



U.S. Department of
Transportation

News:

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

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REMARKS PREPARED FOR DELIVERY BY
SECRETARY OF TRANSPORTATION JIM BURNLEY
SOCIETY OF AUTOMOTIVE ENGINEERS
GOVERNMENT-INDUSTRY MEETING
WASHINGTON, D.C.
MAY 3, 1988

Good afternoon. It's a pleasure to be here at the Society of Automotive Engineers government-industry meeting. I remember speaking to this group four years ago, when I was Deputy Secretary. Since then, I have continued to be impressed by your achievements.

Albert Einstein once said, "I think and think for months and years. Ninety-nine times, the conclusion is false. The hundredth time I am right." I think the members of SAE are right a lot more than one percent of the time but, like Einstein, you know that in order to get results you can't quit just because things don't turn out right the first time. Your perseverance in the development and implementation of new technology is admirable. And your standards are recognized and respected throughout the world for their accuracy, consistency and technical merit.

Lately, we all have heard a lot about America's economic revival. A recent article in a national magazine acknowledges: "So suddenly that it almost defies belief, the U.S. has seized the lead in the race for global competitiveness. Many of its industries have become the world's low-cost producers ... America's smokestack industries, just about written off a few years ago, achieved remarkable success."

I think this development points up America's greatest asset: its character. We Americans have the advantages of an open society that gives free rein to the innovativeness, entrepreneurial energy and resilience of individuals. For instance, U.S. researchers get more patents than the rest of the world combined. We believe that what counts most is human capital, and having a society in which it is utilized to its maximum. This is the American lesson. It was entrepreneurial inventors who created America, and it is they who keep it growing at a nice clip.

One of the first things Ronald Reagan did when he became president was set up the Task Force on Regulatory Relief. The mandate of this group was to find the

ways and means to "cut away the thicket of irrational and senseless regulations" that had been strangling American productivity for much of the 1970s. Certainly, the economic deregulatory efforts of this Administration have been impressive and will save America billions of dollars that can be used for more investment, research and development, and new jobs.

Yet, despite the major strides we have already made to revitalize the American economy and to make our products and services more competitive worldwide, much more remains to be done. There are still areas in which the federal government inhibits the productivity of its citizenry. Often times, there is only so much we can do, as a matter of administrative discretion, to correct excessive regulation.

For example, the Corporate Average Fuel Economy (CAFE) rules, originally enacted in 1975, have been a major stumbling block for American automobile manufacturers. These requirements create economic distortions in the market and pressure American auto manufacturers to export jobs by importing cars and major components to be sold under U.S. brand names. The end result is that the CAFE rules dictate a certain product mix to the manufacturer that is not necessarily the mix that consumers are looking to buy. The CAFE rules also handicap U.S. companies in competition with foreign manufacturers of more luxurious cars. It doesn't take an economist to know that all of this adds up to an exacerbated trade deficit.

Often intentions do not square with results. The original purpose of the CAFE rules may have been to restrict excessive gasoline consumption, but that rationale is now outdated given the dramatic improvements in fuel economy since the early 70s and a deregulated oil market. The question is whether future adjustments should be dictated by the marketplace or by government decrees.

The United States can successfully compete with any country in a free and open atmosphere. But today, CAFE is hurting both American manufacturers and American consumers: when regulatory shackles are placed around our ankles, we find ourselves behind in the race. This Administration has twice submitted legislation to Congress to repeal the CAFE rules.

So far, the bill has shuffled around Capitol Hill, but no action has been taken. Although not as desirable as CAFE repeal, recent action by the Senate in passing a bill that modifies CAFE requirements to encourage car manufacturers to produce passenger vehicles that are powered by ethanol, methanol or natural gas, is a step in the right direction. This legislation (S. 1518) would enhance manufacturers' ability to meet CAFE standards. It does so in a rather complicated way involving the calculation of the fuel economy of so-called dual fuel vehicles -- those cars capable of operating on gasoline as well as special fuels. For that reason, we would like to see the bill simplified.

Nevertheless, I welcome this action by the Senate because this bill could provide some needed relief from the distortions caused by the CAFE system, and I hope to work with House and Senate leaders to enact final legislation.

However, all is not gloomy for the American automobile industry. While it has not been at the forefront of this country's overall economic resurgence, it has enjoyed several solid years of sales. In 1982, there were 7.7 million domestic car and light truck sales. As a result of enormous rebates in the mid-80s, this number soared to 11.8 million in 1986. Last year, domestic car and light truck sales stood at 10.8 million. At the same time, however, Americans are buying more imported cars than ever before. In 1984, imports accounted for 23.5 percent of the entire automobile market. Last year, we saw that percentage rise to over 31. Despite this, I believe it

would be a grave mistake to react to that trend with tariffs or quotas. America, more than any other country, should defend pure competition.

As you know, one initiative designed to allow such competition is the international harmonization of automotive standards. Each year, nearly a third of the more than 40 million vehicles produced worldwide are bought in the international marketplace. Thus, the argument for harmonized performance standards, safety test procedures and compliance criteria is strong. The Department's National Highway Traffic Safety Administration (NHTSA) recently issued Notices of Proposed Rulemaking on Side Impact Protection for passenger car occupants that took into consideration the work of the European Communities. In response to these notices, the Common Market has initiated a review of the possibility for a harmonized side impact test procedure.

Our harmonization efforts further include bilateral discussions with the Japanese Ministry of Transport. As a result of these discussions, and in response to agency proposals, the Japanese Ministry of Transport has declared that U.S. standards for safety belts, windshield glazing, child restraints and fuel system integrity are equivalent to the Japanese standards. These discussions will continue as other inconsistencies are identified.

I'd like to use the remainder of my time to discuss something about which we all care very deeply: safety. There is no aspect of my job as Secretary that is more important than the protection of lives and the prevention of injury. As members of SAE, you have used your talents to develop technology that has made automobiles more efficient. But more important, your engineering expertise has made them safer. You understand that without careful attention to safeguards, the rest of the progress made in the automotive industry is of little value.

When Elizabeth Dole became Secretary, she saw the need to renew our emphasis on safety in transportation, and I am doing my best to build on this commitment. I am happy to report that, since we last met, the safest surface transportation system in the world has become even safer.

NHTSA recently reported the traffic fatality numbers for 1987. Last year there were 2.4 deaths per 100 million miles traveled, which means the 1987 U.S. traffic fatality rate was the lowest in history. That figure dropped from 2.5 in 1986, and was down an impressive 25 percent from the 1980 rate of 3.3.

As you know, an increase or decrease in this rate can mean a difference of thousands of lives. If the 1980 rate occurred last year, there would have been 17,000 more fatalities on our roads.

Although the actual number of fatalities increased slightly in 1987, the total vehicle miles traveled were substantially higher than in 1986. So this means that Americans are driving more, and at the same time, they are becoming more safety conscious. Clearly, the continued national push for safety belt use and the national resolve to stop drunk driving have made a tremendous difference in traffic safety. Or to rephrase this in terms you are equally familiar with, we are making progress because we are attentive to both human and technical factors in the safety equation.

Here are some of the statistics behind this good news. Between 1982 and 1986, the role of alcohol in fatal crashes declined substantially. During that time, there was a 14 percent drop in the number of drunk drivers involved in fatal auto

accidents; and even more encouraging, there was a 26 percent drop in the teenage drunk driving category. All fifty states have adopted laws raising the minimum drinking age to 21 years old. Since 1983, the DWI arrest rate for people from 18 to 20 has fallen by 14 percent. While we should congratulate ourselves on these successes, we must be mindful that only steady progress will rid our roads of the drunk and drugged driving menace. We're not likely to see further progress, and we could even lose some of our hard-fought gains, unless we redouble our efforts.

It is said that Americans have a short attention span -- that today's headlines are tomorrow's forgotten news. Well, when it concerns traffic safety, we cannot allow the American people to become complacent. Complacency can quickly translate into deaths on our roads. You and I spend much of our time working on safety as a technical or policy issue. But I'm sure all of us here know someone whose life has been marred by a serious traffic accident. The deep sense of pain and needless loss has devastated families in every town in every state in the nation.

