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REMARKS PREPARED FOR DELIVERY BY
DEPUTY SECRETARY OF TRANSPORTATION ELAINE L. CHAO
PUBLIC SECURITIES ASSOCIATION
ANNUAL WASHINGTON CONFERENCE
WASHINGTON, D.C.
MARCH 2, 1989

It is a pleasure to be with you today.

No one in the securities business needs to be reminded of the incredible pace of change taking place the world over. As Vaclav Havel, the new President of Czechoslovakia, said last week to a Joint Session of Congress: "The human face of the world is changing so rapidly that none of the familiar political speedometers are adequate." It seems that none of the familiar economic, financial, or commercial speedometers is adequate, either.

The scope and pace of change will present enormous challenges across the board -- including the transportation sector. That's the fundamental reason the Department has undertaken the development of the National Transportation Policy.

As everyone in this room knows, successful corporations are those with a vision, a clear understanding of its mission and course ahead. To fulfill its mandate, the federal government should have a strategic plan as well. And that's what the forthcoming National Transportation Policy is about.

It will take a new look at the nation's transportation agenda. It will integrate transportation into the Administration's goals of competitiveness and investment. It will be intermodal in nature, and organized around the major transportation markets.

Of the six strategic themes we will lay out in our strategy, one will be of particular interest to you who work in the securities industry. It's our commitment to foster a sound financial base for transportation.

As we envision it, that base will be grounded firmly in a full partnership between the federal government and its state and local counterparts. Transportation has benefited from a long tradition of partnership between these two broad sectors of government. That partnership has built and maintained most of our transportation system to date. And it represents a foundation we can build upon to create the transportation system we need for the 21st century.

This traditional dual partnership will be called upon to rely fully on the membership of a third partner -- the private sector. During the outreach program we conducted to develop the National Transportation Policy, we held 117 events in 43 towns and cities across America. One of the things we heard was that the United States will need to rely more on the private sector

to finance facilities and services in virtually every area of transportation.

Private lending institutions and other investors have a tremendous opportunity to a play a significant role in rebuilding this country's transportation infrastructure. For the nation's transportation system to sustain its present performance, and to accommodate increasing demand, substantial infusions of private capital will be needed. This includes areas that have traditionally been entirely within the public sector.

The task of maintaining and rebuilding our transportation infrastructure is immense. No one entity can do it alone. Government at all levels must extend its hand to the private sector with an offer of full participation in addressing our mutual transportation needs. It's got to be a joint effort between government and business -- with sufficient incentives and rewards for each.

In rapidly growing metropolitan areas in particular, the private sector can provide a major source of much-needed transportation capacity. Some state and local agencies are already addressing growing traffic demand by permitting private construction and operation of highways and other transportation facilities.

Private ventures are springing up across the country, and are prime examples of what private capital can do for America's transportation future.

Just a few miles from here in Virginia, a private corporation is proposing to build an extension to the toll road leading to Dulles International Airport. Developers would donate the necessary land in return for greater development potential for the rest of their property. Tolls would be collected to pay for the construction and operating costs. Eventually, the facility would be transferred to the state once the financing bonds have been retired.

In many cities, the private sector helps finance major transit capital programs.

A number of promising initiatives are taking place in Florida. In Miami, a private developer donated the metrorail right-of-way which enabled construction of the Dadeland South Station. In Tampa, a private developer built a short automated guideway system to connect an island residential development with the mainland. The state has begun to move ahead on a high speed rail line linking Tampa with Miami and Orlando. There's even talk of a privately financed magnetically levitated train to link the Orlando airport with the theme park area.

In January, three firms submitted bids for the right to build and operate a privately financed high speed train system linking Las Vegas and the Los Angeles area.

Las Vegas is already well underway on what will become the first magnetically levitated train system in North America in 1992. The city of Las Vegas has called on private industry to design, construct, operate, and maintain this world class transportation system at no cost to taxpayers. In the future, the city may extend the system nine miles to link Las Vegas' downtown with its strip, convention center, and international airport.

