



U.S. Department of
Transportation

News:

Office of the Assistant Secretary for Public Affairs
Washington, D.C. 20590

Contact: Wendy DeMocker
Tele : (202) 366-0237

REMARKS PREPARED FOR DELIVERY BY
SECRETARY OF TRANSPORTATION JIM BURNLEY
ISSUES '88
NATIONAL ISSUES SEMINAR
HICKORY, NORTH CAROLINA
JANUARY 11, 1988

I was honored to be the invited speaker for the National Issues Seminar. Someone once said that if you lived in Washington and wanted a friend that you should buy a dog. Well, I don't need one today because I feel that I'm among friends here. It's great to be back home

Cass, I want to salute you for joining the Catawba County Chamber of Commerce to sponsor this forum. It's another example of the outstanding work you've done for the citizens of the Tenth District. It has been my privilege to work with Congressman Ballenger in his role as a member of the important House Committee on Public Works and Transportation. For instance, Cass is a cosponsor of legislation calling for mandatory drug testing of certain airline employees in critical positions and is now fighting hard to push it through Congress. This is the kind of dedication to principle on the Subcommittee on Aviation that has proven invaluable in our efforts to improve airline travel and safety in this nation. Thank you, Cass and Charles, for inviting me here to be a part of this event.

Just last month I was in Raleigh to present Governor Martin an award for having one of the best highway safety programs in the country. North Carolina has been a model for the rest of the nation in its effort to enforce drunk driving laws and truck safety regulations. Jim, you and Governor Martin have been inspirations for me and my staff in our struggle to make the highways safer. A very recent study shows North Carolina as one of the two top states in the country in seat belt usage. With the kind of commitment I see in people like Governor Martin and Jim Harrington, I wasn't surprised.

Jim and the Governor have pushed hard for the completion of Route 421 expansion to four lanes. They have a sense of vision for the future -- a quality rarely found among today's politicians. This type of planning will bring jobs and

opportunities to areas of the state that were previously cut off from new business investment. Once again, I tip my hat to you, Jim.

The experience and leadership of people like yourselves will continue to be crucial to our ability to meet the transportation challenges of the future. I'd like to spend a few minutes discussing the Reagan Administration's approach to meeting that challenge. Generally speaking, the Administration has sought as much as possible to place decision-making in the hands of those who feel the consequences most acutely. Sometimes, that means pushing for the economic deregulation of a particular sector of transportation. Other times, it means the transfer of responsibility to either the private sector or another level of government. I am proud to report that the Department of Transportation has been a leader in recent years in privatization and federalism, with the sale of Conrail and the transfer of Washington National and Dulles Airports to a regional authority. I plan over the next 12 months to build on the excellent progress made by former Secretaries Elizabeth Dole and Drew Lewis.

Economic deregulation has reinvigorated transportation industries that suffered from stagnation when tangled in government red tape. One of my favorite statesmen, Winston Churchill, once said, "Some see private enterprise as a predatory target to be shot, others as a cow to be milked, but few are those who see it as a sturdy horse pulling the wagon." We in the Reagan Administration and those of you in this room today know what pulls the American economy. That is why we have been such strong advocates of economic deregulation in transportation and other industries. But I want to emphasize that while we are granting our transportation industries greater economic freedom, we are not granting them a license to be less mindful about safety standards. Safety is, of course, our number one priority. It has not been and should not be deregulated.

The economic deregulation of the nation's airlines, railroads and motor carriers has been one of the major success stories of the 1980s, saving American manufacturers and consumers literally billions of dollars. A study by the Brookings Institution estimated that airline travelers alone have benefited by about six billion dollars per year in lower costs and more frequent flights. The people of North Carolina are among those who have reaped tremendous benefits due to economic deregulation, which led to major hubs being established at Charlotte and Raleigh/Durham. Since deregulation, the number of passengers at Charlotte quadrupled, Raleigh/Durham Airport has twice as many users and Greensboro has had a 72 percent increase in passengers. Statewide, air service in North Carolina has increased 162-percent since deregulation, making the Tar Heel State the nation's leader in air service growth. People who before who could not afford the luxury of an airline ticket are becoming frequent flyers. Since passage of the 1978 deregulation act, the number of annual passenger boardings nationwide has grown by over 192 million -- a 69 percent increase.

To put it another way, economic deregulation of the airline industry is one of the great populist reforms of this century. Ordinary Americans of modest means are no longer limited in the means of transportations they use. In fact, one of the few real "victims" of airline deregulation has been the intercity bus industry, which has lost millions of passengers to the airlines. Airport terminals today have the same "melting pot" feeling that bus terminals and train stations had a few years ago.

Economic deregulation has revitalized that once a dying railroad industry. Rates per ton miles have fallen significantly and service has improved markedly with

faster, more reliable delivery, reduced loss and damage, and more competitive options for both operations and rates. Rail deregulation has meant a much higher level of rail safety than was possible under regulation. The rebirth of competition has allowed the previously undercapitalized railroads to generate the resources necessary to upgrade their infrastructure into a safer system. As a result, train accidents have been cut by two-thirds. 1986 was the safest year in rail history -- breaking the previous record set in 1985. The final statistics for 1987 aren't in yet, but for the first nine months of the year, there were even fewer train accidents than in record-breaking 1986.

