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REMARKS PREPARED FOR THE DEPUTY SECRETARY JIM BURNLEY

WELCOMING DOT INTERNS

JUNE 3, 1985

Good morning. I am Deputy Secretary Jim Burnley, and on behalf of Mrs. Dole, I want to welcome you all to the Department of Transportation. Mrs. Dole has just returned from Europe and is unable to be here today, but you will all have the opportunity to meet her during the summer.

DOT is a rather large organization, with 102,000 employees throughout the nation. We have nine modes under the banner of DOT, and while sometimes it may seem that NHTSA and FAA have little in common, I can assure you that all the pieces of the Department fit together. We all are dedicated to insuring safe, reliable, and market-oriented transportation systems.

With me today are Diane Steed, Administrator of the National Highway Traffic Safety Administration; Matt Scocozza, our Assistant Secretary for Policy and International Affairs; and Wayne Vance, Chief of Staff, who will give you an overview of the Department in a few minutes.

The Department offers a wide range of experiences and opportunities, which we hope to show you over the course of the summer. Allaire Williams of my staff is planning a series of events and field trips to give you some first-hand knowledge of our work here. You also will be meeting with our modal administrators throughout the summer for briefings and discussion, in which your participation is encouraged. I also encourage you to take the time to get to know one another and share your experiences. In looking over your files, I could see the diversity

of backgrounds and the common thread of excellence.

I expect that you will have a busy and productive stay with us. If you encounter any difficulties in your modes, please feel free to discuss them with your supervisor. Again, welcome to the Department, and I hope that you will have an educational and enjoyable summer with us.



U.S. Department of
Transportation

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REMARKS PREPARED FOR DELIVERY BY JIM BURNLEY
DEPUTY SECRETARY OF TRANSPORTATION
MOTOR VEHICLE MANUFACTURERS ASSOCIATION
JUNE 4, 1985

Thank you and welcome to Washington. I am honored to be asked to speak to you tonight. Secretary Dole has also asked me to convey to you her warmest regards.

As we gather tonight, the American auto industry finds its situation tremendously improved from just a few years ago. As recently as 1980, the outlook for the automobile, and the American automobile industry, was clouded by energy concerns, a recession economy and competition from abroad.

No one deserves more credit for the auto industry's recovery than the industry's people themselves. Planned capital spending for 1985 is at an all-time high, and is expected to remain at extremely high levels through 1989. This investment is paying off in terms of cost controls and higher labor productivity. The industry is anticipating productivity gains averaging five percent per year for several years to come. Renewal of the U.S. auto industry is creating new opportunities for such critical, related industries as glass, steel, plastics, textiles, paint and rubber -- and increasingly, high-tech electronics. The world's eyes now turn again to America when looking for creativity, innovation and leadership in auto manufacturing. The American quest for the high-tech cars of tomorrow is capturing the headlines -- and the imaginations of millions.

I think we would all agree the auto industry's recovery would not have been possible without the strong resurgence of the American economy in general. America has been enjoying the strongest growth in 33 years; the lowest inflation in over a decade; and an average of almost 300,000 new jobs a month for 29 months in a row. Interest rates are falling again and the stock market is responding with enthusiasm.

President Reagan's Administration helped the American people bring about this progress through lower taxes, a halt to the acceleration of the growth of government spending and reform of what had been an overzealous regime of economic regulation.

Though the automotive industry has enjoyed trade protection and some other special considerations over the past few years, I believe its future well-being will

depend in part on the success of sustaining our general economic growth in the U.S. and extending recovery worldwide. To achieve this we all need to resist the temptation to tinker and play with the political-economic order -- both domestic and global -- as though markets and the American ability to compete are stagnant. Instead, we must ever deepen and broaden our appreciation of the creativity that arises out of economic freedom. I strongly believe that the free market provides the soundest, surest, fairest means to reindustrialization. The Reagan Administration will continue to act on the premise that Detroit and Cleveland and St. Louis will benefit from free market policies that are good for all Americans.

We in the Administration believe that, contrary to the buzz of ideological slogans with which your industry is all too familiar, ours is a program of authentic consumerism. We subscribe to the premise that consumers can make intelligent choices. We take exception to the paternalistic view that consumers need to depend heavily on the supposedly good offices of regulatory agencies, judges and self-appointed public interest litigators.

One of the most constructive and successful reforms President Reagan has introduced is the decontrol of oil prices. Today's energy market is responsive to consumers, and the result is that gasoline prices are now 13.6 percent below their peak level of March 1981.

This is relevant, of course, to the current consideration of Corporate Average Fuel Economy standards. At the Department of Transportation, as you know, we have published for comment three petitions about CAFE standards. I know that strong, differing views on both sides of this issue are represented in this very room.

I do want to make it clear that at this time we do not advocate modifying CAFE standards by statute. Although there is legislation before the Congress which proposes CAFE levels for passenger cars as high as 45 miles per gallon during the 1990s, we are not aware of any evidence to support the advisability or, indeed, the feasibility of such standards. Our guiding principle is that choices should not be taken away from consumers by government, except in the rarest of cases.

This Administration holds that free market factors, rather than statutory standards, are the most efficient means of achieving appropriate levels of fuel economy over the long run. The free operation of the laws of supply and demand will balance the consumers' demand not only for fuel efficiency but also for such other attributes of automobiles as performance, durability, handling, and comfort.

Even as we re-examine the old order of economic regulation, we remain strongly committed to government's proper role in assuring public safety. The safety of the traveling public is Secretary Dole's foremost priority.

I know we cannot reasonably expect your industry to build the indestructible car, or expect wizards of technology to engineer miracle solutions to every safety problem. Nor can we lay the burden of safety responsibility solely on the states, the courts, or individual motorists.