All these ventures point to why there should be more joint development between business and government. It will increase cooperation between the public and private sectors in planning, constructing, renovating, and improving transit facilities. With this approach, the private sector can assist cities in "leveraging" federal dollars by contributing to the local match.

Joint development offers other important advantages. It enables cities to benefit from the marketing expertise of the private sector to achieve public sector objectives. It benefits transit agencies by financing and constructing station improvements. It can speed implementation. It can make transit more convenient and increase ridership. It can reduce automobile

commuter trips. It benefits developers by increasing rental values, and benefits cities and other local governments by increasing property tax revenues.

The range of tools and choices available to state and local governments must be expanded. Our transportation strategy will support giving them wider latitude to impose tolls on highways and other transportation facilities to raise transportation revenues -- even if those facilities are constructed with federal funds.

The same holds true for aviation. Given the pressing need for investment in aviation capacity, airports should be allowed to collect passenger facility charges to cover the costs of improvements and additional facilities to alleviate congestion.

The federal government must provide additional flexibility to state and local governments in making use of federal funds. We must also increase incentives and technical assistance for innovative financing approaches. We will push to relax rigid federal standards governing the way that federal monies can be used. We are well aware of how federal restrictions can impose unnecessary costs and prevent state and local governments from pursuing the most cost-effective options.

For its part, the federal government will preserve the integrity of the trust funds by spending the funds for the benefit of transportation users. But this commitment must be honored within the context of fiscal constraints we as a nation now face at the federal level.

While the Department of Transportation is committed to upholding its share of the transportation partnership, I want to underscore our transportation strategy's renewed emphasis on the initiative and resources of private firms, and state and local agencies. Government at all levels should treat the private sector as a valuable resource for meeting public needs.

Daring and creativity will be needed to manage private-public partnerships. The private sector can offer much.

The ultimate goal is to allow local communities more say in designing systems to meet their needs. After all, even the most elaborate transportation systems, supported by the most intense public relations programs, will fail if they don't take people from where they are -- to where they want to go -- when they want to go there -- and at a price they can afford.

This country faces major challenges in all modes of transportation. I am committed to fostering an environment where competition can flourish. Restoring

greater market incentives to transportation can only improve service for the traveling public.

We foresee an American transportation network which combines the best elements of the public and private sectors in a natural partnership -- a partnership that responds to changing needs, and draws strength from the diversity of its participants.

The securities industry will play an important role in this partnership. The capital you marshal for states and communities across the country will continue to be an indispensable ingredient in America's transportation success.

We believe our expectations are realistic. They represent real opportunities, and are essential to the economic health of this country in the 1990s, and into the 21st century.

We look forward to working with you.

Thank you.

REMARKS PREPARED FOR DELIVERY BY
DEPUTY SECRETARY OF TRANSPORTATION ELAINE L. CHAO
REPUBLICAN WOMEN'S FEDERAL FORUM
WASHINGTON, D.C.
MARCH 8, 1990

Thank you, Gayle, for that kind introduction. And thank you, Corinne and all of your here today for inviting me to join you.

I just left the Secretary at the White House, where he and President Bush announced the National Transportation Policy. He asked me to give you his regrets, and explain that when the boss calls, his plans can change quickly. When I left, I was in the middle of a press briefing. I know that many of you in this room have dealt with the press, so you know that it is from my heart when I say I would much rather be here with you.

I thought I would take a few minutes to fill you in on the National Transportation Policy. The number one goal of the Transportation Department is to provide safe, efficient and reliable transportation for all Americans. We quickly found out that there was no long-term strategic policy to do so.

Now, if there is one thing a person learns coming out of the private sector, it is that the success of any organization depends in large part on having a strategic approach from which to operate.

The National Transportation Policy development process began a year ago. We reached out to the American people in more than 100 public meetings held nationwide. A constant refrain was the need for an improved transportation system -- a system with greater capacity and a sound financial base that supports our national goals in the areas of safety, national security, environmental protection and accessibility.