Partial regulatory reform also came to the trucking industry in 1980. Most notably, control over rates and entry for truckers was reduced, with substantial benefits. Rates have been simplified, new service options have been introduced and routes have improved. The impact shows up clearly on the bottom line. In 1980, total truck distribution costs, which include both transportation and warehousing, were 14.7 percent of GNP. After deregulation, total distribution costs fell to only 11.1 percent of GNP. These benefits were accompanied by a decrease in truck accident fatality rates.

Economic deregulation is a lot more than just more convenience and lower prices: it is critical to America's ability to hold its own in an ever more competitive global economy. Transportation is a major component of this country's economy -- representing nearly one-fourth of our gross national product, and it is a part of the cost of everything that U.S. companies produce and every item that American consumers buy. Transportation averages 25 percent of the cost of a delivered product, and regulation adds an average of 20 to 40 percent to the transportation cost. The relationship between American competitiveness and an efficient transportation system is more than a nice theory. It can be measured in dollars and cents.

For example, shoe manufacturers in New England shipping their products to Dallas have to pay about 36 dollars per 100 pounds. Transporting the same product from Asia to Dallas, however, costs only 18 dollars per 100 pounds -- half as much. Generally, American-made goods require 12 to 15 movements from raw materials to the finished product before reaching consumers, while imports require an average of one to two movements once they reach U.S. shores. Thus, inefficient transportation practices can put U.S. goods -- and American workers -- at a serious competitive disadvantage.

The complete regulatory reform of trucking, according to a recent private study, would save American business 87 billion dollars in distribution costs over the next five years. I intend to make the complete economic deregulation of trucking one of the Department's top priorities on Capitol Hill this year, because I firmly believe that if America is going to compete in world markets, we've got to let business operate without unnecessary government economic regulation.

Now, to return to the issue of safety. I'm sure you've all heard stories and predictions that economic deregulation has put American lives in jeopardy, especially in aviation. Well, plainly put, that's hogwash. There has been a steady decline in aviation accident and fatality rates over the past twenty five years, and this promising trend is continuing. Since the gradual phase-in of economic deregulation began nine years ago, the accident rate for major airlines in the U.S. has dropped by 50 percent. While the recent tragic crashes have marred this outstanding record, the overall safety record over the last four years has been the

best in U.S. aviation history. We will be hiring more controllers and more inspectors in the months to come; continuing our \$12 billion program to replace virtually all the equipment and computer software in the air traffic control system and issuing a number of new safety rules..

But I'd like to share with you a couple of comments on the state of America's aviation system. The first is from A History of Aviation by Loyola University professor S.I. Rochester:

"During peak hours there could be as many as 175 planes simultaneously airborne over New York terminals...crowded radarscopes, jammed posting boards and nerve-racking situations were becoming commonplace..

"During the last four months there were 452 near-collisions over the Continental United States. One hundred of the incidents occurred over the nation's 11 largest metropolitan airports."

A well-known national magazine reports:

"The truth is that the air traffic equation is dangerously imbalanced; too many planes and passengers; not enough airports and electronic gear; too few men trained to control it. Everyone has his favorite villain for allowing this to happen -- government, industry, commercial and private interests."

You might suspect that these quotations were lifted from today's news, yet Professor Rochester is describing our aviation system in 1956. The second quotation is from an August 1968 issue of Life magazine. So the problems we are experiencing in aviation today -- and the intense media coverage and dire predictions of imminent doom -- are not new. The only difference is that as a result of economic deregulation and sustained economic growth generally, the changes are occurring at a much faster rate than ever before.

Yet as you can see from the quotes I read a moment ago, the concerns we all share today have been expressed since the early days of modern air travel. They do not stem from economic deregulation. Even though our skies are far safer today, the issues and fears are the same. After five years as a senior official of the Department of Transportation, I have concluded that while continuing to do all we can to improve aviation safety on a day-to-day basis, we should reconsider the most basic aspects of how the United States government addresses aviation safety issues.

While the aviation industry has gone through enormous change in the last decade, the structure of the agency responsible for overseeing the industry, the Federal Aviation Administration, has remained basically static for several decades. Consequently, the FAA is caught in a quagmire of outdated practices and procedures which have hampered the best efforts of the men and women who work there to carry out its mission.

Consider the manner in which the FAA buys new equipment for this nation's air traffic controllers. The federal rules that cover this procurement process are complex and are subject to long, bureaucratic delays. So this means that even if every step of the process is followed perfectly, these high-tech computer systems that were state-of-the-art when we began the procurement process may be technological relics by the time they are actually ready for use.

Federal laws and regulations have also impeded us in making the most effective use of our air traffic controllers and other key safety employees.

It simply is untrue that we have a massive systemwide controller overtime problem. At our nation's busiest facilities controllers averaged one hour and five minutes of overtime per week during the first ten months of 1987. We do, however, have trouble spots around the country where excessive overtime is a problem. Almost without exception these are the places where the cost of living is highest. Transferring controllers from a city like Winston-Salem to a city like Boston is nearly impossible, because federal pay laws prohibit our giving cost-of-living adjustments that would recognize Boston's cost-of-living as much higher.