It is clear today that no single approach to motor vehicle safety will suffice. We cannot regulate the industry to within an inch of its life, as government once tried to do, and at the same time do nothing to police the qualifications of those who drive. We

cannot demand strict enforcement of traffic laws while tolerating lenient courts. We cannot build superb highways and then fail to properly maintain them. We cannot expect even the best-engineered safety systems in the world to save lives unless people accept and use them.

The simple truth is that the car, the driver and the highway all have a part in the safety problem and must share together in solving it.

We know that no matter what quality control techniques are used, it is impossible to build a perfect car. Despite the best intentions and the most advanced technology, the human element will always be with us. Even the most automated production techniques have their problems due to machinery tolerances and to the wear that all equipment suffers when used.

When problems do arise, prompt remedial action is necessary. For the most part, when a recall has been necessary, it has been initiated voluntarily by the manufacturer. This is important and beneficial to the driving public, because voluntary recalls usually occur quickly and defects are expeditiously corrected.

The goals of our enforcement efforts are to be consistently vigorous, balanced and fair. We have been pleased by the success of our efforts to encourage voluntary recalls, and we appreciate the cooperative spirit and concern for safety that makes this possible.

All safety experts agree that we could dramatically reduce highway deaths and injuries if we removed drunk drivers from our roads, persuaded more people to wear safety belts and increased the use of child safety seats. These are the objectives we seek, and must continue to pursue, if we are to sharply improve the driver element in the safety equation.

For many years, drunk drivers alone have accounted for half our highway fatalities and for much of the misery resulting from broken bodies and shattered families. As a result of efforts by concerned citizens, community action groups and the Presidential Commission on Drunk Driving, state legislatures from one end of this country to the other have enacted tougher laws against drunk driving. Judges, juries and the public alike are much less tolerant today, and the drunk driver -- particularly the repeat offender -- increasingly faces criminal prosecution and severe penalties.

We are especially concerned about our young people. It is a tragic fact that alcohol-related accidents are the leading cause of death for young people in the 15 to 24 age group.

Last July, Congress passed and President Reagan signed legislation to encourage a national uniform drinking age. Certainly, we would have preferred to see the states act on their own to develop a uniform age 21 drinking age. The fact is they did not act cohesively. Throughout the nation there were different drinking ages in many neighboring states. A map of the United States' drinking age requirements looked like a patchwork quilt, creating what have come to be known as blood borders.

Under the new law, states failing to prohibit purchase or public possession of alcoholic beverages by persons under age 21 would have five percent of their fiscal year 1987 highway apportionments and ten percent of the fiscal year 1988 apportionments

withheld. However, the best incentive is saving the lives of our young people. In states where the drinking age has been raised to 21 there has been a 28 percent reduction in alcohol-related fatalities for drivers under 21. Since the federal statute was enacted, seven states have passed age 21 laws — bringing the total number of states with the 21-year drinking age to thirty.

Unquestionably, we are making progress. Over the past few years, traffic fatalities have fallen dramatically. In fact, in 1983, the last year for which we have final figures, we had the lowest number of fatalities in twenty years. Our latest count indicates that 44,250 people died on our nation's roads. That is far too high, but it is 12,000 fewer than the peak year of 1972 when 54,589 people died in traffic accidents.

The 1983 fatality reduction is significant because it occurred during a period of economic recovery. The number of miles travelled increased, and with more travel, you might expect an increase in the number of traffic deaths. However, that was not the case; fatalities actually fell. Even though overall fatalities appear to have risen slightly in 1984, alcohol-related fatalities are still down from 1983; and, most important, the trend continues that each mile travelled on American highways is safer than before.

Secretary Dole and I are tremendously grateful for the effort the Motor Vehicle Manufacturers Association has made to promote safer driving, notably through your support for the educational programs of Traffic Safety Now. I would be remiss if I did not also take this occasion to express the warm appreciation we have for Jim Adduci at this, the last MVMA board meeting before his retirement later this month. We are very happy that Jim, while leaving the MVMA, is not retiring from public service, but instead will remain active as the new chairman of the National Commission Against Drunk Driving. Jim, please accept our thanks for all your efforts for safety, and our very best wishes in your new position. I should also remark how much we appreciate the diligent work that MVMA's vice president, Pete Griskivich, performs as Chairman of the National Highway Safety Advisory Committee.

We would very much appreciate the industry's further support in helping the public understand and make sound choices in the matter of occupant protection. While Traffic Safety Now is playing a constructive role in providing information to state legislatures on the advantages of mandatory safety belt use laws, we still face widespread misunderstanding of Secretary Dole's decision last year on Rule 208. Simply put, what motivated her action is the objective of saving as many lives as possible, as quickly as possible. The decision was crafted carefully to allow the public to begin reaping the lifesaving benefits of safety belt laws immediately, without waiting the ten to fifteen years it will take for automatic crash protection to be installed in all cars. I think it is important to recognize, too, that for the first time in the fifteen-year history of rulemaking, litigation and general contentiousness on this issue, we now have a rule that is actually saving lives. Since New York's new safety belt law took effect this January 1, for instance, traffic deaths in that state have declined by 27 percent.

Manufacturers can perform still another valuable public educational role by helping impress upon consumers that passive protection covers a number of alternatives, each with its own set of advantages and disadvantages. The public does not fully realize that manufacturers are free to install airbags, automatic safety belts, or other technology — so long as performance standards are met. Moreover, the public should understand that no one technology will be a panacea.