What we heard from the American people echoed the words of President Bush: "We are ready to make an investment in America's future." Investment in transportation is an investment in our future economy and in jobs.

The National Transportation Strategy unveiled this morning provides a strategic framework for that investment of time, money, and ideas. It shapes the movement of people and goods in the 1990s and beyond.

In its simplest form, the strategy emphasizes doing the right things with our limited resources: focusing on systems of national significant and promoting national priorities. Its aim is to improve mobility and improve the quality of life for all Americans.

The strategy treats all types of transportation even-handedly, but maintains the flexibility necessary to deal

with the differing needs across the country. For example, a highway program must have the flexibility to address the needs of states as diverse as California and North Dakota, and to watch out for the interests of automobiles drivers as well as truckers.

There are six major themes in the National Transportation Strategy:

(1) To rebuild and expand our transportation system;

(2) To provide a sound financial base for development of transportation facilities;

(3) To keep out nation's transportation industry strong and competitive;

(4) To support public safety and national security;

(5) To preserve our quality of life and our environment; and

(6) To promote transportation technology and expertise.

This document is not the conclusion of a project, but the beginning of a new era and an ongoing process. It has given us as long-term vision for the future and a short-term decisionmaking framework for major initiatives.

First, let's look at some of the short-term actions already taken by the Department.

One, we will soon be forwarding the FAA Reauthorization Bill to Congress. That bill includes an increase of more than 70 percent in the FAA budget over the next five years, and a provision allowing local airports to apply a passenger facility fee to tickets to support airport development.

Two, we are using this strategy to begin preparing for reauthorization of the highway bill, mass transit and highway safety programs.

Three, we have asked for an increase of 17 percent in Fiscal Year 1991 for continued research and development for things such as high-speed and magnetic levitation rail corridors to reduce congestion, and intelligent vehicles and highways that use advanced electronic and communications technology to move people and goods.

Four, we have expedited funding to local transit projects that undertake greater responsibility for their systems. For the past year, transit funding requests for projects requiring 50-50 funding have been given priority over those requiring a greater federal commitment.

Five, the Department has adopted a program to provide improved international air service to more cities in the U.S.

There are also several long-term goals among the 169 guidelines and 65 legislative objectives outlined in the National transportation Strategy that will help preserve and expand transportation facilities. We want to close the gaps in the transportation network, in order to provide effective connections between rural and urban areas and the various types of transport.

We also want to maintain the integrity of the trust funds, and ensure that all transportation user fees are spent for their intended purpose of improving transportation. Our policy promotes peak period pricing to ensure the most effective use of transportation facilities.

Finally, the strategy provides greater flexibility for state and local governments to raise revenues. For example, greater use of tolls on highways and more encouragement for private sector investment in transportation infrastructure.

As co-chair of the National Transportation Strategy team, I am very proud of our achievement. We feel that if it makes a contribution to maintaining the safety and efficiency of our nation's transportation system, then

we will have taken a giant step towards improving this country's ability to produce and compete in the global economy.

Let me close by saying that as Republicans, we all know the importance of looking to the future. Our political opponents have practiced the politics of the past for many years. The American public made an obvious choice when they elected George Bush to lead our country in 1988.

Secretary Skinner and all of us at the Department of Transportation are doing our part to serve President Bush as we enter this new decade. I'm proud to be part of this Administration, and certainly want to thank you, as fellow Republicans, for your support of our team.

Thank you again. I'd be happy to take any questions you have.

TESTIMONY OF ELAINE L. CHAO

DEPUTY SECRETARY OF TRANSPORTATION

BEFORE THE

SUBCOMMITTEE ON WATER RESOURCES, TRANSPORTATION AND INFRASTRUCTURE

OF THE

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

UNITED STATES SENATE

MARCH 9, 1990

Mr. Chairman, distinguished members of the Committee, it is my privilege to appear before this Subcommittee to testify on behalf of the Department of Transportation on one of the most interesting developments in transportation in recent years -- magnetically levitated high speed ground transportation or Maglev.