One shocking statistic that has grabbed a lot of press attention is the fact that one-quarter of those jailed for drunken driving in 1983 had consumed at least 20 beers, or 13 mixed drinks, before they were pulled over. These people shouldn't have been walking, let alone getting behind the wheel of an automobile. Currently, in 23 states, a police officer can suspend a drunk driver's license on the spot if he fails a chemical test or refuses to take it. Such enforcement measures are critical if we are ever going to truly get this problem under control.

While driving sober is good, driving sober and wearing a safety belt is even better. Today, 32 states have enacted safety belt laws, and there are similar bills pending in nine other states. When I spoke to you four years ago, not a single state had enacted legislation mandating safety belt usage.

Also, back in 1984, national safety belt usage was at 14 percent. Last year it stood at 42 percent. Of course we'd like to see 100 percent usage, and we expect that our ongoing public education campaign will continue to encourage more people to buckle up. NHTSA estimates that increased safety belt usage has saved 8,000 lives since 1983. Last year alone about 2,450 lives were saved, with more than half of those due to safety belt laws.

As you know, my predecessor's decision on Rule 208 concerning passive restraints is the primary reason seat belt laws have been enacted in so many states. In a way that is unique in federal regulatory history, she invited the American people to participate in sorting out this 20-year-old issue through their state legislatures. If legislatures enacted seat belt laws meeting a set of criteria designed to assure their effectiveness, and if those laws covered at least two-thirds of the American people, then passive restraints would not be required. Otherwise, Rule 208 was to be phased in.

You know what happened. Seat belt law advocates redoubled their efforts, while passive restraint advocates fought to make sure that the laws did not quite fit our criteria. The result has been passage of laws that cover more than 85 percent of the population, while passive restraints are being built into 25 percent of all cars sold in the U.S. this year, 40 percent next year and 100 percent thereafter. The combination of laws and belts will save tens of thousands of lives in the years to come.

In closing, I would like to return to the theme with which I began: America's competitive spirit. I don't have to tell you that creativity and productivity are the keys to the wealth of our country. American wealth comes out of the brains and energy of its people, and is therefore potentially inexhaustible. President Reagan's

economic policies have led us into an era of increasing productivity. In the 1970s, American productivity slowed and then reached a plateau. We did not rebound until the President had been in office for a couple of years, and since then, manufacturing productivity has averaged an annual growth rate of almost 5 percent, more than one and one-half times the average of the post-war period.

Finally, it is a myth that the United States' activity in the fields of science and technology is weakening. The ratio of engineers and scientists to the total labor force has been rising rapidly in the U.S. We have not maintained a monopoly in this area, but that's not because we have declined. It is because other nations have strengthened their research and development. I welcome their company, which will only make these pursuits more vibrant, more challenging, and more fruitful.

In order to remain a world economic leader, the United States must preserve its free, competitive spirit. We must be particularly wary of government regulations that needlessly stifle that spirit. Indeed, we must abolish senseless economic regulations that hinder our growth. And we must continue our dedication to safety programs, which are evidence of our belief that the life of every citizen in this nation is sacred.

Thank you very much. I'd be happy to take some questions.



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REMARKS PREPARED FOR DELIVERY BY
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BOSTON, MASSACHUSETTS
MAY 10, 1988

Thank you for having invited me here to speak to you this morning. Addressing an audience of writers is never easy. One imagines that every sentence uttered is being silently edited by hundreds of minds in the room. After all, writers are demanding people -- demanding of themselves and of their subjects. As the writer Gene Fowler has observed, "Writing is easy: all you do is sit staring at the blank sheet of paper until the drops of blood form on your forehead." I hope listening today won't be quite as excruciating an exercise.

I'd like to begin by reviewing the current debate over the way the federal government is managing its aviation responsibilities. Worries about the air traffic control system and staff being overworked, the threats of increased mid-air collisions, and the need for state-of-the-art equipment are, unfortunately, at least 30-year-old news. In other words, since the FAA was founded, the concerns have been unchanged. This is true despite the steady decline in aviation accident rates over the last 25 years.

The concerns do not stem from the fact that more Americans are flying because of the lower fares produced by economic deregulation, or from the illegal controllers' strike in 1981. Deregulation has galvanized the aviation industry: passenger traffic has increased from 278 million in 1978, the year Congress passed the Airline Deregulation Act, to 450 million last year. In 1987, 53 million adults made at least one airplane trip, compared to just 38 million ten years earlier.

As a recent article in The New Republic put it: "Since deregulation, U.S. air travel has become safer and cheaper. The selection of flights and number of destinations

served has increased. Airline companies have sacrificed profits in order to keep fares low. People of all social classes, not just the big shots, have begun to fly instead of wasting days in cars, buses and trains. Thousands of jobs have been created." The author continues facetiously, "It's a crisis!"

In other words, economic deregulation of the airline industry has been the greatest populist reform since World War II. Besides causing airport congestion through increased airline activity, economic deregulation has allowed the rapid evolution of hub and spoke systems. This development has turned the spotlight on the decades-old problem in aviation that Congress, the aviation community and the general public have begun to recognize: the FAA, in its current form, is not well-suited to keep pace with the intricate, dynamic nature of U.S. aviation.

There are a number of different proposals to change the FAA now floating around Washington. As we continue discussing their merits, I believe firmly that each proposal should be judged on the basis of whether it fulfills the following five criteria:

- First, it must address the problem of rigid personnel rules that prevent efficient deployment of key personnel.
- Second, it must remove the burden of abstruse procurement rules that prevent timely acquisition of new technology.
- Third, the proposal must liberate the air traffic control system from the uncertainties of the federal appropriations process and ensure adequate resources on a long-term basis.
- Fourth, the proposal must provide adequate oversight and maximum accountability in the regulation of safety.
- Fifth and finally, there must be uniformity and consistency in both safety regulation and in the delivery of air traffic control services at all levels of the organization.

The problems at the FAA are not with the people. The FAA is filled with competent, committed professionals. The present structure of the agency, however, puts them in an untenable situation. Our nation's air traffic controllers and other key staff need and deserve a business-like working environment, and any proposal to reform the FAA should ensure that is the case.

When one examines the current structure of the FAA, it is clear that it is different from most other federal agencies. The FAA combines three distinct -- and often conflicting -- missions. First, it must enforce and establish safety regulations for a private industry, a policing role. Second, as a service provider, it operates the air traffic control system for the benefit of public and private aviation. Third, it is directed by statute and takes seriously its responsibility "to encourage and foster the development of civil aeronautics and air commerce."

How can we reasonably expect the FAA or any other entity to be a service industry, a promotional bureau, and at the same time act as an enforcement agency?

This tripartite mission is very odd when compared to other modes of transportation or federal regulatory agencies. For example, the Maritime Administration promotes the commercial interests of the maritime industry, but the Coast Guard regulates and enforces maritime safety. The Federal Railroad Administration regulates rail safety, but it doesn't operate switching yards and it no longer runs railroads. The National Highway Transportation Safety Administration issues motor vehicle safety standards, but the Department of Commerce promotes the automobile industry. The good sense of these arrangements is obvious. The federal government should not only avoid actual conflicts of interest, but even the appearance of a conflict, particularly when the safety of the traveling public is at stake.

Yet, as we debate reshaping the federal role in aviation and discuss the FAA's conflicting missions, one thing remains clear. The American public will not tolerate a diminished federal role in the regulation of air safety. Leaving this critical function solely to the vagaries of a totally independent entity could compromise accountability, which would be "detrimental to the safety of the traveling public" according to Jim Burnett, Chairman of the National Transportation Safety Board.

Last month I received the report of a task force created to recommend internal reforms of the Federal Aviation Administration. I directed the task force, which was made up of senior staff from the FAA and Office of the Secretary, to look for ways to strengthen the FAA's personnel practices, procurement procedures, budget process, regional structure and its rulemaking procedures. Their proposals, which I have fully endorsed, will streamline some of the cumbersome procedures that have hindered the FAA's efficiency in the past.