However this round of the occupant protection discussions plays out, I do hope and expect it will lead to a period of predictability and certainty. While an issue of such importance cannot be resolved for all time, the public and your industry deserve at least a few years during which the federal, legislative, judicial and executive branches are not repeatedly reversing direction. I do not know whether we will end up with most states enacting effective seat belt laws or with full implementation of Rule 208; but I feel strongly that the debate should be allowed to go forward within the context set by the Supreme Court's 1983 decision and by the rule announced last summer.

I would like to spend a few moments before concluding by addressing you in your capacity as major rail shippers about another issue of great importance both to the Reagan Administration and your industry: the future of Conrail.

Since 1976, when the government created Conrail, the taxpayers have spent several billion dollars to purchase and restore its physical plant and keep it in operation. Over the past four years, Conrail has turned a profit, thanks to the tools which the Staggers Act and the Northeast Rail Services Act of 1981 provided. The Northeast Rail Services Act also directed the Secretary of Transportation to develop a plan to return Conrail to the private sector.

As you know, the plan Secretary Dole submitted to Congress last February for selling Conrail to Norfolk Southern was developed after many months of careful deliberation and extended negotiations with a number of prospective purchasers, while keeping in mind the sacrifices and security of Conrail's employees, the needs of its shippers and the interests of its majority stockholders: the American taxpayers.

Norfolk Southern will pay the government a minimum of \$1.2 billion in cash at closing. Not one cent of that is leveraged off Conrail assets. Norfolk Southern will also surrender Conrail's accumulated tax benefits of \$1.8 billion in net operating losses and \$306 million in investment tax credits.

Additionally, Norfolk Southern has agreed to be bound by a strong set of protective covenants for five years during the transition to private ownership. The Secretary feels strongly that these covenants are a key part of the consideration we will receive from the buyer. They require high levels of maintenance and new capital investment, restrict dividends and guarantee existing contracts with shippers.

It is important to note, too, that the Conrail-Norfolk Southern agreement does not provide Norfolk Southern with any special tax treatment. The applicable tax rules are the same whether Conrail remains in the federal government, whether its stock is sold to a private buyer, or whether a public offering occurs.

I know you have had your traffic departments carefully reviewing how the sale to Norfolk Southern will affect your companies. They should be reporting to you that it will give you a greater ability to ship north-south on single-line routes at lower cost through the entire eastern half of the United States.

Although east-west shipping will remain about the same, there are some east-west shipping opportunities created by the divestitures required by the Justice Department. For shippers in the midwest who are shipping east, today at the Chicago gateway there are four major options -- north via the Grand Trunk; CSX to the south; Norfolk Southern to the south; and Conrail to the northeast. A new Norfolk Southern-Conrail company

would offer shippers more: they would still have the Grand Trunk option to the north, but now shippers would have two single-line competitors to the northeastern ports and markets — Guilford and Conrail. Shippers will have two single-line competitors to the south — CSX and Norfolk Southern. Shippers coming in from the west who have used the St. Louis gateway pick up a second single-line carrier to the northeast because of the divestitures.

I want to make one final point about Conrail: Norfolk Southern's offer has had to face a tougher standard than any other rail merger. The Justice Department prescribed divestitures as a way to maintain a competitive balance in specific areas where they found there would be a reduction in competition. The Norfolk Southern has tentatively negotiated agreements to divest 1700 miles of track to Guilford Transportation Industries and the Pittsburgh and Lake Erie Railroad. The Justice Department has final approval on those divestiture agreements and is in the process of thoroughly reviewing them.

There have been recommendations that we choose another approach to the sale or wait for a better time. Just last month a new proposal for a sale to a syndicate with a secondary public offering at some later unspecified date was unveiled. However, the proposal announced by Morgan Stanley and Company is not fundamentally different from some we reviewed in the past. To the extent it will be helpful to Congress, we will respond to questions about the new proposal and our deliberations on similar purchase plans considered last year.

I believe the Secretary has chosen the best future course for Conrail, its employees and shippers. Through a merger with the Norfolk Southern, Conrail's long-term viability is guaranteed. No one is left wondering whether Norfolk Southern wants to operate a railroad; clearly it does, both now and ten years from now. It is not motivated by a desire to make a quick profit on resale of Conrail's stock; or to milk it of every dime it can yield in dividends; or to break it into two or three pieces which are sold off in a few years in an effort to maximize capital gains. When comparing the Secretary's recommended purchaser to the Morgan Stanley syndicate, look down the list of investors in that syndicate with care and ask yourselves the following question: Why do three Ivy League universities, a Greek shipping tycoon, two Swiss banks and a Japanese investment bank want to get into the railroad business?

Once you have answered this question, we would appreciate your further support for the sale. Your support does make a difference. With it, we will succeed in returning Conrail to the competitive environment of the private sector. Otherwise, we may well face a stalemate and continuing uncertainty about the future of railroading in the northeast and midwest.

Ladies and gentlemen, I have enjoyed this evening as your guest, and I appreciate this opportunity to review some of the major issues of particular concern to your industry. If I leave you with no other message tonight, though, I would like it to be this: The American people need your leadership to support the crucial economic reforms President Reagan is urging this year. If ever there were a moment for all of us to transcend our immediate, short-term interests for the sake of action of supreme importance to our nation, this is it.

President Reagan and the Senate majority have produced a budget package that will result in a truly meaningful reduction of the deficit. The President has a plan to

simplify our absurdly complicated tax structure. Each sector of our society may see something to lose in each of these critical reforms. That parochial attitude tends to regard economic activity as a zero-sum game. The President's vision of the American people and their economic and social potential is free of such blinders.

I ask you to share his vision. I ask you to put your leadership talents to work for reforms that can help assure America's well-being well into the next century. For in the long run, what matters is how our children and their children will judge what each of us has done to preserve and strengthen the opportunities provided by a free society.