America's surface transportation speed is slowing down drastically. Congestion on our highways and at our airports is constraining intercity mobility to the point that economic growth may soon be adversely affected. Present conditions bode even more serious consequences for the future. Maglev, with very safe operating speeds in excess of 300 mph, offers the potential to dramatically improve surface transportation mobility using a technology that is energy-efficient and environmentally sound.

Initial maglev systems would likely develop on a regional basis with distances up to 600 miles, absorbing excess highway and airline demand. High speed maglev systems, connecting regional airports as well as city centers, could provide an attractive alternative to short distance airline travel and could prove effective in relieving airport congestion. Regional maglev systems could ultimately expand to form a nationwide system.

There are basically two types of maglev systems being tested today. One works on the magnetic attraction principle where the vehicle underframe, which wraps around the guideway, is drawn up to within three-eights of an inch of the bottom surface of the guideway. The German Transrapid system, now nearing the end of its prototype testing, is an example of the attraction technology. The other, the Japanese Railways' prototype, works on the magnetic repulsion principle, pushing the vehicle 4-6 inches above the guideway. During the Department's period of active maglev research and development (R&D), Germany, Japan and other countries now involved in maglev research shared the products of our individual efforts. We can see the embodiment of much of America's and DOT's own R&D developments in both the German and Japanese prototypes.

Although both the German and Japanese systems are in the full scale prototype testing stage, no high speed maglev system is presently in revenue service. The Germans have approved construction of a revenue service line to connect the Bonn/Cologne and Dusseldorf airports, a distance of approximately 50 miles. The Japanese, however, have decided to undertake further prototype testing and are considering the construction of a prototype test track in the suburbs of Tokyo.

Recently, I had the opportunity to visit Emsland, West Germany, to ride the prototype Transrapid Maglev and meet with its designers. Mr. Chairman, I understand you also recently had the opportunity to ride the German Transrapid system. Next week Secretary Skinner will be traveling to Europe and will also be riding this system. I have also had the opportunity to meet with State and local officials, and private investors who want to develop maglev systems in the U.S. DOT staff have also reviewed the Japanese prototype. We have come away from those meetings believing that maglev technology has the potential to play an important role in the Nation's transportation system in this decade and throughout the 21st century.

Both the Germans and Japanese have made impressive advances in developing this technology, but I believe that there is a potential for a U.S. designed, advanced maglev system that could become the system of choice for future high speed ground transportation systems. The task before us now is to determine the appropriate role of the Federal Government in this development.

I will begin my testimony by describing the Department's role in maglev development, what we have done, what we are doing, and what we believe should be done in the future.

PAST DOT EFFORTS IN THE DEVELOPMENT OF MAGLEV

The Department's earliest involvement with maglev dates from the High Speed Ground Transportation Act. Under that Act, we funded a wide range of research into all forms of high speed ground transportation. The Department rapidly became a world leader in maglev research and along with the National Science Foundation sponsored research which produced scale model demonstrations of the maglev concept. Research by the Department lead to the development of the linear motor, the motive power used by all current maglev prototypes. In 1974, a prototype linear induction motor research vehicle set a world speed record of 255.4 m.p.h. at the Department's Test Center in Pueblo, Colorado.

In recent years, the Department has funded feasibility studies by States considering high speed ground transportation systems and has been the catalyst for many efforts to define the potential for such systems, providing both seed money and technical assistance. Prominent among these are advanced projects proposed for Florida, Texas, Ohio, California/Nevada and Pennsylvania.

Finally, enactment of the Rail Safety Improvement Act of 1988 [45 U.S.C. 431(a)], specifically made the Federal Railroad Administration (FRA) responsible for establishing and enforcing maglev safety standards.

THE CURRENT STATUS OF MAGLEV IN THE U.S.