I want to emphasize that these proposals only go as far as current law allows. They do not overcome the fundamental problems inherent in a government organization or mitigate the need for basic change in the FAA. But one of the recommendations that I think makes especially good sense is to change the reporting relationships for the FAA's regions. The approach suggested combines the best elements of a decentralized regional structure with improved accountability to headquarters and a system of checks and balances for quality assurance. The FAA's Regional Directors will become the Administrator's representatives in each of the nine operating regions. The regional division managers will report directly to their respective Associate Administrators. The regional changes, in conjunction with organizational changes in FAA headquarters, will increase the FAA's effectiveness until such time as more sweeping reforms are enacted by Congress.

Undertaking major reform of the FAA means putting party lines aside and remembering that Congress, the Administration and the aviation industry share the same goal of ensuring the safest, most efficient, technologically up-to-date aviation system in the world.

We all know the old aphorism, "the sky's the limit." Well, the word "limit" doesn't mean much when you're talking about the possibilities in space. This brings me to my next topic. In 1936, a prominent British astronomer wrote: "Space travel is utter bilge." Fortunately, there have been men and women in this nation who never thought in terms of these limits -- men and women who have made our greatest achievements in space possible.

Although the potential in space is limitless, the progress of the U.S. space program has been limited in recent years. I want to talk about what went wrong in the U.S. space program, and how President Reagan's February directive completed the process of fundamentally reshaping our role in space.

In the formative years of our space program, as you all know, NASA developed and constructed expendable launch vehicles for its spacecraft and satellites. Then in the mid-'60s, as a commercial satellite industry began to develop, NASA began launching those satellites as well. That may have been a natural step for an endeavor that seemed risky and overwhelming at the time. We now know, however, that that first step toward a government monopoly in space transportation was really a step backward, which has had two tragic results over the last two decades. First, NASA became too involved in marketing, which inevitably detracted from its original mission of scientific and technological research and development. Second, commercial space launch activity became closed to the technological innovation and cost efficiency that results from free market participation.

It is worth remembering here how aviation technology was developed under NASA's predecessor, NACA (National Advisory Committee for Aeronautics). NACA and the Defense Department played a large role in the development of aviation technology, but the resulting transportation business was handled by the private airline industry. What if, today, we had one federally-owned airline? Would 450 million passengers be flying at affordable prices?

These questions bear out the thesis that one government agency cannot simultaneously and successfully fulfill the scientific, commercial, and military demands for transportation to space of a highly industrialized nation. In its quest to do so, NASA was operating under intense pressure at the time of the Challenger tragedy. The agency had heavy calendar commitments with U.S. government, international and private customers. And, as we later learned from the Rogers Commission, the shuttle system wouldn't have come close to meeting its 1986 schedule even without the Challenger disaster.

Well before Challenger, President Reagan began the process of establishing the federal policies necessary to foster a competitive U.S. launch industry. In 1984, the President designated the Department of Transportation as lead agency for encouraging and guiding this new industry. This was followed by passage of the Commercial Space Launch Act. But the launch industry continued to face suffocating competition from its own government until the President's 1986 announcement that the shuttle would no longer carry commercial or foreign satellites, with the exception of shuttle-unique missions or missions with national security significance. The recent Presidential Directive on National Space Policy reaffirmed the 1986 decision to break the government monopoly on launches of routine commercial payloads. The directive provides a clear framework for scientific exploration and technology development, for recognition of national security priorities, and for the emergence of a robust, competitive commercial space industry.

I'm sure you're familiar with the guidelines of the President's plan. We are inviting the marketplace to work; lower prices and customer service have become priorities. In the less than two years since the President's shuttle announcement, American companies have signed contracts to launch 14 satellites, and there are

reservations for 17 more. Of the signed contracts, 11 come from foreign governments or international organizations. These agreements will reduce the U.S. trade deficit by more than \$550 million. Later this year, Conatec will make two suborbital launches of a microgravity research payload. And we expect the first commercial launch of a communications satellite, for which we are currently reviewing the license application, in early 1989.

We estimate that upcoming competition will involve 15-20 satellite-launching contracts per year. Gearing up for this demand, U.S. firms have invested more than \$500 million, and they project as many as 8,000 new jobs in the United States.

I am also encouraged by the diversity of companies applying for launch licenses. There are the large, established firms -- Martin Marietta, McDonnell Douglas and General Dynamics -- and smaller, entrepreneurial firms such as Space Services, American Rocket Company, Conatec and E' Prime. Many observers point to Apple Computers as an example of the importance of small, daring firms in the free market. And it's true that the risk-takers often make the most creative contributions to industry. We want to foster this kind of gusto in the aerospace industry -- on the business side anyway. At the same time, we'll be hard-nosed and thorough in our safety reviews.

The licensing process we administer includes mission review and safety review. In our mission reviews, we ask the question: "Is there any reason why we shouldn't allow this mission?" During this review, we look primarily at national security and foreign policy issues, such as technology transfer. Then we conduct the safety review, during which we look at the nuts and bolts of the proposed mission: Are the people qualified? Is the procedure sound? In short, is public safety protected?

Also, and we hope soon, our responsibilities will extend to licensing private and/or state-run launch facilities. Several states, including Hawaii, Florida, Virginia and Texas, have already expressed an interest in establishing commercial launch sites within their borders.

The Department also has the responsibility for setting insurance requirements for commercial launch activities. The President proposed to Congress a \$200,000 cap on non-economic damage awards to individual third parties resulting from commercial launch accidents. The liability of commercial launch operators for damage to government property resulting from a commercial launch accident will be administratively limited to the level of insurance required, as part of the license, by the Department. Finally, companies will not be held liable for damages that are attributable to government willful misconduct or reckless disregard.

American launch vehicles have a success record unparalleled in the free world. Each of the unmanned launch systems currently in production by the established manufacturers -- the Titan, the Atlas Centaur, and the Delta -- has launched hundreds of satellites since the 1960s. Together, they boast an average success rate of 95 percent. This compares quite favorably with the Ariane success rate of 82 percent.

Still, as the American space launch industry awakens from its era of dormancy, we still must face some painful facts. Jane's Defence Weekly says: "The Soviets are a decade ahead of the United States in the practical utilization of space." Annual Soviet payloads exceed those of the U.S. by ten fold. The Soviet Union is spending five times more than the U.S. on its space program. Japan and Western Europe are

each outspending us by a factor of three. In 1986, it is estimated that the Soviets launched to earth orbit 91 times, while the U.S. launched to earth orbit 10 times. Then in 1987, the Soviets launched to earth orbit approximately 95 times, the U.S. -- 7 times.

Further, while the Soviets have expressed a strong interest in launching U.S. payloads on their Proton launch vehicle, they do not allow American companies to launch any of their payloads. I find this entirely predictable: the Soviets are taking clever advantage of our space-launch hiatus, luring firms with their government-financed launchings. I am opposed to allowing any U.S. firm to use a Soviet launcher, regardless of whether the threat of technology transfer is posed.

I perceive a danger to our national security in the Soviet enticement of launch contracts with their artificially low prices. American companies are looking for inexpensive rides for their payloads. If we ever allowed the American use of Soviet launchers to become a pattern, the Soviets' already mature launch capability would be further strengthened, while our launch facilities could lie rotting on the ground. The U.S. simply cannot let itself fall in the trap again of only having one viable launch system. For this reason, I think the decision to license Payload Systems' experiment aboard the Mir station was wrong. Remember this dictum from the Soviet Dictionary of Basic Military Terms: "Mastery of space is an important prerequisite for achieving victory in war." Paying the Soviet Union with U.S. hard currency to help them build a launch capacity that could be used against us or our allies in wartime is unwise. In addition, it would be foolhardy for this nation to allow our critical telecommunications industry to become, in any shape or form, dependent on our adversary's access to space.

While some of this may be unsettling, the U.S. can still emerge unscathed. It is imperative that we push forward with the President's well-organized, economically-sound space program. Today, we are in a position where NASA can rededicate itself to research and development, concentrating on exciting scientific prospects such as the Hubble space telescope and the advanced x-ray astrophysical facility.