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REMARKS PREPARED FOR DELIVERY BY
DEPUTY SECRETARY JIM BURNLEY
NATIONAL DEFENSE EXECUTIVE RESERVES

JUNE 14, 1985

Thank you, Ray (Wood), for those kind words of introduction. I am honored to be asked to speak to you this morning. Someone has said that the only real emergency is the one you are not prepared for. I want you to know that Secretary Dole and I appreciate your efforts to plan for every conceivable emergency situation.

The cooperative spirit demonstrated here is appropriately different from this Administration's efforts to free the transportation component of our economy --through deregulation of aviation, trucking and the bus industry, transferring Conrail to the private sector and preservation of the gains we've made in areas such as permitting railroads to compete. We reject the notion that the government and the business community need a collusive "reindustrialization" policy, because we believe so strongly that the free market provides the best industrial policy. However, when wars and other grave emergencies arise, government/business cooperation becomes absolutely essential. Nowhere is this cooperation more evident than in the National Defense Executive Reserve.

The executive reservists, such as Ray Wood, who is one of our DOT reservists, bring a wealth of talent to our defense preparedness organization. You give generously of your imagination, salesmanship, inventiveness, leadership and management skills. You leave your full-time occupations of making American business work so well to make your own personal commitment to the defense of our nation. The Reagan Administration thanks every one of you.

As a lawyer, I do not like surprises. Preparation is ninety percent of the battle in winning a case. Preparation is just as important -- perhaps more so -- in making sure

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that transportation can cope with emergencies. Such has been the case throughout history.

Winston Churchill recognized transportation's valuable defense role in his book, The River War (1899). "Victory is the beautiful, bright-colored flower," he wrote. "Transport is the stem without which it could never have blossomed."

In 1919 Lieutenant Colonel Dwight David Eisenhower was appointed by General Pershing to dramatize the need for one of our major national defense preparedness links today -- the Interstate Highway System. Young Colonel Eisenhower led a truck convoy of Army troops from a spot in front of the White House to San Francisco. The trip lasted sixty-two days. The troops traveled at an average speed of six miles per hour.

Years later, General Eisenhower, after observing the efficiency of Hitler's Autobahn during World War II came home and -- as President of the United States -- initiated the National System of Interstate and Defense Highways, forty-two thousand miles of the finest highway system in the world.

Times have changed since Ike's days -- since the merchant marine carried cargo across the Atlantic to the battlefield during World War II. Times have changed even since the Coast Guard answered a domestic emergency in the late 70s, rescuing thousands of Cubans off the Florida shore.

If I leave you with no other thought here today, let it be this: We cannot merely prepare to re-fight World War II. Indeed, the title of this session says it best: "Mobilization -- A Broader Perspective." Our planning for national defense emergencies must be geared to the realities of the late 80s and 90s with all the attendant changes taking place in the country today -- changes in technology as well as in philosophical attitudes and political and economic structures within our society. Deregulation of transportation industries, for example, has placed much more control in the hands of the private sector, but it cannot change the need for maximum readiness in emergencies. Deregulation has increased our available transportation resources, more trucks are moving on our highways, and more airplanes are flying to more places than ever before.

But deregulation increases the importance of the National Defense Executive Reserve. The resourcefulness of a private sector freed from unnecessary constraints will become a stimulus to our defense preparedness system. However, with less everyday government control, the need for coordination in emergencies increases. Where better to find skilled managers familiar with transportation operations than in the private sector. Our ability to function effectively in an emergency depends on the professional skills and collective efforts of our national defense executive reservists. You afford us an "insurance policy" no amount of money could buy, one we could not afford to be without.

It may come as no surprise to you that we have sufficient transportation to satisfy the urgent requirements of a major defense crisis and still take care of the most essential civilian needs. The United States is graced with a transportation system second to none. It is marvelously resilient. The system has enough extra capacity to deal with even a major surge in traffic such as might occur in a military mobilization.

Further, our rail and highway systems form a dense network. These systems have extensive built-in redundancy with multiple by-pass routes, making it virtually impossible to severely cripple the network either through military action or sabotage. This capacity facilitates our job in preparing to deal with mobilization. I feel very confident in saying that America's transportation system stands ready to move to whatever level of mobilization is required.

However, the real key to our strength is not concrete and asphalt ribbons that span our country in a two-hundred and fifty-thousand-mile National Defense Highway Network. Neither is it in 747s or DC10s, which might be allocated under the Civil Reserve Air Fleet Program (CRAF), or in the thirty-two thousand five hundred-mile interconnected network of rail corridors in STRACNET or in the condition of each ship in our merchant fleet. Rather, you, the members of the NDER and the government professionals who work with you in emergency preparedness, are the linchpins of our preparedness effort in the 80s and 90s. Your leadership and managerial skills pull it all together when we need it. Secretary Dole and I are most grateful to the executive reservists from private industry for your voluntary service. I know how busy you are. I appreciate the heavy demands on your time. I also recognize that we cannot work in a vacuum, and it is this networking of experience that makes our industrial base work. You do not participate in our preparedness program for money, and you certainly do not do it for public recognition, since much of what you do is by necessity confidential. You are contributing an important public service, and I want you to know that you are much appreciated.

Of course, people must be supported by plans. We can all agree that the nation's civil transportation resources are critical to the maintenance of an effective national security posture. They must possess the capability in emergencies to respond effectively and promptly to civil and military needs, including all mobilization demands. They must also be capable of effective response to national security crises and domestic emergencies, including major events and disasters caused by natural, technological or man-created disasters. This takes planning. For example, we are deeply involved in planning for a catastrophic earthquake -- potentially the most extreme of natural disasters. In Region Nine, the California area, DOT has taken the lead in developing a response team which includes all Federal agencies in transportation and support by mobile radio communications.