A number of States have investigated the feasibility of high speed maglev systems, and some have concluded that private maglev systems are feasible. The Florida High Speed Rail Transportation Commission is in the second phase in its process for awarding a franchise to build and operate a maglev line between Orlando Airport and the nearby theme park area, approximately 14 miles away. This line, which could begin construction as early as next year, would employ the German technology and be financed by Japanese banks. Public and private interests in Pittsburgh recently announced plans for a detailed feasibility study of a 27 mile link between the city's downtown and its airport using Transrapid Maglev and for developing maglev manufacturing activity in the Pittsburgh area. The Transrapid Maglev is likely

to be a serious contender as the high speed ground transportation system to connect Las Vegas with the Los Angeles region.

CURRENT DOT MAGLEV-RELATED ACTIVITIES

As the agency responsible for the safety of maglev systems, the Department has initiated a major research and testing effort to ensure the safety of U.S. maglev systems. Research on the Transrapid system, the system proposed for the Florida project, is underway and is being accelerated to ensure that unresolved concerns with safety do not slow implementation. This work will evaluate the adequacy of the existing German safety standards covering this maglev system, the compliance of the system with these standards, and the need for additional standards for operation in the U.S.

FRA's initial safety research focuses on Transrapid and attractive maglev technology because it has been formally proposed for implementation in the U.S., but we also intend to cover repulsive levitation technology as represented by the Japanese design. Our first priority in these efforts is safety, and we are working with the developers of the systems to ensure that FRA safety standards and regulations are clear and timely so that they may be considered in future system design. We want safety built into the systems, not added later, as is the case with some projects.

The Department is also assisting the Florida officials and developers in exploring the environmental issues related to the proposed Florida Maglev project, and will serve as the lead agency for preparation of any Federally required environmental documentation.

The Department is exploring the use of existing transportation rights-of-way, such as the Interstate Highway System and freight rail lines. Preliminary assessments by the Federal Highway Administration have indicated that the location of maglev systems in Interstate Highway median strips may be technically feasible in certain corridors where not otherwise constrained by horizontal curvature limitations. We are continuing to explore this issue and will work with interested parties to develop mechanisms to expedite the requisite approvals where highway segments can be used in a project.

At the direction of the Congress' Appropriations Committees, FRA is studying the feasibility of commercial maglev in the U.S. That study will be completed in June 1990, and will provide an initial insight into maglev's market potential, the economic and technical feasibility of commercial maglev systems, and legislative and other institutional changes that would facilitate the development of U.S. designed and manufactured maglev systems.

Although the study is still in progress, it is clear that both current maglev systems are still in the formative stage with some bugs to be worked out, including the rather substantial capital costs. This is a natural stage for any new technology, and it offers us the opportunity to improve on the existing technology and develop the second generation of maglev in this country that would become the system of choice in the 21st century.

FUTURE DOT MAGLEV ACTIVITIES

As you are no doubt aware, the President's budget request for Fiscal Year 1991 includes a request for approximately $10 million to explore the possibility of stepped-up U.S. efforts in maglev. Building on previous R&D and results of the current feasibility study, that program is designed to determine the appropriate role for maglev in the U.S. transportation system, the economic feasibility, the appropriate safety and operating standards, and the remaining technologies that must be developed to achieve an efficient, economically sound and environmentally acceptable U.S. system. The goal of the program is to facilitate private development of an operational maglev system in the U.S. based on a domestically designed and manufactured technology.

To avoid possible duplication of efforts, Federal agencies with interests in maglev have established a mechanism to coordinate their efforts. The Federal Maglev Executive Committee, chaired

by Federal Railroad Administrator Gil Carmichael and including Tom Larson, the Federal Highway Administrator, Major General Patrick Kelly from the Corps of Engineers and J. Michael Davis, Assistant Secretary for Conservation and Renewable Energy of the Department of Energy, will set policy for this effort, which we are calling the Federal Maglev Initiative. At the working level, the Federal Maglev Coordinating Committee is directing implementation of the programs and coordinating all Federal maglev efforts. NASA, EPA, FHWA, DOE and the Department of Commerce are participating in these efforts so that we can take advantage of their specialized expertise.

