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REMARKS PREPARED FOR DELIVERY BY
SECRETARY OF TRANSPORTATION ELIZABETH HANFORD DOLE
TO THE
KALAMAZOO FORUM
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What a delight to meet with so many people committed to a better understanding of public issues. This Forum, born four years ago in the zeal of a great civic renewal, is setting an example for the nation. One of your first projects was Partners in Education in which you matched industries with local schools and one of my first projects as Secretary of Transportation was to sign a partnership with Hine Junior High School. So I know the positive difference this program makes for students and your bringing it to Kalamazoo is truly outstanding. And I want you, Pete, and Jack Hopkins to know that the community spirit and enthusiasm here today is an inspiration to me.

Anywhere you look these days, you'll see change, nowhere more apparent than here, amidst the rolling hills and gentle Kalamazoo River. Long the industrial center of Southwest Michigan, your diversified economy of pharmaceuticals, nurseries, wine and higher education -- to name just a few -- is the envy of cities throughout the country. And certainly that diversity is one of many factors stimulating growth and development in Kalamazoo.

And speaking of change, massive deficits and the Gramm-Rudman law are forcing us to reassess the proper federal role in transportation. Obviously, defense and the facilitation of interstate commerce are essential

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federal roles, but in some other areas we will not be able to do all that we've done in the past.

In mass transit, we are rethinking the whole area to make some hard decisions as to how we can go forward to have a substantial contribution on the federal side but make sure it provides efficiency in the systems. We want state and local governments to be able to base transportation decisions on urban and state mobility needs, rather than choosing projects in order to maximize the availability of federal funding. And it's groups like this Forum that are helping to come up with innovative ways to resolve the problems at the local level. Local areas are becoming increasingly aware that operating transit services require an ongoing financial commitment. Even if the federal government buys the buses, the biggest cost is operating them. For this reason we are proposing creative solutions to help. For instance, we are encouraging local communities to contract out to private enterprise at competitive bids those services that can be done by the private sector more efficiently at a lower price. The idea is working.

For instance, when growth began putting more demands on transportation systems in Dallas, they voted for a one cent a gallon gasoline tax to finance their regional transportation network and they have garnered tremendous local support from industry in Dallas. And DART, the Dallas Area Rapid Transit Authority also contracts out services that can be provided less expensively by private companies. Phoenix, Arizona, estimates it has saved \$700,000 a year or five percent of its total annual transit cost by substituting private contractors for its Sunday service. Pittsburgh, Pennsylvania will be accepting private operator's bids to run an experimental mini-bus shuttle which could increase ridership from 2,700 to 5,000 a day -- and run \$96,000 profit instead of \$226,000 deficit. These are just a few examples of what can be done when local citizens like you are involved.

When Congress debated the railroad deregulation act six years ago, nearly one-quarter of the nation's railroad track was in bankruptcy. Deferred maintenance, derailments and unreliable service were commonplace. The Federal Railroad Administration came up with a new safety catetory: standing derailment, where railroad cars, perfectly still, simply fell off a track, because the road bed was in such deplorable condition. That, believe it or not occurred twice in a single year. The contrast between the '70's and current conditions makes the case for rail deregulation. Today's railroad industry survived the recent recession, the deepest since the 1930's, without a single bankruptcy.

Now, we have enjoyed, of course, beginning in 1982, 42 consecutive months of economic growth. Productivity has risen. Inflation remains subdued at just 1.6 percent, and factories and offices alike have created almost 10 million jobs since November 1982, the height of the recession. The prime interest rate is 8.5 percent. Now, young people can dream the truly American dream of home-ownership and realistically expect to

accomplish it. We want to see this trend continue by getting these deficits under control.

And, transportation, of course plays a major role in our economy and in our businesses. Transportation is an \$800 billion industry, which accounts for 20 percent of our gross national product. My department alone has a \$27 billion budget. We have 100,000 employees, and our responsibilities, quite literally, cover everything that moves.

And, interesting enough, 70 percent of my budget is supported by user fees, where those who actually use the services pay for them whether it's on our highways or in our airways or on our waterways.

In a broader sense, we are letting the market, if you will, lead us into the 21st Century. Kalamazoo is the industrial center of Southwest Michigan, all the more dependent on good transportation systems and especially on trucks, which carry 70 to 80 percent of all intercity freight transported in Michigan.

Free market principles, for example, are the guiding force of economic deregulation of transportation industries and DOT is the voice of deregulation. The 1980 Motor Carrier Act, which provided for some economic freedom, has had significant and positive effects on shippers and the trucking industry. With freer entry into the trucking business, we've had an explosion in the number of firms with Interstate Commerce Commission operating authority from roughly 18,000 firms to almost 31,000 companies. New service and price options offer shippers more opportunity to select the kind of service that they need.

Established carriers have become more efficient: they've become more innovative because they can restructure their routes. They don't have to travel on just one set route. They've reduced their empty back-hauls. And they've been able to provide simplified rate structures and offer shippers incentives to move freight more efficiently. So overall, we feel that it's been very positive.