The final goal of President Reagan's recent directive is to "expand human presence and activity beyond Earth orbit into the solar system." We still know almost nothing, compared to what we will someday know, about what lies out there. And nearly as unknown are the shorter-term potentials and surprises of space. Remember that approximately 75 percent of products on the U.S. market today did not exist at the close of WW II. We can hypothesize that space activities, such as the manufacturing of various metals, medicines and very pure crystals, will add tens of billions of dollars to our GNP. And we know, for instance, that certain medicines can be made in space more rapidly and in purer form than on earth.

Space has overwhelming importance in nearly every field of our lives: commercial, scientific, political and military. For the first time in many years, we now have a sound framework for both public and private U.S. space activities. Whether we take full advantage of the opportunities provided by that framework is one of the two or three most important public policy issues we will face in the next decade.



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WASHINGTON AUTOMOTIVE PRESS ASSOCIATION
WASHINGTON, D.C.
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Good evening. I'm delighted to be here tonight. Although the Washington Automotive Press Association (WAPA) is a relatively young organization, it provides an important forum for reporters, government officials and motor vehicle manufacturers to exchange ideas about developments and trends in the automotive industry. I commend John Harter and the others for putting in the time and effort to make events like this one such a success.

You have a tough job -- I don't envy you. No, actually I do envy John Harter, Warren Brown, Ed Henry and Ted Orme because they have the tough duty of test driving all the new cars. But those of you who work as reporters must constantly separate the wheat from the chaff. In fairness, I think the Washington automotive press corps has, by and large, done an excellent job keeping things in perspective, covering difficult stories and packaging them in understandable terms. When the usual suspects have "cried wolf" a few too many times, you have maintained a professional skepticism and not readily taken the bait. Your job is to be skeptical -- to probe and challenge while you attempt to arrive at the truth. We recognize this, and welcome the scrutiny.

Back in 1904, Henry Ford's lawyer Horace Rackham sought financial advice from the President of the Michigan Savings Bank about whether or not to invest in the new Ford motor car company. The banker cautioned against this, saying, "The horse is here to stay, but the automobile is only a novelty -- a fad." Well, throwing caution to the wind, Mr. Rackham disregarded this advice and bought \$5,000 worth of stock.

When he sold his shares several years later they were worth \$12.5 million, and it was obvious that the automobile was here to stay.

But, thankfully, the automotive industry in this country has, from the outset, been led by men and women who understood the importance of innovation, of long-term vision. They have built cars that are technologically better and still safer.

You know that the Reagan Administration's approach to managing NHTSA's important responsibilities has been considerably different from the previous administration. Some of you agree with our approach -- and some of you do not.

It's been said that one problem with government is that it can't be judged by the same yardstick as the private sector. There's no bottom line. Yet I'm convinced we have an exception to that when it comes to evaluating NHTSA's effectiveness. The agency's statutory charter states, among other things, that NHTSA is "...to reduce the mounting number of deaths, injuries, and economic losses resulting from traffic accidents on the nation's highways..." So what it comes down to is the question of whether NHTSA's policies are having such an effect. There is a bottom line -- a very clear one.

In 1981, this Administration inherited the results of an auto safety approach that put most of the marbles into federal vehicle regulation and very little into the human side of the equation. Fatalities that year topped the 51,000 mark. In fact, the former NHTSA Administrator predicted that the advent of smaller, downsized cars -- which she endorsed for fuel economy -- would mean more deaths on our highways -- unless, of course, still more regulations could be rushed to the Federal Register.

We have taken a different approach, attempting to influence driver behavior as well as issue new regulations that will have clear safety benefits.

The fatality rate, the best measure we have of the degree of risk on the road, was 3.3 deaths per 100 million miles of travel in 1977, 1978, 1979, and 1980. By last year, the fatality rate was down to 2.4, a 25 percent decline since 1980. In other words, had the 1980 rate not declined, an additional 17,000 Americans would have died on our highways last year.

The most important example of the value of considering both human factors and equipment standards, and the interplay between them, is how the passive restraint debate was resolved after two decades. Contrary to popular myth that is still encouraged by some today, "208" as issued by the Carter Administration was never an "air bag standard." By 1981 it became apparent that automobile manufacturers planned to install the automatic seat belts in approximately 99 percent of the new cars. For this reason, the lifesaving potential of airbags would not be realized."

Well, that's changed, too. Today we have people using their belts and airbag-equipped cars are available in the marketplace. As you know, my predecessor's decision on Rule 208 concerning passive restraints is the primary reason seat belt laws have been enacted in so many states. In a way that is unique in federal regulatory history, she invited the American people to participate in sorting out this 20-year-old issue through their state legislatures. If legislatures enacted seat belt laws meeting a set of criteria designed to assure their effectiveness, and if those laws covered at least two-thirds of the American people, then passive restraints would not be required. Otherwise, Standard 208 was to be phased in, and it included a specific

incentive to encourage the use of air bags. You know how the debate evolved. Seat belt law advocates redoubled their efforts, while passive restraint advocates fought to make sure that the laws did not quite fit our criteria. As a result, passive restraints are being built into 25 percent of all cars sold in the U.S. this year, 40 percent next year and 100 percent thereafter.

We also now have belt use laws in 32 states and here in D.C., covering more than 85 percent of the American people, with bills pending in several other states. Belt use has saved more than 8,000 lives since 1983, and usage has increased from the 10 - 15 percent range to 42 percent today. Beyond that, an entire generation of young Americans are growing up accustomed to belt use because they started the day they came home from the hospital in a child safety seat and because we now have child passenger protection laws in all 50 states.

When the Reagan Administration took office, we did re-emphasize the important role of the driver in highway safety. We took a close look at each vehicle regulation and our spending programs to make sure they had a clear, beneficial payoff. We recognized that there are immense reservoirs of talent, resources and enthusiasm outside the federal government, people who can and will help this nation achieve important public goals like highway safety. In short, we did things differently, by applying a standard of accountability.

I travel around this country and know the American people have never heard of a FMVSS. But they know which of their family members, friends and co-workers have been killed or maimed by a drunk driver. And they are beginning to tell some impressive stories about people they know who got a second chance at life because they got the message that safety belts work. These people don't read the Federal Register or tally regulations and amendments to regulations. They don't care how many petitions NHTSA processes. They just want to know that the roads and highways of this country are safe -- and getting safer. They also expect us to use some common sense and to deal in facts, not mythology. For example, our report to Congress last week on the effect of the 65 mile-per-hour speed limit concluded that it is still impossible to judge because of so little data. Thus far, we do not have any evidence that it is the cause of the increased deaths we saw last year on rural segments of the Interstate Highway System. We did get the predictable howls from those who had preconceived notions.

Let me emphasize, safety regulations have played and continue to play a key role in preventing deaths, injuries and accidents. But not every problem has a regulatory solution. Am I suggesting there will not likely be more regulations down the road? Absolutely not. In fact, we are now pushing ahead on a number of important rules such as requiring improved side impact protection. But no matter what technology evolves or what rules are on the books, continuing progress on safety must include dealing with the driver at the wheel of the technology.

In this respect, we have made some progress in combating drunk driving. In 1982 President Reagan appointed a National Commission on Drunk Driving -- not to mandate new federal programs, but instead to highlight the problem and outline successful approaches. And it did just that. It was at least partly as the result of the Commission's work that the proportion of fatalities in which at least one driver or pedestrian was intoxicated decreased from 46 percent in 1982 to 40 percent in 1987. There's even better news concerning the proportion of intoxicated teenage drivers involved in fatal crashes which is down 34 percent between 1982 and 1987. All 50 states now have a minimum drinking age of twenty-one, replacing the patchwork

quilt of state drinking laws that often encouraged young people to cross state lines for liquor -- what used to be called "blood borders."

We pitched in with grassroots organizations such as Mothers Against Drunk Driving (MADD), Students Against Driving Drunk (SADD) and the auto dealers, Dealers Against Drunk Drivers (DADD), who were working hard to put the drunk driving issue on the front burner. Recently, I participated in the newest effort -- a national campaign called "Think...Don't Drive With Drugs or Drink!," which includes public service announcements and video featuring Aretha Franklin. The news media have been particularly helpful in publicizing the work of these groups, devoting an unprecedented amount of space to the subject. We'll need more of the same help in the years ahead if we are to build on the progress we've already made.