To prepare for defense emergencies, DOT has maintained comprehensive emergency plans for a mobilization in the transportation industry. Under authority the Defense Production Act delegated to the Secretary, our emergency organization at the Headquarters and field levels would manage the transportation resources of the nation, should this be necessary. Augmenting our own staff, we rely very heavily on our four hundred plus National Defense Executive Reservists to bring to our emergency organization the kind of operating expertise which the Department lacks. We work closely with our partners in the Federal transportation community -- the ICC, elements of the Defense Department, and others -- as well as with international organizations such as NATO and Transport Canada, in developing defense emergency preparedness plans. For example, we maintain a day-to-day working relationship with the Department of Defense, and particularly the Military Traffic Management Command, so that the transportation system can respond to critical military movements. We hold membership on several NATO planning boards, covering both air and sea transportation

in support of reinforcement of our North Atlantic allies. We are in the formative stages of developing a working committee with Transport Canada to deal with cross-border transportation problems in an emergency. To support our emergency organization, we have developed emergency operations facilities at Headquarters and in the field regions which are tied together by a communications network. We have also developed a portable computerized inventory of transportation facilities to assist our teams in managing transportation resources. In short, we feel that we are prepared to deal effectively with emergencies and we will continue to maintain this capacity.

Fortunately, we have not had to implement our defense emergency plans in this generation. We have, however, successfully tested certain parts of our crisis action plan on many occasions to deal with peacetime emergencies. One that occurred just after Elizabeth Dole became Secretary of Transportation was the independent truckers' protest. Our regional emergency transportation coordinators monitored trucking activities along the highways as well as the impact on other modes, and reported several times a day to the crisis coordinator at Headquarters. The Secretary used these reports to determine what, if any, response was necessary. The issue was resolved before serious impact was felt -- but we were ready.

On a day-to-day basis, three of our operating Administrations have direct responsibility to render assistance in any major national disaster without regard to whether a formal request for a Presidential declaration of a major disaster has been made. The FAA, FHWA and the Coast Guard can move immediately to save lives, alleviate human suffering and minimize damages without waiting for a declaration of an emergency. If an emergency is declared, these agencies can provide both funds and technical assistance to begin the rebuilding process.

In addition, the Coast Guard just last year entered into an agreement with the Navy expanding the Coast Guard's role in defense. The memorandum of agreement signed by Secretary Dole and the Secretary of the Navy on March 7, 1984, affirmed the results of studies which concluded that Coast Guard area commanders should be assigned responsibility for coordinating and controlling Coastal and Harbor defense operations along the U. S. coast. Their role, in peacetime, as Maritime Defense Zone Commanders, is to carry out planning and training of Coast Guard and Navy forces available for coastal defense. In wartime they shall serve as direct subordinates to the Navy Fleet Commanders-in-Chief and shall be responsible for a broad range of missions vital to coastal defense.

As you know, Secretary Dole is firmly committed to greater transportation safety. Meeting that commitment means doing more to prevent accidents. We are doing that -- through our highway safety initiatives, our air carrier inspection program, our emphasis on boating safety and our work with the states on improved hazardous materials safeguards. But our safety responsibilities extend just as surely to emergency situations, and our ability to confine and control any disaster. Our transportation system is essential to our economy, our commerce and our defense. Whatever impairs it impedes our national ability to function effectively, to mobilize for the common defense. So we cannot overstate the significance of what you do, and what you contribute to the integrity of America's industrial base.

Again, I want to express the gratitude of the Secretary and the whole Department to all NDER's. You exemplify the finest spirit of public service that has sustained our nation since its founding. Be assured that DOT is committed to supporting our reservists.

Now, in closing, I want to speak to you about another kind of challenge: the opportunity for economic progress that exists in this country today. If ever there were a moment for all of us to transcend our immediate short-term interests for the sake of action of supreme importance to our nation, this is it.

President Reagan and the Senate majority have produced a budget package that will result in a significant reduction of the deficit. The President has a plan to simplify our absurdly complicated tax structure. Each sector of our society may see something to lose in each of these critical reforms; but the President's vision of the American people and their economic and social potential is free of such blinders.

I ask you to share his vision. You have committed yourselves unselfishly to the task of preparing for the defense of our nation. These reforms can help assure America's economic well-being well into the next century. As you return to your respective professions, keep in mind that sound tax and fiscal policy is, like our ample transportation infrastructure, a form of socio-economic infrastructure -- more abstract than concrete but nonetheless real and consequential. It is a system we all depend upon, even a means of preparedness. We owe it to future generations to give it our best. For in the long run, what matters is how our children will judge what each of us has done to preserve and strengthen not only our defense but the economic opportunities provided by a free society.

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REMARKS PREPARED FOR DELIVERY BY
DEPUTY SECRETARY JIM BURNLEY
KIWANIS CLUB LUNCHEON
GREENSBORO, N.C.
JUNE 27, 1985

Let me say at the outset that Secretary Dole is working very intensively on ways to improve the safety and security of international airline passengers. At the President's request, we are reviewing security procedures at major airports around the world.

In addition, last Thursday the Secretary submitted to Congress proposed legislation to deal with the problem -- the "Anti-Hijacking Act of 1985." If the Secretaries of Transportation and State determine that an expanded airmarshal program is necessary, this bill would authorize the necessary funds. Airmarshals would be given the authority to carry weapons and to make arrests.