On the day I was sworn in last month, I wrote to leaders of every aspect of aviation asking for their advice on how the government can improve the handling its aviation responsibilities. Also in the coming weeks I will be meeting with Congressional leaders like Cass to get their advice.

We have accomplished much in recent years, and I am extremely proud of the dramatic progress we made during Secretary Dole's tenure in rebuilding the controller work force, moving the National Airspace Plan, or NAS Plan -- our ten-year program to replace virtually all the hardware and software in the air traffic control system -- off the drawing boards, revamping the FAA's approach to inspections and pushing out a series of safety and security regulations, many of which had been languishing for years. But we must do whatever it takes to be sure the federal government is able to keep up with the growth in aviation. If it takes fundamental changes, we should not hesitate to make them.

In closing, I want to return to the theme I opened with. Economic deregulation of transportation did not occur in the late '70s and early '80s because some people concocted a unique application of economic theory; rather, a bipartisan consensus emerged that concluded economic regulation of transportation to be inefficient, costly and unnecessary.

No economic regulatory system, however thoughtfully devised, can hope to keep pace with the operational and technological changes that a dynamic, competitive industry will develop. Any system that elevates the decision of a handful of officials in Washington over the daily choices of thousands of shippers and millions of consumers will simply slow progress, impairing service while raising prices to benefit relatively few people in the regulated industry.

I intend to work closely over the next year with key members of Congress like Cass Ballenger and the leaders of transportation in this country to preserve and expand the benefits of economic deregulation, to more Americans, while doing everything possible to further enhance safety.

We have a quarter remaining in the second term of this Administration. And for all the folks who think that we are going to start wrapping up anytime soon, remember: the last quarter of a football game is usually the most exciting and most energized. And as Secretary of Transportation, I don't intend to punt away the next twelve months.

Thank you very much.



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Office of the Assistant Secretary for Public Affairs
Washington, D.C. 20590

Contact: Wendy DeMocker
Tel.: (202) 366-9785
Walter Oates
Tel.: (202) 366-5807

STATEMENT OF SECRETARY OF TRANSPORTATION JIM BURNLEY
ON THE ATTAINMENT OF VETERANS STATUS
BY WORLD WAR II MERCHANT SEAMEN
January 21, 1988

It is gratifying that veterans status has finally been accorded to members of the American merchant marine who served the nation with great valor, dedication and distinction during World War II. We in the Department of Transportation, and the Maritime Administration in particular, have staunchly supported efforts to gain official recognition of their wartime service. These seamen manned the ships that transported the troops and war materiel that enabled the Allies to turn the tide of victory against the Axis powers.

In providing this vital service, these men paid a heavy price. By V-J Day, while more than 730 American-flag merchant ships had been sunk by enemy action, hundreds of others with battle damage survived to be repaired and sail again. More than 5,600 U.S. merchant seamen died as a result of enemy attacks -- a casualty rate which proportionately exceeded all branches of our armed services, with the single exception of the United States Marine Corps.

It is proper and deserved that this long-delayed recognition of America's World War II seafarers' services and sacrifices has been forthcoming.

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REMARKS PREPARED FOR DELIVERY BY
SECRETARY OF TRANSPORTATION JIM BURNLEY
U. S. CONFERENCE OF MAYORS
WASHINGTON, D.C.
JANUARY 22, 1988

I am pleased to be here this morning at this plenary session of your mid-winter meeting. I salute Mayor Berkley for laying out a first-rate agenda for this conference -- and not to mention for inviting an impressive array of speakers. I'm also pleased to be invited to assist in presenting the Santa Fe Safety Belt Challenge Awards. I'm a "true believer" in the use of seat belts. They save lives and reduce serious injuries by the thousands. Encouraging Americans to buckle up is an important responsibility shared by all of us.

When President Reagan was elected in 1981 and again in 1984, he promised a return to those fundamental principles that have made America the freest, most prosperous country in history. As part of his many successful efforts to fulfill that pledge, the President signed an Executive Order on Federalism last October.

In this Executive Order, the President instructed the Executive Branch and its agencies to strictly adhere to the fundamental principles of federalism in their implementation and formulation of policies in order "to restore the division of governmental responsibilities between the national government and the States that was intended by the Framers of the Constitution."

The President's new Executive Order is more than simply a verbal reaffirmation of a traditional American principle of government. It has real, world consequences. Among the Orders many new directives, all of which legally bind the actions of federal executive agencies, any new policy or regulation proposed by an Executive Department must be accompanied by what can be called a "Federalism Impact Statement." This federalism assessment must identify the extent to which the proposed policy or rule imposes additional burdens on states as well as the extent to which the policy would interfere with state sovereignty.

In addition, the new executive order requires executive departments to interpret federal statutes as permitting the preemption of state law "only when the statute

contains an express preemption provision or there is some other firm and palpable evidence compelling the conclusion that the Congress intended preemption...."

The new Executive Order does not mean an overnight, dramatic rollback of federal involvement; but it will act as a significant brake on further incursions.

Federalism is not an abstract ideal. Rather, it is a highly practical arrangement based on the common sense idea that solutions are best developed at the level of government closest to the problem. The reason for this is that information needed for problem-solving in all of your individual cities and towns is most readily found at the local level. You, as mayors, are in a far better position, on a wide variety of issues, particularly with respect to transportation, to know and respond to the needs of your citizens than we are in Washington.