The process is working well. I believe the combining of the Corps' expertise in public works with the Department's expertise in transportation and in maglev technology will lead to thorough analysis and useful recommendations on the future of maglev in the U.S. The recommendations, to be completed in early 1992, will lay out the potential for maglev and the steps by the government and the private sector necessary to realize this potential.

The group's first joint endeavor will be a Government-Industry forum on May 2 and 3 to explain the Federal Maglev Initiative, to obtain private sector input, and to begin to develop the government-industry relationships that will be necessary if this effort is to be a success. I was pleased to learn that you,

Mr. Chairman, have agreed to address this gathering. The United States has a long history of scientific and technological breakthroughs that have permitted advances in transportation worldwide. The Department's Transportation Policy Statement, which was announced by President Bush and Secretary Skinner yesterday, builds on that expertise and supports a Federal initiative to assess the possibility of such a breakthrough with maglev. The Federal Government will serve as a catalyst in the process by supporting research and development of technical issues and working to ensure that regulatory and institutional barriers do not impede implementation of cost-effective, environmentally sound transportation options like maglev.

Maglev systems offer an infrastructure alternative that is less disruptive, and possibly less expensive, than the construction of new highways or airports. These maglev systems can wear the "Made in the USA" label if we all, Federal and State Governments and the private sector, pool our efforts toward that common goal.

Mr. Chairman, this concludes my statement and I will be happy to answer any questions that the Subcommittee might have.

TESTIMONY OF ELAINE L. CHAO
DEPUTY SECRETARY OF TRANSPORTATION
BEFORE THE
SUBCOMMITTEE ON WATER RESOURCES, TRANSPORTATION AND INFRASTRUCTURE
OF THE
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
UNITED STATES SENATE
WASHINGTON, D.C.
MARCH 9, 1990

Mr. Chairman, distinguished members of the Committee, it is my privilege to appear before this Subcommittee to testify on behalf of the Department of Transportation on one of the most exciting developments in transportation in recent years -- magnetically levitated high speed ground transportation or Maglev.

Growing congestion on our highways, at our airports, and in our airspace is constraining mobility to the point that economic growth will soon be adversely affected. Present conditions bode even more serious consequences for the future. Maglev, with operating speeds in excess of 300 mph, offers the potential to dramatically improve transportation mobility using a technology that is clean, energy-efficient and environmentally sound.

Initial maglev systems will likely develop on a regional basis with distances up to 600 miles, absorbing some of the excess highway and airline demand. High speed maglev systems, connecting regional airports as well as city centers, will provide an attractive alternative to

airline travel and should prove especially effective in relieving airport congestion. Regional maglev systems could ultimately expand to form a nationwide system.

Recently, I had the opportunity to visit Emsland, West Germany, to ride the prototype Transrapid Maglev (an example of the attraction approach) and meet with its designers. I have also had the opportunity to meet with state and local officials, and private investors who want to develop maglev systems in the U.S. Other DOT staff have reviewed the Japanese prototype which is an example of the repulsive approach. We have come away from those meetings believing that this technology has the potential to play an important role in the nation's transportation system in this decade and throughout the 21st century.

Both the Germans and Japanese have made impressive advances in developing this technology, but I believe that there is a distinct possibility for a U.S. designed, advanced maglev system that could become the system of choice for future high speed ground transportation systems. The task before us now is to determine the appropriate role of the federal government in this development.

I will begin my testimony by describing the Department's role in maglev development, what we

have done, what we are doing, and what we believe should be done in the future.