This Administration's legacy to the drunk driving movement is that we have helped put in place a permanent infrastructure to deal with it, one that involves government at the national, state and community levels, the business community and citizen groups.

I am also proud of our record in the enforcement area. The NHTSA enforcement program is staffed by dedicated career professionals. Identifying the cause of a suspected safety defect in today's complex motor vehicles is a demanding task. Our people are vigilant and persistent in seeing that defective motor vehicles and equipment are removed from the road.

Reporters who do not cover NHTSA regularly are usually surprised to learn that there have only been eight forced recalls in its history. The agency pushes for voluntary recalls whenever possible, because it produces results sooner, avoids the need for protracted legal confrontations and ultimately benefits consumers by remedying safety problems sooner. Here again, if you ask the American people, they want problems fixed and aren't really concerned if a recall is forced or voluntary.

Once again, facts speak for themselves. In 1987, 8,740,000 motor vehicles were recalled in 162 campaigns. Only twice in the agency's history have more vehicles been recalled. Contrast this with the X-car brake case, which dragged through the court for four and a half years before we lost it.

Finally, I'd like to say a few words about CAFE. The greatest contribution we can make to keeping automotive jobs in the United States and to making our auto industry competitive on a worldwide basis is to repeal the dinosaur we call CAFE. This is an issue that needs to be resolved quickly and on the side of the American worker. CAFE is not an energy conservation issue today -- it's a jobs preservation issue.

These requirements create economic distortions in the market and pressure American auto manufacturers to export jobs by importing cars and major components to be sold under U.S. brand names. The end result is that the CAFE rules dictate a certain product mix to the manufacturer that is not necessarily the mix that consumers are looking to buy. The CAFE rules also handicap U.S. companies in competition with foreign manufacturers of more luxurious cars. It doesn't take an economist to know that all of this adds up to an exacerbated trade deficit.

Often intentions do not square with results. The original purpose of the CAFE rules may have been to restrict excessive gasoline consumption, but that rationale is

now outdated given the dramatic improvements in fuel economy since the early 70s and a deregulated oil market. The question is whether future adjustments should be dictated by the marketplace or by government decrees.

The United States can successfully compete with any country in building automobiles. But today, CAFE is hurting both American manufacturers and American consumers: when regulatory shackles are placed around our ankles, we find ourselves behind in the race. This Administration has twice submitted legislation to Congress to repeal the CAFE rules.

So far, Congress has not acted on our repeal proposal. Although not as desirable as repeal, recent action by the Senate in passing a bill that modifies CAFE requirements to encourage car manufacturers to produce passenger vehicles that are powered by ethanol, methanol or natural gas, is a step in the right direction. This legislation (S. 1518) would enhance manufacturers' ability to meet CAFE standards. It does so in a rather complicated way involving the calculation of the fuel economy of so-called dual fuel or variable fuel vehicles -- those cars capable of operating on gasoline as well as special fuels. For that reason, we would like to see the bill simplified.

Nevertheless, I welcome this action by the Senate because this bill could provide some needed relief from the distortions caused by the CAFE system, and I hope to work with House and Senate leaders to enact final legislation.

CAFE is a perfect example of the issue I alluded to earlier: regulations must be judged by their effects. No matter how well-intended, a badly conceived regulation can do great damage rather than be beneficial. Often the greatest danger is that creativity and innovation are stifled, to the detriment of the American people. Regardless of who wins in November, the United States cannot afford to return to a narrow regulatory mindset, directed at the automobile industry, that ignores the human factor in safety or assumes all wisdom resides in Washington. If our very positive trends in automobile safety are to continue, we must work on all aspects of the problem and call upon the private sector and other levels of government for leadership and advice.

Thank you.



U.S. Department of
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REMARKS PREPARED FOR DELIVERY BY
SECRETARY OF TRANSPORTATION JIM BURNLEY
E.H. HARRIMAN AWARDS CEREMONY
WASHINGTON, D.C.
MAY 17, 1988

I am pleased to participate in this 57th ceremony in memory of one of railroading's greatest legends, E.H. Harriman. Back at the turn of the 19th century, Britain's Professor Dionysus Lardner wrote: "Rail travel at high speed is not possible because passengers, unable to breathe, would die of asphyxia." With all the good news we have to report on our rail system it is more than a bit amusing to look back on such comments. Indeed, we meet this year in the midst of a remarkable record for safety on our nation's tracks. The past three years have been the safest in railroad history, and have continued the positive trend since economic deregulation.

Since enactment of the Staggers Act -- which clearly revitalized the industry -- the average annual investment in roadbed and structures has more than doubled. The industry has invested over \$32 billion in the system, and it shows in increased innovation, faster turnaround and more reliable service. Deferred maintenance has been virtually eliminated from the nation's mainlines.

These investments in roadbeds and structures have led to a substantial increase in rail safety. We've had a 72 percent decline in rail accidents between 1979 and 1986, and a 62 percent decline in total injuries. In 1986, reportable accidents fell more than 20 percent below the previous record of 1985, and last year was the best year of all.

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This improvement didn't just come about on its own. Both rail labor and management have contributed to safer rails by renewing their commitment to safety in their daily business. Further, the FRA's safety program, coupled with the relative health of the industry, also played a significant role.

While all this is certainly very positive news, we cannot ignore the fact that there are serious problems that need to be addressed if we are to continue to improve on our safety record. We have been largely successful in reducing the number of accidents caused by track, signals and equipment failures -- which have declined by 75 percent this decade -- but what are called human-factor accidents are still a major problem. A recent General Accounting Office report studied 55 major rail accidents and found that in 20 percent of the cases, one or more of the train crews tested positive for drugs or alcohol. Our own Federal Railroad Administration study of 176 major collisions echoes the GAO findings. While the final figures are not yet tabulated, drug or alcohol use appeared among personnel involved in roughly 65 percent of the fatalities we suffered last year.

During the 14-month period beginning with the Chase, Maryland accident last January, the nation's railroads experienced 37 accidents in which one or more employees tested positive for illegal drugs and four in which one or more employees tested positive for alcohol. Twenty-nine people died in those accidents, and 341 were injured. Property damage exceeded \$31 million. Just last week, we announced that five Metro-North commuter railroad employees had traces of drugs in their bodies when two trains collided just north of New York City last month.

Every day we ask the traveling public to put its trust in our transportation system and those who operate it. We don't need another rail disaster involving drugs to tell us that the railroad industry is not exempt from the drug epidemic. At the Department of Transportation, we are totally committed to creating a drug-free transportation environment. As you know, we already have in place a program to test railroad employees during pre-employment physicals, after major train accidents and upon reasonable cause. Even though the Ninth Circuit Court of Appeals recently ruled against such testing, its decision has been stayed pending our appeal to the Supreme Court. I'm confident this absurd ruling will be overturned.

Two weeks ago, I announced a proposed rule that calls for random drug testing of railroad employees in safety-related positions. This comes on the heels of a similar proposal for the aviation industry, and a testing program for 30,000 Department of Transportation employees in sensitive safety or security positions, which we began last September.

This rulemaking would require all carriers subject to Federal Railroad Administration jurisdiction to establish random drug testing programs. The proposed rule would only apply to railroad employees covered by the Hours of Service Act, including engineers, brakemen, conductors and yard workers directly involved in the movement of trains. We are also seeking comments on options for rehabilitation and discipline of those who test positive for drug abuse.

All carriers subject to FRA jurisdiction would be required to establish random drug testing programs. Employers would test for marijuana, cocaine, opiate, amphetamine and PCP use. Independent, HHS-certified laboratories would conduct the testing to ensure fairness and accuracy.

The current drug testing program for railroad employees has unquestionably had a positive impact in reducing substance abuse in the railroad workplace. But our experience under the current rule has confirmed the existence of a hard core of drug users that persists despite the deterrent effect of the current regulatory program, despite voluntary alcohol and drug prevention activities, and despite a long history of substance abuse treatment programs targeted at railroad employees.