Over the past fifty years, our adherence to the principle of federalism has been eroded by the ever-increasing centralization of power in Washington at the expense of states and local communities. A typical and useful illustration of this is the federal highway program.

Until recently, the states traditionally had the leading role in administering the federal highway program. Indeed, for most of the highway program's history, the federal-state relationship was based on state ownership of the roadways; state responsibility for their construction and maintenance; and most importantly, state initiation of highway projects. The federal government provided advice and financial assistance. The state officials with their greater familiarity with local needs and conditions brought accountability and responsiveness to the citizens who pay for and use these vital assets.

The good sense of this arrangement is obvious. State and local officials are using the local transportation network every day, so you know first-hand where the problems are and how to respond most effectively. Your greater familiarity with local needs and conditions has meant more accountability and responsiveness to the people who pay for and use these vital assets. Rising to this important public trust, the states have developed strong, competent highway organizations with the technical and administrative ability to manage their own programs and to work closely with municipal governments.

Historically, Congress recognized that the states were well-equipped to decide their own priorities, and traditionally authorized the spending of federal highway funds years in advance under a fixed formula -- so the states knew in advance what federal aid they could expect. States then planned their projects accordingly.

As you are acutely aware, this self-discipline in Washington began to break down several years ago, and has been replaced by a flurry of bills filled with "demonstration projects."

Until last year, we'd only seen thirty of these demonstration projects in the entire history of the highway program. But in the 1987 highway bill, Congress mandated that over one and three quarter billion dollars be spend on a total of one hundred fifty two "demonstration" projects. That one point seven eight billion dollars will only partially fund construction of these projects: the rest will have to come from the states and the federal government. The ultimate price tag for all "special" and "demonstration" projects could be significantly higher. Just as

serious, the recent Continuing Resolution contained \$100 million worth of demonstration projects in addition to those in the 1987 highway bill.

Of course, not all demonstration projects are wasteful. There are those that can be economic growth stimulators. However, money for these projects does not grow on trees -- it comes out of funds needed for such projects as rehabilitating the country's highways and bridges, many of which are in a serious state of disrepair. With the proliferation of demonstration projects, political muscle has ever more to do with what projects are funded, and the relative merits of competing projects ever less.

Increased state authority and flexibility would mean greater fairness among states. Each state could use its funds to build the projects that have the most merit and the highest priority. Costly and extraneous federal requirements now imposed on the use of funds could be virtually eliminated, ensuring a greater transportation return on every dollar spent. It would also help states improve their road systems in ways that boost state economic growth as well as simply meet current travel needs. States could also be given the ability to experiment with innovative financing mechanisms.

As completion of the interstate system draws closer, I want to engage in a vigorous debate and discussion on the future role of the federal government in the highway program. Clearly, the federal government will continue to have a role in assuring that the Interstate system is properly maintained. However, when the Interstate system is completed, most of the future highway needs of the United States will be local in nature and will not require federal involvement. I want to work with you, state officials and Congress to develop possible approaches that would permanently return to the states most or all responsibility for their roads.

I know that the Mayors Conference staff is already working with the American Association of State Highway and Transportation Officials (AASHTO) -- in looking into alternatives for the future of our highway program. Indeed I understand from your draft testimony that you oppose turning back responsibility for non-interstate highways to the states. I hope we can consider this critical issue further.

When I argue in favor of greater state responsibility for the highway program and criticize the proliferation of demo projects, I realize your response may not be enthusiastic in every case. There is not always perfect congruity between state and local interests. Often, there can be outright suspicion and antagonism. Many demonstration projects were inserted into the Continuing Resolution and the highway bill because local officials wanted certain projects and the state governments had other priorities. Many times, demonstration projects are a convenient way for you to bypass recalcitrant state officials.

In a given instance and in the short term, you may have won. Over time, however, congressional interference of this kind will ultimately erode both your authority and the state's. More decisions made in Washington mean decisions based on who has the most powerful congressman, not on your real needs.

We've seen this happening, not only in the highway program, but with mass transit funding as well. Some cities have received the lion's share of federal transit money because of an influential member of Congress, while others with equal or greater needs have been caught short.

Yet, even for the lucky cities, we can expect that in this day of large federal budget deficits, the amount of federal funds earmarked for mass transit will be shrinking. At the same time, the demand for transit continues to grow and to change rapidly. The number of workers commuting from suburb to suburb is already double the number commuting to central business districts, and that trend is likely to continue. Meeting new mobility patterns and delivering cost-efficient, reliable service to riders calls for strong and innovative leadership at the state and local level.

Although the federal government's role in transit will be secondary to yours, we will do our best to work cooperatively with you to meet these new challenges. The Department's Urban Mass Transportation Administration has been working for some time to encourage and assist cities to enter into public-private partnerships for the delivery of transit services.

Privatization is an immensely practical tool that can increase substantially both your flexibility as managers and your ability to deliver vital services as public servants. Instead of having to balance the interests of constituents against those of public employees, contracting allows a public official to shop for the best service -- specifically tailored for the job at hand-- at the lowest cost. You set the policy, you set the performance standards, and you can fire the contractor if it doesn't deliver. Over the past three years, hundreds of communities have benefitted from privatization and are enjoying substantial savings and improved service.