And I sent legislation to the Congress that promises to finally get the federal government out of the trucking business. My legislation will release the industry to operate in the free market without filing tariffs, reporting entry, or dealing with the red tape of ICC rate regulation.

Now let's talk about railroad deregulation for just a moment. Today's railroad industry survived the recent recession, the deepest since the 1930s, without a single bankruptcy. Capital investment has increased dramatically. Deferred maintenance has been virtually eliminated from the nation's mainlines. There are 30,000 contracts now between railroads and shippers so that you can tailor your needs with a specific contract, and that was not permitted under regulation. And 1985 was the safest year in the history of railroads.

As we move forward with economic deregulation, let me assure you that we will in no way permit safety to be diminished. We have just succeeded after twelve years of effort in finalizing a rule addressing the significant problem of drinking and drugs on the railroads.

We are addressing the safety issues, whether it's on the railroads or on the highways. Ninety three percent of the fatalities occur on our highways. Approximately 44,000 Americans lose their lives in highway accidents each year.

In 1985, the fatality rate on the nation's highways declined to the lowest level in history and in the last five years the number of fatally injured drivers who were legally intoxicated declined by 25 percent. And, we're going to keep working until we get every last drunk driver off the roads and highways of this country.

Some of you who have new cars may be familiar with the high-mounted stop light I've required on this year's models. Our studies show that if every car had this light at the base of the rear window it would prevent about 900,000 accidents involving rear end crashes, and save almost half a million dollars in property damage every year.

The safety belt rule we put into effect two years ago (Rule 208) has spawned 26 state safety belt laws, one of them here in Michigan, and I am delighted that Michigan statistics are already showing many lives saved by passage of that legislation. In Michigan after the law became effective last July safety belt usage doubled. I'm also happy that General Motors' announced that it's installing three-point safety belt systems in the back seats of new cars. This initiative by GM is another indication of its commitment to enhancing the safety of all vehicle occupants. It also illustrates that automakers are willing to take the extra step on their own initiative to improve their product.

Air safety is on everyone's mind today. First and foremost, let me emphasize that when we speak of "airline deregulation," we are talking about the elimination of economic regulation. Safety has most assuredly not been deregulated. And the benefits of economic deregulation both to the traveler and the American economy as a whole cannot be exaggerated. They are real, substantial and ongoing, and they are measured in billions of dollars in reduced travel costs.

Under deregulation, entrepreneurs launched a new era in aviation. Today there are twelve major carriers flying, another score or so of medium-sized carriers and a host of regional and commuter airlines. Deregulation has clearly brought a new level of cost consciousness and service options to the airline industry. Before deregulation our choice was limited to first class or coach. Today, you can find as many as 10 categories of fares, each tailored to a specific market segment.

The low fares mean that air travel has been brought within the financial reach of millions who otherwise could not have afforded to fly. Since deregulation, air service to Kalamazoo is up 68 percent and seat capacity has increased 54 percent. And departures from Kalamazoo have increased 68.5 percent. The 100,000 attendance at your International Air Show last month reflects the importance of aviation and the airport to your community.

Once again, here is the important point: these benefits have not, as some would claim, come at the expense of aviation safety. Flying remains one of the safest forms of transportation, and air travel in the United States is still the safest in the world. Each day, some 15 thousand scheduled airline flights carry an average of one million passengers, and 99.999 percent of these flights reach their destinations without so much as a minor operational error.

Now there has been a lot of concern recently because commercial aviation worldwide in 1985 experienced its highest number of fatalities in a single year -- 1,622 people lost their lives. While even one fatality is too many, it is crucial, however, that this bare statistic be put in perspective. About 70 percent of these fatalities occurred in accidents on foreign airlines and over 50 percent occurred in the crashes of Japan Air Lines with 520 deaths and Air India with 329 deaths which was sabotage. We have found no common thread in the causes of last year's tragic accidents -- either here or abroad -- and we have no evidence that the presence or absence of government economic regulation contributed to those crashes. In fact J.A.L. and Air India operate under heavy government economic regulation.

Contrary to the snap judgment some have made, competition promotes safety. If a carrier acquires a reputation for sloppy operations and marginal practices, passengers will stay away in droves. Airline executives faced economic pressures before deregulation but had much less flexibility to adjust to those pressures than today. Because the government set fares under regulation, the carriers could not, in order to increase overall net revenue, lower their fares to attract new business or adopt new schedules to meet changing consumer demands. One of the few ways a carrier could reduce losses or increase profits was by cutting maintenance, pilot training and other safety items.

Now, another top priority at DOT; Privatization. Until recently, the expression was associated primarily with Prime Minister Margaret Thatcher's splendid program of transferring responsibility for services from government agencies to private profit-making enterprises. I have had the opportunity to discuss transportation policy with Prime Minister Thatcher in the last couple of years.

