEST SYSTEM IN THE WORLD EVER SAFER. TAKE FOR EXAMPLE, THE SUBJECT OF DRUG AND ALCOHOL ABUSE. AT DOT WE HAVE MANDATED TO FOCUS ON BOTH SIDES OF THE PROBLEM -- SUPPLY AND DEMAND FOR DRUGS. I'VE FOUND MY OWN LITTLE FOOTNOTE IN HISTORY AT THE DEPARTMENT OF TRANSPORTATION. FOR I AM THE FIRST WOMAN TO HEAD A BRANCH OF THE ARMED SERVICES -- THE U.S. COAST GUARD. THE COAST GUARD IS ENGAGED AS NEVER BEFORE IN PATROLLING THE WATERS WHICH SURROUND AMERICA, COMBATTING THE SCOURGE OF ILLICIT DRUGS WHICH MIGHT POISON THE VEINS OF OUR YOUNG PEOPLE. AND AT THE SAME TIME, WE ARE MOVING TO COMBAT THE DEMAND FOR AND THE USE OF DRUGS IN TRANSPORTATION.

THE JUSTICE LOOKED UP AT THE CONDUCTOR WITH SOME IRRITATION AND SAID, "MY DEAR MAN, THAT IS NOT THE PROBLEM AT ALL. THE PROBLEM IS NOT, WHERE IS MY TICKET. THE PROBLEM IS, WHERE AM I GOING?"

LAST WEEK JEANA YEAGER AND DICK RUTAN VISITED THE DEPARTMENT OF TRANSPORTATION 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 ONLY 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.

WHO KNOWS WHAT LONG RANGE RAMIFICATIONS WILL FLOW FROM 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"?

THE NORTH CAROLINA BANKERS HAVE THAT DARING, THAT ENTREPRENEURIAL SPIRIT. IN THE PAST 18 MONTHS -- THERE ARE 926 NEW OFFICES, REPRESENTING \$26 BILLION -- NORTH CAROLINA IS HOME TO THREE OF THE FINEST BANKS THREE OF THE SEVEN SUPER-REGIONAL BANKS -- YOU HAVE MADE GREAT USE OF PARTIAL DEREGULATION.

YOU HAVE BEEN AGGRESSIVE -- YOU'VE TAKEN ADVANTAGE OF EVERY OPPORTUNITY -- AND IT'S NOT JUST THE BIG BANKS -- SMALL AND MEDIUM BANKS ARE ALSO RECOGNIZED AS SOME OF THE BEST OF THE BEST RUN IN THE ENTIRE COUNTRY.

WE IN THE PUBLIC SECTOR MUST RESTRUCTURE OUR WAY OF GOVERNING TO ADAPT TO CHANGING TIMES AND CHANGING MARKETS. WE MUST MAKE FULL USE OF THE POWERFUL AND EFFECTIVE TOOLS OF ECONOMIC DEREGULATION AND PRIVATIZATION IN OUR PURSUIT OF GREATER GOVERNMENT EFFICIENCY, AND WE MUST CONTINUE TO LOOK FOR CREATIVE WAYS TO MAKE GOVERNMENT MORE RESPONSIVE AND MORE EFFICIENT. IN SHORT, WE MUST BECOME ENTREPRENEURS OF THE PUBLIC SECTOR. AND WE WOULD BE WELL-SERVED BY FOLLOWING THE EXAMPLES SET BY YOU IN THE NORTH CAROLINA BANKING INDUSTRY.

THANK YOU VERY MUCH.