The Secretary of Transportation, through an amendment to the Federal Aviation Act, would also be given the clear authority to act immediately, without notice or hearing, to suspend all services between the United States and an inadequately secured airport where a condition exists that threatens the safety of those traveling through that airport.

In short, this statute would send a clear signal to countries that have inadequate security procedures in their airports that the United States is prepared to act quickly and decisively when serious problems are found in the international aviation security system.

Day before yesterday, Secretary Dole sent the President a detailed set of recommendations to tighten security immediately for domestic and international flights. It also includes larger-term enhancements of our security program, including additional training of airline employees and strengthening of research on explosive detection methods.

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This morning the Secretary addressed the Council of the International Civil Aviation Organization, which is in session in Montreal. She outlined the numerous steps the United States is taking and called upon the international community to join us in these efforts. The good news is that a number of western nations are already taking actions similar to ours.

I wanted to give you this brief background on what we are doing to improve our ability to prevent terrorist attacks on the aviation system. The taking of hostages and acts of sabotage such as that resulted in more than three hundred deaths last weekend are acts of barbarism. We need to get the hostages back; and I can assure you that no one in this Administration will relax until they are returned safely home and every step has been taken to prevent another such incident.

It was right here at a Kiwanis Club luncheon back in 1978, that I recall hearing a very interesting and forceful speech about transportation policy. Little did I know then that I would some day find myself addressing you as the Deputy Secretary of Transportation, and I'm sure this is as big a surprise for some of you as it is for me. At any rate, let me refresh your memories about the speech we heard in 1978. The speaker was an airline executive, and his topic was deregulation of air transportation. This airline executive, just like the officials of many other airlines back in 1978, regarded deregulation as a radical, even threatening, sort of proposition. "If it ain't broke, don't fix it" fairly described their attitude. Federal government control over where and when airlines could fly and what passenger fares and freight rates they could charge was a comfortable status quo. Deregulation, it was argued, would throw an orderly market into chaos.

Well, our airline executive's warnings about the supposed evils of deregulation went unheeded. There was in fact strong bipartisan support for deregulation, with the chairman of the Civil Aeronautics Board, a Democrat, vigorously arguing -- and successfully persuading Congress -- to enact full deregulation that would actually abolish his agency.

Today, the domestic air transportation market is fully deregulated. The Civil Aeronautics Board, after several years of phasing out its activities, shut its doors December 31. Air travel has been revolutionized. Nowhere is the change better exemplified than here at the regional airport, where the growth in traffic has been phenomenal. Weekly scheduled flights to the Greensboro-High Point-Winston-Salem Airport have increased nearly sixty-seven percent since 1978. Air service to North Carolina as a whole has increased eighty percent. One airline with very competitive service in and out of the regional airport today did not even exist before deregulation. Happily, we have a magnificent new terminal that can accommodate much more growth.

There is another air carrier that has enjoyed tremendous expansion in service to this area and many other markets since deregulation. I am not going to mention any names, but I cannot resist telling you that this particular company which is faring so well in the free economic environment and which is headquartered in Winston-Salem is the same one whose spokesman appeared before this club seven years ago and prophesied disaster. It is to the credit of its management that it has so fully exploited the opportunity that deregulation has provided to grow and vigorously compete.

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I think many of you who fly in and out of our airport today will share my feeling that it is hard to believe that less than a decade ago, it made no real difference which airline one chose to fly to a given destination. The fare was the same with only the most marginal variations in service. By contrast, today air travelers have the right to choose between low-fare, no frills service or high-priced, luxury service or any offering from the broad spectrum in between.

Secretary Dole and I are proud to serve in an Administration whose President is the strongest advocate of free-market policies of all the Presidents in modern times. We believe that all transportation industries can conduct their business more creatively and efficiently by enjoying greater economic freedom. We strongly support the reforms underway in freeing the railroad and trucking industries from inhibitive economic regulations. Regulation of these freight carrier industries had its genesis in a different era under different circumstances than we know today. Trying to regulate the economics of our major transportation industries is totally inconsistent with the best interests of shippers, consumers and the carriers themselves.

In the trucking industry, the Motor Carrier Act of 1980 has brought about partial deregulation. One of the most important reforms brought about by the Act was the easing of entry restrictions. With freer entry permitted under deregulation, more trucking firms have come into the market than ever before. In fact, the number almost doubled from 1980 to 1983, jumping from eighteen thousand to thirty-three thousand. The new entrants have introduced a wide range of price and service options. In addition, a heightened competitive atmosphere brought with it an urgency to "trim the fat," to make the necessary cost reductions and productivity improvements.

The reforms of the Motor Carrier Act also offered shippers a more active role in the distribution process. Carrier and shipper are now working together negotiating rates, consolidating shipments, contracting for particular services and designing services to meet overall transportation needs more effectively.

We are encouraged by the results of partial deregulation of the trucking industry, and we are determined to complete the process. As President Reagan said in his State of the Union Address last winter, we will be sending legislation to Congress later this year to complete the economic deregulation of trucking.

The railroad industry is also being transformed for the better by deregulation. The Staggers Act of 1980 gave the Interstate Commerce Commission more flexibility to encourage competition and greater economic freedom within the rail freight industry, and the gains have been substantial. There is little doubt that the new incentives to competition have helped save the railroad industry. Less than a decade ago, extremely low rates of return and dwindling markets were eroding both the resources and the spirit of America's railroads. The stranglehold of the regulatory hand was clearly a major cause of their slow starvation.

Today, railroads are buying new equipment and maintaining existing stocks. Track is rapidly being renewed. New cars are riding the rails. Costs are being vigorously cut. Regulatory reform can be credited with helping make it possible for the industry to remain profitable throughout the most recent recession. Railroads have been marketing

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their services aggressively, and competition is providing excellent opportunities to many of our shippers.

