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TOPEKA TRAFFIC CLUB
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What a joy to celebrate National Transportation Week in Topeka with 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 deregulation.

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."

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?"

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. Here in Kansas 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

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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 10 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.

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. By mid-1985, well over half of all grain tonnage, 57 percent, shipped by rail moved under contract. 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. Reduced rate levels, as well as the ability to enter into contracts providing "customized" service, will help keep Kansas grain shippers competitive in worldwide, as well as domestic markets.

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.

Like rail deregulation, partial deregulation of the trucking industry has benefited shippers, consumers, and carriers. For this reason we are proceeding with legislation to totally deregulate the trucking industry. Since 1980 the number of trucking firms in the market soared from about 18,000 to well over 30,000, invigorating the industry with new competition. New price and service options have been introduced. Established carriers have become more efficient and innovative by restructuring routes, by reducing empty back hauls, providing simplified 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 the GNP. After the Motor Carrier Act, total distribution costs fell to only 11.1 percent of the GNP.

I think we've been guilty of both overselling and underselling the important reforms of the Motor Carrier Act of 1980. We've oversold it in the sense that many people believe we have already totally deregulated the trucking industry. They can't understand what the new debate is all about. But we've also undersold it to the extent that we haven't really communicated the tremendous benefits these reforms have provided, and how important an issue it is to every producer and consumer, and every manager and worker in this country. It has saved billions of dollars already. The complete, regulatory reform of the trucking industry, according to a recent private study, would save American business \$87 billion in distribution costs over the next five years and increase our competitiveness against foreign imports.

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.

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. And I look forward to making the journey with you. I'm confident the road leads to an ever safer, ever stronger transportation system.