Drug testing involves difficult issues, and there are different ways to approach the process of rehabilitation of those who use drugs. But I firmly believe that drug testing -- especially random testing -- is absolutely critical in our efforts to create a drug-free rail system for the American people. The success of any drug testing for reasonable cause depends on a supervisor's ability to detect symptoms of drug use. Unfortunately, many drugs in use today can impair an engineer's judgment without showing recognizable symptoms. Random testing doesn't rely on detectable symptoms, and thus provides a much greater deterrent. No matter how stringent our safety regulations and no matter how sophisticated our technology, all it takes is one person on drugs in one of these sensitive rail jobs to endanger the lives of hundreds of innocent people.

I strongly believe that it's past time to give the FRA clear enforcement authority over those who run the trains. Our legislation to give the FRA the same authority over railroad employees that it now has over railroad companies makes eminent sense. We owe it to the public to demand accountability from individuals and institutions, from labor and management alike. Where the FRA has had the power to regulate, in areas like track, equipment and signals, we've seen substantial improvement in accident rates. We can produce similar results in the human factor area if the Department has the authority to act.

Finally, both labor and management must resist the temptation to tie economic disputes to safety issues. No one -- not labor, not management, and certainly not the traveling public -- is served when safety matters become embroiled in economic disputes.

As we honor those railroads and individuals who have achieved outstanding safety records last year, we must renew our commitment to work together -- government, labor and management -- to give the American people a safe and drug-free rail system.

Thank you very much.



U.S. Department of
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REMARKS PREPARED FOR DELIVERY BY
SECRETARY OF TRANSPORTATION JIM BURNLEY
EUROPEAN CONFERENCE OF MINISTERS OF TRANSPORT
COUNCIL OF MINISTERS
67th Session
MAY 25, 1988
LUXEMBOURG

MR. CHAIRMAN:

I AM VERY PLEASED TO BE WITH YOU TODAY, REPRESENTING THE UNITED STATES AS AN ASSOCIATE MEMBER AT THE SPRING SESSION OF THE ECMT COUNCIL OF MINISTERS. I GREATLY ENJOYED LAST YEAR'S MEETING IN MADRID, AT WHICH WE WERE ABLE TO DISCUSS THE SIGNIFICANT ADVANTAGES ASSOCIATED WITH TRANSPORTATION DEREGULATION. I LOOK FORWARD TO EQUALLY CONSTRUCTIVE AND BENEFICIAL DISCUSSIONS ON THE MANY IMPORTANT ITEMS ON THIS YEAR'S AMBITIOUS AGENDA.

FOR EXAMPLE, THE RELATIONSHIP BETWEEN TRANSPORT AND THE ENVIRONMENT HAS ALWAYS BEEN AN UNEASY ONE AT BEST. IT IS IMPORTANT THAT THE EFFORTS OF THOSE RESPONSIBLE FOR BOTH SECTORS BE COORDINATED TO THE MAXIMUM EXTENT POSSIBLE. ALSO, URBAN TRANSPORT FINANCING HAS BEEN A DIFFICULT ISSUE, WORTHY OF DISCUSSION AT THE INTERNATIONAL LEVEL TO EXPLORE COMMON PROBLEMS AND SHARE POSSIBLE SOLUTIONS. AFTER YEARS OF STRUGGLING, OUR RAILROADS ARE FINALLY WELL ON THE WAY TO OPERATIONAL AND FINANCIAL HEALTH, SO I AM INTERESTED IN HEARING THE DISCUSSIONS ON RELATED DEVELOPMENTS IN EUROPE. FINALLY, THERE ARE MANY ISSUES WHICH CAN BE CONSIDERED UNDER THE HEADING OF COMBINED TRANSPORT, AND I AM LOOKING FORWARD TO THOSE DISCUSSIONS AS WELL.

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MY TOP PRIORITIES AS SECRETARY OF TRANSPORTATION ARE TO ENSURE THE SAFETY OF ALL ELEMENTS OF OUR TRANSPORT SYSTEM AND TO ELIMINATE NEEDLESS GOVERNMENT ECONOMIC REGULATION. WE HAVE BEEN MAKING SIGNIFICANT STRIDES IN BOTH AREAS AND I LOOK FORWARD TO SHARING OUR EXPERIENCES WITH MY COLLEAGUES AND LEARNING FROM YOURS AS WELL.

ONCE AGAIN, I AM VERY HAPPY TO BE HERE IN LUXEMBOURG FOR THIS SESSION OF THE COUNCIL OF MINISTERS.

THANK YOU VERY MUCH, MR. CHAIRMAN.

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OPENING REMARKS PREPARED FOR DELIVERY BY
SECRETARY OF TRANSPORTATION JIM BURNLEY
EUROPEAN CONFERENCE OF MINISTERS OF TRANSPORT
MAY 25, 1988
LUXEMBOURG

Mr. Chairman: On behalf of my colleagues from the associate member countries of Canada, Japan, and Australia, I would like to express our appreciation to the members of the ECMT for inviting us to your annual meeting in this beautiful city.

Also to Minister Marcel Schlechter, I would like to express our appreciation for the warm hospitality extended to our delegations.

Mr. Chairman, as associate members, as a formal matter we are on the outside looking in to ECMT. But you make us feel very comfortable and fully a part of your deliberations we are all in the same business of providing safe, efficient, and economical transportation to our citizens and our neighbors. And we all understand how vital transportation is to economic development. Your agenda will provide numerous opportunities for all delegations to share their experiences. I am anxious to build upon my own background of ECMT activities which began in earnest last year at the meeting hosted by Minister Caballero of Spain.

Finally, Mr. Chairman, the associate members are here to learn about activities within your member countries but we have not come empty handed -- we've also come to share with you experiences in our countries in which ECMT has demonstrated interest.

Once again, on behalf of the associate members, thank you for extending an invitation to us.

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REMARKS PREPARED FOR DELIVERY BY
SECRETARY OF TRANSPORTATION JIM BURNLEY
PRIVATE SECTOR INITIATIVES IN URBAN TRANSPORT FINANCING
BEFORE THE
EUROPEAN CONFERENCE OF MINISTERS OF TRANSPORT
LUXEMBOURG
MAY 25, 1988

Mr. Chairman and distinguished Ministers:

Thank you for this opportunity to outline the private sector initiatives of the U.S. Department of Transportation in the area of urban mass transit financing.

Whereas previously, the emphasis had been on bureaucratic planning and redistribution, we now encourage enterprise and production by demanding measurable results and strict accountability for public transit spending. No longer is the federal spigot running unmonitored in the U.S.

By 1984, annual funding for the federal transit program exceeded \$4 billion. Over the past three years, that has been reduced to approximately \$3.5 billion annually. In all, the federal government has spent a little more than \$45 billion on transit over the past two decades.

Yet, despite federal financial assistance to more than 300 cities, the transit industry's share of the ridership market has actually declined. According to U.S. Census data, in 1980 only 9 percent of all urban work trips were on transit, down from 13 percent in 1970. A further indication of transit's weak market share is the fact that it is used for only 4.75 percent of all urbanized area local travel.

Moreover, public transit cost increases have been greater than any component of the consumer price index, including medical care. Between 1979 and 1984, public transit costs jumped more than 72 percent. Operating subsidies by all levels of government were about \$300 million in 1970; in 1985, they exceeded \$6 billion.

Furthermore, while the transit industry remains rooted in our center cities, an explosive growth in suburban communities has given birth to new and different

transportation needs that are not being met by existing transit systems. These problems have led my Department to consider the role of the private sector in addressing our public transportation problems.

We seek to improve transit services and their financing through the creation of a competitive environment within the transit industry, and by significantly increasing private sector participation in the financing of transit's capital investments. We must incorporate marketplace discipline into public operations by contracting out some services. This will eventually make the private sector an ally rather than an adversary in operations, maintenance and financing of mass transit projects.

The ECMT report on "Financing Urban Public Transport," in which we were pleased to participate, shows that many of you are also facing problems and are considering giving the private sector a greater role in providing transit services.

A special office of private sector initiatives in the Urban Mass Transportation Administration of my Department was created to promote private sector involvement and a more competitive environment in public transportation. The office oversees compliance with our private sector policy, ensuring that private sector options or opportunities are considered in providing urban mass transit services. UMTA also works with communities, public agencies, and private interests to help create public-private partnerships in transit.