Some special interests would like to re-regulate the railroad industry. I want you to know that we are determined to keep our successful new free-market policies on track.

We are also working hard to get the federal government out of the business of owning and operating transportation enterprises such as railroads and airports. Already this year, Secretary Dole has completed the sale of the Alaska Railroad, which had been created some sixty years ago by the federal government, to the State of Alaska. She also has sent legislation to Congress to transfer the Washington, D.C., area airports -- National and Dulles -- to a regional authority. It is ridiculous to ask the Secretary of Transportation, who has to set national transportation policies for agencies within the Department such as the Coast Guard, the Federal Aviation Administration, the Federal Highway Administration, the Federal Railroad Administration, and the Maritime Administration; manage over a hundred thousand employees and oversee a budget of more than twenty-eight billion dollars, to also worry about the day-to-day operations of two airports. So we are trying to turn them over to an authority comprised of representatives of Virginia, Maryland and the District of Columbia.

We are also working hard to get out of the freight railroad business by selling Conrail. As you may recall, it was created from the wreckage of seven bankrupt northeastern railroads, including the Penn Central, in the early 1970s. After many months of negotiations, beginning with fifteen bidders, Secretary Dole selected Norfolk Southern Corporation as the buyer. It is now up to Congress to approve the sale.

This single transaction can make a significant dent in the federal deficit. If Congress approves the sale, Norfolk Southern will pay the government a minimum of one point two billion dollars in cash at closing. Norfolk Southern will also surrender Conrail's accumulated tax benefits of one point eight billion dollars in net operating losses and three hundred six million dollars in investment tax credits.

Additionally, Norfolk Southern has agreed to be bound by a strong set of protective covenants for five years during the transition to private ownership. Among these, for instance, is an agreement to invest hundreds of millions annually in Conrail's physical plant and to refrain from deferring maintenance to any level below Norfolk Southern's own standards, which are the highest in the industry. To satisfy competitive concerns, Norfolk Southern has also agreed to meet a set of stiff conditions set out by the Justice Department.

The sale of Conrail to Norfolk Southern would greatly benefit shippers. It would give them greater ability to ship north-south on single-line rates through the entire eastern half of the United States.

Even if we are successful in carrying out free-market reforms to their fullest possible extent, we will still have plenty to do. The Transportation Department has a critical mandate to promote the safety of every form of transportation.

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Safety has been Elizabeth Dole's highest priority since the day she was sworn in. The Secretary has given unprecedented attention to air travel safety, ordering more rigorous examinations of the condition of equipment, of the safety systems already established, and of the fitness of the key personnel in the cockpit and on the ground. She is about to issue tough rules on drug and alcohol abuse by railroad employees. Beginning with 1986 models, all automobiles sold in this country will be required to have center high-mounted tail lamps. They add only seven dollars to the cost of a car, and in extensive tests on several thousand cars, they cut rear end collisions by fifty percent.

If you have ever heard Elizabeth Dole speaking before a group of young people, you have seen the tremendous rapport she is able to establish with them. This rapport is most helpful in her campaign against the greatest killer andcrippler of young people today, driving under the influence of drugs or alcohol. We are making progress, but there is a great deal still to be done. We are putting particular emphasis on the problem of what are called "blood borders," which are created by adjoining states with different minimum drinking ages. Teenagers drive substantial distances at night to go to a jurisdiction where they can drink, and then they face the long, often tragic drive home.

The scope of the Transportation Department's responsibilities also includes a critical role in the international war on drugs, because the Coast Guard is a part of the Department. The men and women of the Coast Guard are fighting the drug battle with tremendous courage and risk to their lives, halting and boarding drug-running vessels on the high seas.

Just last month the Coast Guard carried out its largest cocaine seizure in history — one thousand nine hundred and nine pounds with a street value of roughly two hundred and sixty million dollars. So far in 1985, the Coast Guard has seized more than double the amount of cocaine it seized in all the years combined from 1973 through 1984. With new resources now coming on line, we expect to continue to improve our performance.

We are modernizing the Coast Guard fleet and devoting more of its resources to its law enforcement responsibilities. The Coast Guard has available major new cutters, new jet aircraft and new search helicopters to use in drug interdiction. These resources are critical because the drug war is one we cannot afford to lose.

I have very much enjoyed your hospitality on this visit home. It seems that every time I return, Greensboro seems to have improved what already was so attractive about it. Our community is progressive, warm, and increasing in prosperity. The entire Piedmont Triad is in the midst of new economic development and diversification. However, our growth in this area is dependent on a healthy national economy.

If I leave you with no other message today, I would like it to be this: we need your leadership and support for the crucial economic reforms President Reagan is urging this year.

The President has proposed revolutionary tax reform. It would make taxation so simple that by the early 1990s, potentially more than half of all taxpayers would not have to file tax returns at all if they so wished. By doubling the personal exemption for every family member and increasing the allowable IRA contribution for families with

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only one wage-earner, it would considerably strengthen American families. The President's plan would restore fairness to a tax system that has become scandalous with its loopholes and its disincentives to productive work and investment.

In addition to the tax reform plan, President Reagan and the Senate majority have produced a budget package that will result in a truly meaningful reduction of the deficit. Each sector of our society may see something to lose in each of these critical reforms. That parochial attitude tends to regard economic activity as a zero-sum game. The President's vision of the American people and their economic and social potential is free of such blinders.

I would ask you to share his vision, and I believe most of you already do. This is the sort of vision that has brought about the progress Greensboro enjoys today. It looks to the broader national interest and a strong economy rather than encouraging scuffles over tax and subsidy advantages for this and that group. We need for you to put your leadership talents to work for reforms that can help assure America's well-being into the next century. For in the long run, what matters is how our children and their children will judge what each of us has done to preserve and strengthen the opportunities provided by a free society.