If I may leave you with one thought, it is that federalism works because federalism is empowerment of those best equipped to solve problems. You, ladies and gentlemen, represent the diversity of interests and aspirations of Americans. You should consider the Administration's promotion of federalism a compliment, a vote of confidence in your abilities to make the best decisions that affect your constituents. We in Washington should not be so arrogant as to think that we know your communities better than you.

Yet, a consequence of a reduced federal role is more work for you. To the extent we don't intrude into your affairs, it means more decisions for you. To the extent that federal money is withdrawn, that may mean an additional and more deeply felt burden on local tax payers. To the extent the federal government doesn't play umpire, you may fear the intentions of an unfriendly state government -- especially when a different political party from yours controls the state house. As a public official myself, I know that political decisions can be terribly difficult and painful. Sometimes it is easier to blame the feds in Washington for a particular decision than to take the heat yourself. Over the long haul, however, the convenience of a scapegoat and a federal nanny will be outweighed by the steady erosion of your discretion and authority as CEOs of your cities and towns.

You may lose a few battles with the state house along the way, but federalism ultimately works to your benefit. More importantly, as public servants and community leaders, you have a fundamental responsibility to step up as we step back. I have every confidence that you will and that you will make a great contribution in doing so.

Thank you very much.



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Washington, D.C. 20590

Contact: Wendy DeMocker
Tele.: (202) 366-0237

REMARKS PREPARED FOR DELIVERY BY
SECRETARY OF TRANSPORTATION JIM BURNLEY
CITIZENS FOR A SOUND ECONOMY TRANSPORTATION POLICY CONFERENCE
WASHINGTON, D.C.
JANUARY 27, 1988

I am pleased to be a part of this important conference, and to join the Citizens for a Sound Economy and the Transportation Reform Alliance in taking a close look at where transportation policy is headed in the 1990s. I have the utmost respect and admiration for both organizations. CSE and the Department of Transportation have been strong allies on many issues, most notably the sale of Conrail and transportation deregulation across all modes. We in the Reagan Administration are grateful for the solid support we receive from CSE President Richard Fink and Chairman Charles Koch and his predecessors, who in just a few short years have made the Citizens for a Sound Economy an aggressive, respected voice for the free enterprise system. I also want to commend Wayne Vallis and those of you who worked with him in organizing the Transportation Reform Alliance to spread the news of the benefits of economic deregulation to the public.

I know I am preaching to the choir, but I think it's important, especially in light of the threat of re-regulation in transportation, to spend a few minutes discussing how economic deregulation has reinvigorated industries that were long-dormant under government regulation. Winston Churchill once said, "Some see private enterprise as a predatory target to be shot, others as a cow to be milked, but few are those who see it as a sturdy horse pulling the wagon." Those of you in this room today understand his point.

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Most Americans probably don't know how profoundly economic deregulation affects their everyday lives. Yet, the case for economic deregulation is based on some very basic principles about which all of us here today care very deeply. First, it is based on a belief in limited government -- the founders intended that government perform only certain functions specified in the Constitution. In fact, some of them opposed the Bill of Rights because they felt that by outlining what government could not do, they would create a false presumption that government could legislate on anything else.

We all know that there are few things that the public sector can do better than the private -- except perhaps produce paperwork. The evidence of the last several years confirms that ridding American industry of burdensome and wasteful economic regulations makes a substantial difference in our efficiency and ability to compete in world markets. Transportation is no exception.

Back in the late 1970s and early 1980s, advocates of economic deregulation promised shippers and travelers wider choices, greater efficiency, more competitive rates and lower fares. Across-the-board, those promises have been largely fulfilled. Few Americans realize just how much credit such deregulation deserves for the decline of inflation since 1980, when it stood at a staggering 13.5 percent. Indeed, the dramatic drop in the rate of inflation during the 1980s was at least in part a result of the deregulation of two areas: oil prices and transportation.

The benefits of economic deregulation are probably most obvious in the U.S. aviation industry. The number of passengers on U.S. airlines has increased from 278 million in 1978, the last year of all-out economic regulation, to 450 million in 1987. Why? Because it's cheaper to fly. The deregulation of airlines in 1978 cut fares per passenger mile nearly 20 percent in real terms. The reason for this is clear. Deregulation frees suppliers -- in this instance the airlines -- to compete for passengers and cargo.

Economic deregulation has revitalized what was once a dying railroad industry in this country. Since 1980, railroads and shippers have entered over 45,000 contracts tailored to the specific needs of individual shippers. Today the railroad industry is yielding a 4 percent return on equity. Now that might not seem like a lot when compared to some other industries, but considering the fact that under the shackles of regulation, nearly one quarter of all the track in America was involved in bankruptcy proceedings in the late 1970s, I think this is a remarkable turnaround.

As most of you know, the sale of Conrail would never have been possible without deregulation. Created as a ward of the state in 1976 out of the ashes of seven bankrupt rail companies in the Northeast and Midwest, Conrail became a profitable, publicly traded, privately owned railroad last year. It doesn't serve as a drain on the U.S. economy. It is now accountable to its consumers and responsible for its own success. By the way, former Secretary Elizabeth Dole structured the sale in a way that produced \$1.9 billion in proceeds to the government. I should also note that CSE played a critical role in persuading Congress to let her sell it.