We have established a technical assistance program, the public-private transportation network, or PPTN. This is a way to get immediate help to those parties who are interested in exploring and implementing private sector initiatives. We view this kind of hands-on support system as essential to the success of any privatization program.

Our discretionary grant program now gives priority to applications from systems that demonstrate significant use of competitively bid services and private sector opportunities. We have also provided 100 percent funding for studies of private sector alternatives (the normal federal match is 80 percent).

These efforts are buttressed by a national competitive service board. It consists of private and public operators, representatives of state and local governments, and other interest groups that discuss private sector implementation issues and develop models for solving problems.

One initiative that I am particularly excited about is our new challenge grant program that encourages small businesses to respond to changing local transportation demands. The so-called "entrepreneurial services program" provides seed money to assist projects that promise to reduce traffic congestion. It also awards grants to help demonstrate new ways to deal with planning and organization issues. Examples include:

Inner-city circulation services -- dependable route services tailored to meet the needs of transit-dependent, economically disadvantaged and elderly residents; such projects are found in Chicago, Miami and Orlando, Florida and Laurel, Maryland.

Reverse commute services -- fast, clean, services to lure more affluent suburbanites out of their cars and reduce congestion during rush hours; such projects are found in San Francisco and Sacramento, California.

Demand response services -- telephone-dispatched, door-to-door services for the elderly and handicapped, as well as feeder weekend, and late night services that are often too expensive for conventional public transit systems to perform; and

Suburban circulation services -- efficient routes to link growing suburban residential, office and shopping centers. An example of this service is located in Chicago.

A second initiative will aid local communities and non-profit entities in resolving their suburban congestion problems through greater reliance on free enterprise and competitive principles. An important by-product of both of these initiatives will be the creation of local job and small business opportunities. Most important, we allow local communities to design the system that best meets their needs. After all, even the fanciest new transit system, supported by the most intense public relations program, will be unsuccessful if it doesn't take people from where they are, to where they want to go, when they want to go there, at a price they can afford.

During the last few years, commuting patterns in our major metropolitan areas have been shifting dramatically. 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.

As you can see, we have sought to reverse the direction of the past 20 years of a federally-dominated, and often strangled, transit policy that resulted in the creation of single provider public transit monopolies and the virtual elimination of the private sector in mass transit.

This has required a delicate balance. On the one hand, we firmly support the belief that decisions about local public services are best made by local officials. On the other hand, we owe it to federal taxpayers to see that their funds are used in the most cost-efficient way possible.

We believe that our policies strike this balance by insuring meaningful consideration of private sector resources where possible in the delivery of public transit services. As a result of our efforts, 92 percent of our grantees have developed a local process to involve the private sector and have contracted out \$977.8 million in transit services during 1987. We believe these policies and programs are helping to shape a more rational, market-oriented future for mass transit in the United States. Such a future will not only benefit the industry and those who work in it, but it will better serve the taxpayers and riders for whom mass transit exists in the first place. As we pursue our efforts, it is most valuable to learn of what our European counterparts are doing. We look forward to a continuing exchange of ideas and information with you.

Thank you.



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REMARKS PREPARED FOR DELIVERY BY
SECRETARY OF TRANSPORTATION JIM BURNLEY
BEFORE THE EUROPEAN CONFERENCE ON MINISTERS OF TRANSPORTATION
ON HIGH-SPEED RAIL DEVELOPMENTS
MAY 26, 1988
LUXEMBOURG

Mr. Chairman:

I am pleased to share with you some of the recent developments in high-speed passenger rail activity in the United States. Because of the size of the U.S., the benefits of any specific high-speed rail service proposal generally accrue to a single state or region, rather than to the nation as a whole. Efficient investment decisions are more likely when the beneficiaries of the investment also pay the costs of that investment. Thus, we have taken the position that high-speed rail projects should be funded by state and local governments or private investors rather than by having the federal government subsidize improvements that benefit only the inhabitants of a particular area.

The major exception to our policy of state and local development has been our Northeastern corridor. The U.S. government has spent more than \$2 billion in recent years to upgrade the Northeastern corridor, which includes Boston, New York, Philadelphia and Washington. As a result, there are some sections through which Amtrak operates passenger trains at speeds of 200 kilometers per hour. Amtrak, our National Rail Passenger Corporation owns and operates most of the Northeast corridor. This 730 km section of railroad, averaging three tracks, serves eight of our states and our nation's capital. All other areas where high speed rail development may be economically justified are typically within one or sometimes

two states, further underlining the logic of relying on states, localities and the private sector for development of this form of transportation.

The project that is most advanced at this point is in the State of Florida, which is considering high-speed service for a Miami-Tampa-Orlando corridor. Florida has appointed a high-speed rail commission and given it bonding and eminent domain powers. One of the most interesting aspects of this project is its financing arrangements. Recognizing that the net revenues from the new rail line itself would probably be insufficient to pay bond holders, the State of Florida plans to reserve exclusive development rights to the competitively selected builder of the system. The practice of awarding development rights to a transportation company is a time honored method throughout the world for getting a project started. Perhaps the most important example in U.S. history is the building of transcontinental railroads by private firms which were given large tracts of land to develop adjacent to their lines. At this time the Florida commission is evaluating proposals from two applicants and expects to complete its review in late September of this year. However, construction is not expected to begin before 1991. Both applicants have important European connections. They are the TGV Corporation -- sponsored by the French company Alstom, and using the same technology as the French TGV -- and the Florida High-speed Rail Corporation, whose technology comes from the Swedish/Swiss firm of ASEA Brown Bober.

Another location that has been studied for a possible high-speed rail service is the route between Los Angeles, California and Las Vegas, Nevada in the Western United States. This feasibility study was partially funded through the Federal Railroad Administration of the U.S. Department of Transportation. The report concludes that high-speed rail is feasible in this particular market. As it stands now, the two-lane highway that runs most of the distance between Los Angeles and Las Vegas is regularly backed up with long traffic jams. A bi-state commission, with members from California and Nevada, has been formed to oversee the development and implementation of the service.

Yet another encouraging development occurred this past March, when the Federal Railroad Administration concluded an agreement to award a grant to the Texas Turnpike Authority to study the feasibility of high-speed rail service linking the Texas cities of Houston, Dallas, Fort Worth, Austin and San Antonio. The study will focus initially on the Houston to Dallas segment. The Texas Turnpike Authority is considering the issuance of bonds to underwrite part of the Houston-Dallas line construction.

Currently, the New York State Department of Transportation is investigating upgrading its Buffalo-New York City corridor service. The state is also cooperating with Vermont, the Province of Quebec, and the city of Montreal on a study of a high speed line between Montreal and New York City.

Studies have been undertaken in at least four other markets in the U.S. in response to interest in high-speed rail. The conclusions of the various studies have varied. In most cases they have concluded that ticket revenues are sufficient to pay for operating costs, provide for future maintenance and vehicle replacement, and make some contribution to the repayment of funds borrowed to build the system. There is recognition that other long-term financing sources are essential. Concepts are being considered such as real estate development rights, tax exempt bonds, state governments paying for some costs such as grade crossing elimination, and sharing of existing government-owned highway rights-of-way.

In summary, our policy toward high-speed rail is to have states localities, and the private sector be responsible for development. We do not see it as the federal government's role nor a role of Amtrak, our National Railroad Passenger Corporation. Amtrak should concentrate on improving its internal efficiency and reducing its dependence on federal subsidy and becoming a more viable candidate for privatization.

High-speed rail offers an opportunity for the private sector working with our state and local governments. Because of the advanced state of European passenger rail technology and its excellent safety record, you can also consider these projects to be opportunities for European companies and further exchanges between the United States and European nations.

A major effort in my Department has been improving the safety of our nation's transportation system. We have made considerable progress in rail as well as all other modes of transportation. The European and Japanese experience with high speed rail has produced an impressive safety record. As the high-speed rail proposals in the U.S. come closer to actual construction, particularly those involving European technology, we will want to make sure that this excellent safety record carries over in to the United States as these technologies are adapted to U.S. conditions.

Thank you.