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REMARKS PREPARED FOR DELIVERY BY
DEPUTY SECRETARY JIM BURNLEY
VOLVO HEADQUARTERS
GREENSBORO, NORTH CAROLINA
JUNE 28, 1985

Let me say at the outset that I, as a North Carolinian and one who is privileged to serve my country in the Reagan Administration, am delighted to have the corporate headquarters of Volvo White Truck Corporation here in Greensboro. Volvo White is growing with Greensboro in a national economy that is conducive to investment in America's future -- a revitalized economy which refuses to yield to a recession.

When Volvo White came into existence in 1981, your organization was producing five thousand trucks a year. Today, three thousand employees in three states produce twelve thousand trucks a year, and every indication is that you are on a path of continued growth. Your organization also maintains a fine record of contributing to truck safety. On behalf of myself and yet another North Carolinian, Secretary Elizabeth Dole, I welcome the opportunity to thank you for all you do to make the vehicles that travel our highways safe. Safety is Elizabeth Dole's highest priority as Secretary of Transportation and you make the job much easier.

Your work to improve truck occupant crash protection is commendable. Your efforts to develop a truck safety belt system which includes lap and shoulder restraints are well known throughout the industry. Your many other good engineering solutions to safety problems are a tribute to professionalism. For example, Volvo White cabs pass the stringent Swedish government test to structural integrity.

Most of all I want to thank you for the help you have given the Department of Transportation in our efforts to learn more about anti-lock brakes. Our National Highway Traffic Safety Administration conducts tests and evaluates data to improve truck safety. We had been trying for some time to get a European truck equipped with anti-lock brakes and were unsuccessful. We approached Volvo and you came through for

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us. You really went out of your way to help us get the truck over here and I want to express my heartfelt appreciation.

NHTSA will take this truck to our test facility in East Liberty, Ohio, and put it through some rather rigorous drills. We will attempt to get some valuable hard data of our own on the anti-lock brake system. This is a first step in providing industry with information about the benefits of these systems in lieu of abruptly mandating them as was attempted in the past. We hope that such a cooperative effort will help re-establish a spirit of government/industry partnership in safety.

We also look forward to working with Volvo White safety experts as NHTSA prepares the Section 216 (Heavy Truck Safety) and Section 217 (Truck Occupant Protection) Congressional studies mandated by the Motor Carrier Safety Act of 1984. We value your counsel. We welcome your ideas.

Now, let me talk briefly about the economy and the challenges ahead. As we know from looking around us here in Greensboro, the recession that some were predicting has not come. America, and especially the auto industry, has come through the hard times to enjoy the better times. Recovery is yielding to renewal. Business productivity continues to increase. Many of these gains have come in our transportation industries, where products and services are being generated with greater efficiency and at lower costs and with a commitment to America's economic future. Growth this year will be healthy. It will come in an economy where inflation remains low and the Administration holds firm to its commitment to cut the budget deficit to see that it does not interfere with growth.

Last week, the Commerce Department announced an estimated three point one percent growth in the second quarter, after a three-tenths of one percent rise in the first. Banks reduced their prime lending rate to nine and a half percent, putting it below two digits for the first time since late 1978. We are into our thirty-first straight month of economic growth; inflation and government spending remain down and more Americans are working than ever before. Once again, the United States is the flagship economy for the world. In fact, the economy appears poised to defy the forty-five month lifetime that expansions have averaged over the last forty years.

However, I want to leave you with one word of caution and a sense of urgency. The American people need your leadership to support the crucial economic reforms President Reagan is urging this year. These reforms are needed to keep our economy moving and put our financial house in order so that our tax, spending and monetary policies will not hinder growth, but encourage it. If ever there were a moment for all of us to transcend our immediate, short-term interests for the sake of action of supreme importance to our nation, this is it.

President Reagan and the Senate majority produced a budget package that would result in a reduction of the deficit. However, House-Senate negotiations on the deficit reduction package collapsed earlier this week. At this point public support of deficit reduction is critical. We must rely on your help to achieve this important reform.

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The President also has a plan to simplify our absurdly complicated tax structure. Momentum for tax reform has continued to build nationwide. A Newsweek poll shows that two of every three Americans who have heard of the President's plan favor it. The President's May 28th speech announcing the tax reform plan generated the second highest favorable response of all his nationally broadcast speeches since 1981. Clearly, the American people overwhelmingly support tax fairness. Under the President's plan, ninety-seven out of every one hundred taxpayers would pay a top tax rate of no more than twenty-five percent. Four of every five taxpayers would end up either better off or with no change in tax liabilities. By making the system simpler and fairer, the President's plan would look to the broader national interest and a strong economy rather than encouraging scuffles over tax advantages for this or that group.

Every reform -- indeed, every change -- in political or corporate policy involves tradeoffs. Sometimes the decisions are tough. Each sector of our society may see something to lose in each of these critical reforms. The President's vision of the American people and their economic and social potential is free of blinders.

I ask you to share his vision. Your support does make a difference.

Years ago -- during the dark hours of World War II -- Winston Churchill pleaded with Franklin Roosevelt saying, "Give us the tools and we will finish the job." The Reagan Administration has provided transportation with modern-day tools to achieve a rebirth of free enterprise and competition, that is, an economic environment conducive to greater productivity. Let us pool our efforts and help give it the added impetus of tax reform and a smaller deficit, so that someday we can look back and say the decisions we made in 1985 paved the way to a great future for America's manufacturers and the transportation industries that served them.

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