The same kind of progress under deregulation is occurring in the trucking industry. The Motor Carrier Act of 1980 has resulted in lower rates; in fact, a recent study indicates truckload rates have dropped by 16 to 25 percent in constant dollars. It's not surprising that several states such as Florida, Arizona, and Maine have

recently fully deregulated the economics of their intrastate trucking industries. It benefits the truckers, the shippers, the consumers and eventually all taxpayers.

Sometimes it helps to recall some unpleasant memories of the past in order to appreciate how much improvement has occurred. Federal regulation during the 1970s cost the economy \$100 billion. It added about \$1,800 a year to the annual cost of living for every family, because of higher costs for goods and services.

Yet economic deregulation is a lot more than just greater convenience and lower prices; it is absolutely critical to America's ability to hold its own in an ever more competitive global economy. Transportation accounts for 18 percent of our GNP, and its costs are reflected in the prices of nearly everything we buy and produce. About 25 percent of the cost of a delivered product is for transportation. According to a study by the Americans for Safe and Competitive Trucking, the complete economic deregulation of the motor carrier industry would save American businesses \$87 billion in distribution costs over the next five years and give us a better competitive edge against foreign imports. American consumers are, by nature, thrifty. We cannot expect them to "buy American" when "made in the USA" means a higher price tag.

Although we have seen enormous strides made in the deregulation of the trucking industry, it still faces some outlandish ICC tariff filing requirements. For instance, tariffs must be filed on peanuts "roasted and salted in the shell," while peanuts "shelled, salted, not roasted or otherwise" are exempt. The ICC doesn't worry about cranberries "partially frozen," but tariffs for cranberries "purposely quick frozen" must be filed in Washington. I'm sure you'll all lie awake tonight wondering why no filing is required for "manure, in the natural state," while filing is necessary for "manure, fermented, with additives such as yeast and molds, producing a rich liquor which in water solution is used for soil enrichment."

Yet another stumbling block to this country's economic competitiveness is the continued existence of the 1974 Corporate Average Fuel Economy rules. I am pushing hard for the legislative repeal of CAFE because it works to the great disadvantage of U.S. auto manufacturers and will force them over the next few years to export jobs by importing cars to be sold under U.S. brand names. The fuel economy rules are also handicapping our companies in facing the new competition from foreign manufacturers in larger, more luxurious models.

These are just a few examples of transportation regulations still in existence that are hindering our economic progress at home and abroad. If that weren't enough, we also must face, as you well know, the battle to hold the ground we've already won on this issue. There have been numerous calls recently for a return to economic regulation, particularly of the airlines and railroads.

Unfortunately, not everyone is happy with a more responsive and freer marketplace. Free markets mean rapid changes that are often unpredictable. This is unsettling to those accustomed to the lethargic pace of industries entangled in webs of regulations. In the last Congress, we narrowly beat back an effort to gut rail deregulation. Although the coal and utility companies behind that effort know that their rates are lower and service better, they still believe they can get a sweeter deal from the U.S. Congress. They are renewing their appeal for reregulation in the upcoming session of Congress, and we will continue our strong efforts to oppose such legislation.

An even more immediate concern is the so-called "Airline Consumers Bill," which has now passed both houses of Congress and is awaiting conferencing. It's true that consumer satisfaction with airline service is low, but reregulation won't solve the problems.

We've taken a series of measures to cope with the growth in demand for aviation services. Our long-range National Airspace Plan encompasses the expansion of the nation's airspace and airport facilities to accommodate the steady growth of air traffic. In the meantime, we've implemented a new consumer information requirement designed to provide passengers with information about the major airlines' on-time performance and baggage handling records.

In response to the new consumer rule and several other initiatives, delays and consumer complaints began to drop late last summer. Delays were down 28 percent over the last six months of 1987, compared to the last half of 1986.

Reregulation, however, would take us in precisely the opposite direction. Let me cite just a few of the major problems with the House bill. First, the House bill would require DOT to impose labor protection provisions in the case of future airline mergers in many cases. That provision could result in cases where weakened carriers must limp along on their own until they declare bankruptcy, with the inevitable result of a loss of all jobs. Second, the bill would require capacity controls at the nation's busiest airports. Airports as small as Dayton, Ohio's could have their capacity restricted. The bill would also set scheduling standards and require airlines to give free tickets as compensation for late luggage. Each of these regulations will ultimately be paid for by the consumer, and may severely threaten the opportunity for budget-minded travelers to fly, while also hurting smaller, regional airlines and the cities they serve.

So we need your help in educating Congress and the American people on the perils of economic regulation of the airlines. We also need your continuing assistance in stating the case for the Staggers Act too. If we allow for a return to the days of economic regulation, then we would be trashing all the benefits of greater prosperity and lower prices that American consumers have come to enjoy over the past nine years. We would also jeopardize further our ability to compete in global markets.

President Reagan came into office in 1981 with a new vision. Against the litter of failed programs and promises, the President offered an agenda of lower taxes, reduced federal controls, and greater state prerogatives and economic freedom for individuals. His vision is in large part responsible for 61 months of uninterrupted growth. If we want to continue on this prosperous journey into the 1990s, we should not follow the detours and backtracking of doomsayers whose predictions have repeatedly proven grossly wrong. Rather, we should stick with the principles of a President who has helped revive America from the economic paralysis of the late 1970s.