U.S. Department of
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REMARKS PREPARED FOR DELIVERY BY
SECRETARY OF TRANSPORTATION JIM BURNLEY
EUROPEAN CONFERENCE OF MINISTERS OF TRANSPORT
MAY 1988
LUXEMBOURG

It is a pleasure to be here today. I appreciate having the opportunity to bring a number of issues before this conference.

Today our countries are making steady progress in transportation. New, exciting developments in technology and communications are changing the way we conduct business. I refer specifically to the willingness on the part of many nations to explore new and innovative policy approaches to facilitate trade and travel. There is distinct movement away from the more restrictive, government-directed regulatory regimes and toward flexible, market-driven policies better suited to the demands of fast-moving societies and growing economies.

As you know, we in the United States began economic regulatory reform of the transportation sector of our economy over a decade ago. This often created difficulties in relationships with European trading partners. Simply put, we and our trading partners were moving in different directions. Today, however, most of us appear to be headed along a similar course.

In aviation, for example, there has been a decided tilt toward liberalization by the European community since the decision by the European Court of Justice two years ago that provisions in the Treaty of Rome prohibit parties from entering into collective price agreements in commercial aviation. This led to the adoption of the new air transport liberalization policy by the EC that went into effect at the outset of this year.

(With the recent adoption of new ocean transport rules by the EC.) There have been positive changes in ocean shipping regulations. Under the rules, there is now a basis for applying statutes on competition in the Treaty of Rome that can guard against abuses of market power by closed conferences. The rules also establish a framework for all of us to join together and combat protectionist measures by third countries. We are watching with great interest the EC's handling of the first cases being raised under these important rules.

These developments have brought our aviation and shipping interests closer. Yet, there are a few continuing problems which, unless resolved, could stall the progress we are beginning to enjoy.

For some time the United States government has been dissatisfied with the high levels of air navigation landing fees charged to our carriers by Eurocontrol. Next month we plan to meet with a number of nations represented here today regarding such continuing problems. This builds on progress made at meetings last fall with Eurocontrol countries, during which we argued that underlying cost allocations violate ICAO guidelines and that the weight-related formula unfairly burdens U.S. airlines. It will be to all our benefit if these differences can be resolved as soon as possible.

Also hindering relations among many of our countries are complications with the use of airline computer reservations systems. As many of you know, we feel that there is widespread and overt bias against display of U.S. flight information in many European systems. The bias is often so extreme as to exclude competitor flights from the display. I am hopeful that current deliberations of the EEC and ECAC on the formulation of a CRS code of conduct will result in the elimination of anti-competitive elements. Having been through a similar exercise ourselves several years ago, which resulted in rules for our CRS industry, we in the United States are acutely aware of the magnitude and complexity of this task.

In this regard, I understand that the CRS policies under consideration might effectively prohibit the practice of code sharing now commonly used by carriers to integrate operations. On the marketing side, code sharing elevates interline connecting service to online status thus improving the position of cooperating airlines on the CRS screen. This appears to create concerns for many of you. I would point out that code sharing has very positive service benefits. For example, code sharing has allowed airlines in the United States to enter smaller markets and provide alternative service. This practice has spread the benefits of service in many markets where it might not have been attractive for a carrier to enter without the lure of code sharing.

Let me add that we have had a miniscule number of consumer complaints about this marketing and operational technique. This is in large part because carriers are required by law to display notices in advertising and on CRS entries when code sharing is employed. This approach encourages the airlines to provide additional service, while protecting passengers from misleading information.

Another hitch in our aviation relationships pertains to airport user fees. U.S. carriers are encountering this specific problem at London's Heathrow Airport. For the past seven years, the United States government has attempted to negotiate the lowering of these fees which we do not believe are accurately cost-based. The final charges for the 1988-1989 season were issued on March 21 of this year. These were effective on April 1 but do not remedy the fact that U.S. airlines still pay a disproportionate share of Heathrow charges. We are studying options for a response, which could include the imposition of countervailing charges on British airlines operating in the United States -- a regrettable but perhaps necessary step given the lack of effort by the British Airport Authority to cooperate on a reasonable solution.

All of us here today have a responsibility to address and resolve the difficulties that complicate our transportation relationships. Reflecting on the experience of regulatory reform in the United States, I know that consumers will be the ultimate beneficiaries if we rededicate ourselves to learning from proven track records.

Consider that, since the economic deregulation of the airline industry in my country, fares have fallen 22 percent in real terms. Cheaper air fares and more frequent flights have saved consumers about \$11 billion annually. Fifty-three million adults in the United States made at least one airplane trip last year compared with 38 million in 1977 -- the year before the airline deregulation act was passed.

Regulatory reforms in our other modes have also produced favorable results. Economic deregulation of our railroad industry in 1980 has brought, over the past seven years, average shipping rates below the pace of inflation, whereas before economic deregulation, they usually rose more rapidly than inflation. In some cases, rates have actually declined, a pattern that tracks across all commodity groups.

And our rail industry is now more stable. A little more than a decade ago it was a U.S. industry that was on the verge of collapse. This stability has been encouraged by the flexibilities of reform which have allowed shippers and carriers to work out their own rate and service contracts without needless, stalling government intervention. To date, over 65,000 contracts have been signed -- some for less than 1 year, others extend up to 40 years.

This stability, along with steady market activity, has led to a doubling of the average annual investment in roadbeds and structures. This has resulted in faster turnaround times and more reliable service. Today, products reach our markets faster and costs are controllable.

There is also good news in our motor carrier industry. Its partial deregulation in 1980 eased entry requirements, which encouraged new firms to enter the market. This increased competition has, not surprisingly, made the industry more efficient. Specifically, we have seen improvements in distribution of goods due to better information and inventory management systems. These changes ignited a virtual "logistics revolution" in the way U.S. industry conducts its shipping, merchandising and inventory functions, saving an estimated \$38 billion every year in logistics expenditures.

Finally, the passage of the Shipping Act of 1984 relaxed constraints on the United States ocean shipping liner trade. This regulatory reform law clarified and delineated liner shipping's antitrust status and reduced government involvement in commercial business dealings. It eliminated the need for time-consuming Federal Maritime Commission review of all conference agreements and gave shippers and carriers the right to enter into service contracts for rate discounts. By encouraging intermodalism, it meshed with the newly-granted truck and rail reform to create a strong incentive for technological improvements in international container transport -- resulting in an explosion in double-stack train transport and the creation of truly intermodal companies. The United States bulk and liner shipping trades continue to be among the most open in the world.

All of these positive developments confirm that economic deregulation has been one of the most successful populist reforms in the U.S. since World War II. It has relieved government of responsibilities in rate, route and entry matters allowing us to focus more on safety regulations in all modes of transportation. Safety has not and will not be deregulated.

1987 proved to be the seventh safest year for U.S. airlines since safety regulation began over six decades ago. In the past half-century there have been only six years when passenger fatalities fell to single digits or zero; five of those years have been since deregulation. Every day in my country, some 15,000 scheduled airline flights

carry an average of 1 million passengers, and 99.999 percent of these flights reach their destinations without so much as a minor incident. I'm proud to say that our aviation system is the safest in the world.

Railroad safety has also shown marked improvement during the deregulation years. The train accident total, excluding grade crossing accidents, has declined consistently since passage of reforms in 1980. It has gone from 8,205 to 2,525 in 1987.

For trucking, the number of reported accidents and fatalities per 100 million vehicle miles traveled declined steadily over the past seven years.

I have no intention of representing that the changes brought by deregulation in the United States, for all their benefits came easily or painlessly. The reforms changed travel, shipping and pricing patterns that were in place for several decades. There were problems of transition, some of which we are still trying to work through.

While no system ultimately dependent on human judgments will ever be flawless, we can minimize problems by applying some of the lessons we've learned about international and domestic transportation. Experience shows that excessive government control over commercial modes of transportation stunts economic growth and burdens consumers with inflated prices.

The possibilities for the future of transportation are as broad and exciting as we allow them to be. If we in government act selfishly, protectively, the great opportunities available to bring people together -- to enhance engines for social and economic development -- will be lost. That is a prospect I doubt any of us wants to consider.

So, as they say, "Let's take the high road." Let us pledge to work for open transportation systems and cooperate in every way possible to bring the advantages of open markets in trade and travel to our nations.

Thank you.