She also told me a lot about privatization. Britain and the United States are in the vanguard, but the idea of privatization is really generating enthusiasm from the Potomac to the Ganges.

Conrail, the government-owned freight railroad, is the flagship of privatization in this country. To put it in context, the sale of Conrail to the Norfolk Southern Corporation represents the equivalent of 16 percent of the deficit reduction cuts that were made during the first installments of Gramm-Rudman in March. We would get \$1.9 billion from the Norfolk Southern railroad the day we close the deal. And this deal will ensure that Conrail will remain a viable railroad serving Northeast shippers and never again returning to the federal trough.

Conrail serves Kalamazoo and the sale of Conrail offers significant benefits and opportunities to the State of Michigan. Michigan faces a very clear choice -- a purchase of Conrail by Norfolk Southern, an option that affords the state both stability in rail service, enhanced competition, and the potential for economic development, or a stand alone Conrail, an option that presents the state with a clear risk of decline in service and stability with no realistic prospects for economic growth.

CSX presently has a monopoly line service from Michigan to most locations in the southeast. The Norfolk Southern/Conrail combination would offer a head-to-head single line competitor for traffic moving between Michigan and southern and southeastern locations. This means lower shipping costs, and an improved competitive climate.

In a similar vein, the entry of Guilford Transportation Industries into the Michigan market will restore head-to-head single-line competition between Michigan and northeastern ports for the first time since the Pennsylvania Railroad merged with the New York Central. Conrail today is the only carrier capable of offering single line service between Michigan and those northeastern markets. Following the sale, Guilford will provide a competitive single line alternative to destinations in New York, to the Port of Boston, and to numerous New England markets. Further, Norfolk Southern is committed to honor any shippers' contract Conrail has entered into prior to the sale. Simply stated, a sale of Conrail to the Norfolk Southern preserves all of the benefits that Conrail provides to Michigan shippers plus the additional benefits of better single-line service, more efficient rail operations, greater industrial development opportunities and the introduction of new rail competition to the east, west and south.

I don't think the federal government is meant to be in the business of running freight railroads any more than it's meant to be running airports. We have legislation before Congress to transfer Washington National and Dulles International, the two Washington airports, to an independent authority; thereby, putting them on par with all other major airports in the United States. Approximately \$550-\$700 million will be needed for expanding and refurbishing these airports. The independent authority can use revenue bonds like all other airport authorities and participate in the Airport Trust Fund. Given Gramm-Rudman and the federal deficit, there is no possibility of putting such large amounts of federal money into these airports. Last week, we had a news conference on the steps of the nation's Capitol and the large number of officials that joined us indicated that

broad bipartisan support exists for this proposal. The general message was let's "free the airports" -- the idea of the airports being managed by an independent regional commission is so eminently sensible. Just yesterday I testified before the House Public Works Committee. I am optimistic following our Senate vote and I'm sure this coalition is going to insure that we make it through the House with a strong vote as well. Just yesterday I testified before the House Public Works' subcommittee on aviation. And I feel very encouraged that this legislation is moving on a fast track.

Before I conclude, I would like to comment on one other issue in which the Administration has been working -- commercial space transportation. President Reagan recognized the potential of unmanned rockets in 1984, when he endorsed privatizing the unmanned rocket industry and designated the Department of Transportation as the lead agency for facilitating the development of the industry. Crippled by the loss of the Challenger and the Titan and Delta rockets, our country is virtually earthbound. Commercial space development is crucial to maintaining U.S. leadership in space, expanding our economic horizons and providing new and life-saving services that can make a difference for people throughout the world.

In conclusion, let me just say that whether we're talking deregulation, safety, air security, selling a railroad, transferring airports -- we're striving to provide the answers to complex questions that literally stretch you to the very limit of your being at times. I guess that's the challenge and the enjoyment of it, too.

It is an opportunity to make a difference, a positive difference, for people. And it can get pretty challenging. It is then that I think of something that President Reagan said to me. He recalled how he first learned to deal with stress as the newly elected governor of California. And, he said, "each morning began with someone standing before my desk describing yet another newly discovered disaster. The feeling of stress became unbearable. I had the urge to look over my shoulder for someone I could pass the problem to. Suddenly, one day it came to me that I was looking in the wrong direction. I looked up instead of back, and I'm still looking up. I couldn't face another day in this office if I didn't know I could ask God's help and it would be given."

And, ladies and gentlemen, I wholeheartedly agree with that statement. I believe that's what it takes in this day and age with the challenges we all face.

Ours is neither the time nor is the place for men or women with faint hearts, feeble courage, weak commitment or selfish motives. With your help and your support we will reach our goal of a better life for all our people. America deserves it; history demands it; and, our children will reward it.

We have the safest, most efficient transportation system in the world. With your help and support, we will continue to be the best in the world.

Thank you very much for your attention today. I look forward to making the journey with you.

Thank you very, very much.

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