There is too much at stake and we have come too far to relinquish our gains in economic deregulation. Edmund Burke once wrote that all it takes for evil to triumph is for good men to stand by and do nothing.

I'm confident that you won't stand idle. Thank you for all you have done and are continuing to do to remind people what constitutes and ensures a sound, free economy.



U.S. Department of
Transportation

News:

Office of the Assistant Secretary for Public Affairs
Washington, D.C. 20590

Contact: Wendy DeMocker
Tele .:(202) 366-0237

REMARKS PREPARED FOR DELIVERY BY
SECRETARY OF TRANSPORTATION JIM BURNLEY
NATIONAL CONFERENCE OF STATE LEGISLATURES
WASHINGTON, D.C.
JANUARY 29, 1988

I am pleased to have this opportunity to meet with you this afternoon to discuss a number of issues about which we have common concerns. We in the Reagan Administration have always considered state legislatures particularly important because of your collective capabilities and the fact that you are much closer to the people we all serve than are those of us in Washington.

So I would like to talk with you for a few minutes about the current state of the relationship between the federal government and the states, but before I begin, there is one important issue that I know you have been considering this week -- the threat to the Staggers Act, which largely deregulated the railroads in 1980. The Staggers Act turned around what was once a dying industry, and I can't emphasize strongly enough what a positive effect rail deregulation has had for our economy. Former Secretary Dole traveled extensively in the Midwest, and was amazed at the number of farmers who spoke of the positive effect rail deregulation was having on their ability to get their products to market. Unfortunately, there is a strong movement by some in Congress to amend the Staggers Act. We need your continuing assistance educating the Congress as to just how much Staggers is contributing to economic growth in your states.

When President Reagan was elected in 1980 and again in 1984, he promised a return to those fundamental principles that have made America the freest, most prosperous country in history. As part of his many successful efforts to fulfill that pledge, the President signed an Executive Order on Federalism last October.

In this Executive Order, the President instructed the Executive Branch and its agencies to strictly adhere to the fundamental principles of federalism in their implementation and formulation of policies in order "to restore the division of governmental responsibilities between

the national government and the states that was intended by the

I know that the American Association of State Highway and Transportation Officials (AASHTO) is also considering alternatives for the future of our highway program. I want to be sure, however, that the critical policy issues are not left solely to the highway engineering community of this country. If the proper balance is going to be restored between the federal government and the states with respect to highway programs, it will require aggressive leadership on your part. Thus, I urge you to become actively involved now in this critical debate.

As I'm sure you recognize, there is not always perfect congruity between state and municipal interests. Often, there can be outright suspicion and antagonism. Many demonstration projects were inserted into the Continuing Resolution and the highway bill because local officials wanted certain projects and state governments had other priorities. Many times, demonstration projects are a convenient way for local officials to bypass state officials. Over time, congressional interference of this kind will ultimately erode both your authority and that of local officials. More decisions made in Washington mean decisions based on who has the most powerful congressman, not on your real needs.

We've seen this happening, not only in the highway program, but with mass transit funding as well. Some cities have received the lion's share of federal transit money because of an influential member of Congress, while others with equal or greater needs have been caught short.

Yet, even for the lucky cities and states, we can expect that in this day of large federal budget deficits, the amount of federal funds earmarked for mass transit will continue to shrink. At the same time, the demand for transit continues to grow and to change rapidly. The number of workers commuting from suburb to suburb is already double the number commuting to central business districts, and that trend is likely to continue. Meeting new mobility patterns and delivering cost-efficient, reliable service to riders calls for strong and innovative leadership at the state and local level.

The federal government's role in transit should be secondary to that of state and local governments, so we intend to continue to work cooperatively with you to meet these new challenges. For example, the Department's Urban Mass Transportation Administration has been working for some time to encourage and assist cities to enter into public-private partnerships for the delivery of transit services.

Privatization is a practical tool that can increase substantially both the flexibility of local transit managers and the ability to deliver vital services. Instead of having to balance the interests of constituents against those of public employees, contracting allows a transit system to shop for the best service -- specifically tailored for the job at hand -- at the lowest cost. For example, Houston's transit authority is contracting more than one third of its commuter bus services with private carriers, saving approximately \$2 million annually, and the Chicago Transit Authority has developed a plan to increase the number of trips available

to mobility-limited riders by 100 percent by contracting out to private firms. Over the past three years, hundreds of communities in states all across the country have benefited from privatization and are enjoying substantial savings and improved service.

If I may leave you with one thought, it is that federalism works because it recognizes that on many issues you are best equipped to solve problems. You, ladies and gentlemen, represent the diversity of interests and aspirations of Americans. The Administration's promotion of federalism is a compliment, a vote of confidence in your abilities to make critical decisions that affect your constituents. We in Washington should not be so arrogant as to think that we know your states and communities better than you.

Yet, a consequence of a reduced federal role is more work for you. To the extent we don't intrude into your affairs, it means more decisions for you. To the extent that federal money is withdrawn, that may mean an additional and more deeply felt burden on state and local taxpayers. As a public official myself, I know that political decisions can be terribly difficult and painful. Sometimes it is easier to blame the feds in Washington for a particular decision than to take the heat yourself. Over the long haul, however, the convenience of a scapegoat and a federal nanny will be outweighed by the steady erosion of your discretion and authority as state legislators.

As public servants and state leaders, you have a fundamental responsibility to step up as we try to step back. I look forward to a close working relationship with you as we attempt to restore a proper balance in the relationship between your governments and Washington.

Thank you very much.



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In this Executive Order, the President instructed the Executive Branch and its agencies to strictly adhere to the fundamental principles of federalism in their implementation and formulation of policies in order "to restore the division of governmental responsibilities between

the national government and the states that was intended by the Framers of the Constitution.”

The President's new Executive Order is more than simply a verbal reaffirmation of a traditional American principle of government. It has real world consequences. Among the Orders' directives, all of which legally bind the actions of federal executive agencies, any new policy or regulation proposed by an Executive Department must be accompanied by what can be called a "Federalism Impact Statement." This federalism assessment must identify the extent to which the proposed policy or rule imposes additional burdens on states as well as the extent to which the policy would interfere with state sovereignty.

In addition, the new Executive Order requires executive departments to interpret federal statutes as permitting the preemption of state law "only when the statute contains an express preemption provision or there is some other firm and palpable evidence compelling the conclusion that the Congress intended preemption...."

The new Executive Order does not mean an overnight, dramatic rollback of federal involvement; but it will act as a significant brake on further incursions.

Federalism is not an abstract ideal. Rather, it is a highly practical arrangement based on the common sense idea that solutions are best developed at the level of government closest to the problem. The reason for this is that information needed for problem-solving in individual states, cities and towns is most readily found at the state and local level. You, as state legislators, are in a far better position, on a wide variety of issues, particularly with respect to transportation, to know and respond to the needs of your citizens than we are in Washington.

Over the past fifty years, our adherence to the principle of federalism has been eroded by the ever-increasing centralization of power in Washington at the expense of states and local communities. A typical and useful illustration of this is the federal highway program.

Until recently, the states traditionally had the leading role in administering the federal highway program. Indeed, for most of the highway program's history, the federal-state relationship was based on state ownership of the roadways; state responsibility for their construction and maintenance; and most importantly, state initiation of highway projects. The federal government provided advice and financial assistance. The state officials with their greater familiarity with local needs and conditions brought accountability and responsiveness to the citizens who pay for and use these vital assets.

The good sense of this arrangement is obvious. State and local officials are using the local transportation network every day, so you know first-hand where the problems are and how to respond most effectively. Your greater familiarity with state needs and conditions has meant more accountability and responsiveness to the people who pay for and use these vital assets. Rising to this important public trust, you have developed strong, competent highway organizations with the

technical and administrative ability to manage your own programs and to work closely with municipal governments.

Historically, Congress recognized that the states were well-equipped to decide their own priorities, and traditionally authorized the spending of federal highway funds years in advance under a fixed formula -- so the states knew in advance what federal aid they could expect. States then planned their projects accordingly.

As you are acutely aware, this self-discipline in Washington began to break down several years ago, and has been replaced by a flurry of bills filled with so-called "demonstration projects."

Until last year, we'd only seen thirty of these demonstration projects in the entire history of the highway program. But in the 1987 highway bill, Congress mandated that over \$1.4 billion be spent on a total of one hundred fifty two "demonstration" projects. That \$1.4 billion will not completely fund construction of all these projects: the rest will have to come from the states and the federal government. The ultimate price tag for all "special" and "demonstration" projects could be significantly higher. Furthermore, the recent Continuing Resolution contained \$100 million worth of demonstration projects in addition to those in the 1987 highway bill.

Of course, not all demonstration projects are wasteful. There are those that can be economic growth stimulators. However, money for these projects does not grow on trees -- it comes out of funds needed for such projects as rehabilitating the country's highways and bridges, many of which are in a serious state of disrepair. With the proliferation of demonstration projects, political muscle has ever more to do with what projects are funded, and the relative merits of competing projects ever less.

Increased state authority and flexibility would mean greater fairness among states. Each state could use its funds to build the projects that have the most merit and the highest priority. Costly and extraneous federal requirements now imposed on the use of funds could be virtually eliminated, ensuring a greater transportation return on every dollar spent. It would also help states improve your road systems in ways that boost state economic growth as well as simply meet current travel needs. So we are looking at ways to encourage and promote innovative financing mechanisms. One example is to allow the use of tolls on highways that are built with federal funds.

As completion of the Interstate system draws closer, I believe we need to engage in a vigorous debate and discussion on the future role of the federal government in the highway program. Clearly, the federal government will continue to have a role in assuring that the Interstate system is properly maintained. However, when the Interstate system is completed, most of the future highway needs of the United States will be local in nature and will not require federal involvement. I want to work with you and with Congress to develop possible approaches that would permanently return to the states most or all responsibility for your roads.

I know that the American Association of State Highway and Transportation Officials (AASHTO) is also considering alternatives for the future of our highway program. I want to be sure, however, that the critical policy issues are not left solely to the highway engineering community of this country. If the proper balance is going to be restored between the federal government and the states with respect to highway programs, it will require aggressive leadership on your part. Thus, I urge you to become actively involved now in this critical debate.

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