DOT'S STATUTORY AUTHORITY OVER MAGLEV

Congress has established the Department, acting through its Federal Railroad Administration (FRA), as the agency responsible for all aspects of research and development, demonstration, and safety regulation of maglev. The High Speed Ground Transportation Act of 1965 (49 U.S.C. 1631) gave DOT responsibility for federal Government efforts in R&D and demonstration of high speed ground transportation. The Rail Safety Improvement Act of 1988 (45 U.S.C. 431 (a)) specifically made FRA responsible for establishing and enforcing maglev safety standards. Leadership role for the Department was further emphasized in the Conference Report accompanying the fiscal year 1990 Department of Transportation and Related Agencies Appropriations Act (Public. Law No. 101-164) which stated the Congress' expectations that "...any governmental efforts in the development of high speed rail and maglev be coordinated through and by the FRA." (H.R. Conf. Rep. No. 315, 101st Cong., 1st sess. 99 [1989]). We are keenly aware of these responsibilities and have restructured our forces and reallocated resources to address the associated challenges.

PAST DOT EFFORTS IN THE DEVELOPMENT OF MAGLEV

The Department's earliest involvement with maglev dates from the High Speed Ground Transportation Act. Under that Act, we funded a wide range of research into all forms of high speed ground transportation, and FRA rapidly became a world leader in maglev research. FRA and the National Science Foundation sponsored research which produced scale model demonstrations of the maglev concept. FRA research also developed the linear motor, the motive power used by all current maglev prototypes. In 1974, a prototype linear induction motor research vehicle set a world speed record of 255.4 m.p.h.

In recent years, FRA funded feasibility studies by states considering high speed ground transportation systems. FRA has been the catalyst for many efforts to define the potential for such systems, providing both seed money and technical assistance. Prominent among these are projects proposed for Florida, Texas, Ohio, California/Nevada and Pennsylvania.

THE CURRENT STATUS OF MAGLEV IN THE UNITED STATES

There are basically two types of maglev systems being tested today. One works on the magnetic attraction principle where the vehicle underframe, which wraps around the guideway, is drawn up to within three-eighths of an inch of the bottom surface of the guideway. The German Transrapid system, now nearing the end of its prototype testing, is an example of the attraction technology. The Japanese Railways' prototype works on the magnetic repulsion principle, pushing the vehicle 4-6 inches above the guideway. During the Department's period of active maglev R&D, Germany, Japan and other countries now involved in maglev research shared the products of our individual efforts. We can see the embodiment of much of America's and DOT's own R&D developments in both the German and Japanese prototypes.

Although both the German and Japanese systems are in the full scale prototype testing stage, no high speed maglev system is presently in revenue service. The Germans have approved construction of a maglev reverse service line to connect the Bonn/Cologne and Dusseldorf airports, a distance of approximately 15 miles. The Japanese, however, have decided to

undertake further prototype testing and are considering the construction of a prototype test rack in the region between Osaka and Tokyo. Both Japan and Germany view the export market as a major reason for their maglev efforts and the U.S. as possessing the most promising market.

The Florida High Speed Rail Transportation Commission is in the second phase in its process for awarding a franchise to build and operate a maglev line between Orlando Airport and the nearby Theme Park area, approximately 14 miles away. This line, which could begin construction as early as next year, would employ the German technology and be financed by the Japanese. Public and private interests in Pittsburgh also recently announced plans for a detailed feasibility study of a 27-mile link between the city's downtown and its airport using Transrapid Maglev. The Transrapid Maglev is seriously being considered as one of the options to connect Las Vegas with the Los Angeles region by the Bechtel Corporation.

ONGOING DOT MAGLEV-RELATED ACTIVITIES

As the agency responsible for the safety of maglev systems, FRA has initiated a major research effort to ensure the safety of U.S. maglev systems. Research on the Transrapid system is underway and is being

accelerated to insure that unresolved concerns with safety do not slow implementation. This work will evaluate the adequacy of the existing German safety standards covering this maglev system, the compliance of the system with these standards, and the need for additional standards for operation in the U.S. Our goal is to have safety requirements in place before the design is finalized.

FRA's initial research focuses on Transrapid and attraction maglev technology, but we also intend to cover repulsive levitation technology as represented by the Japanese design. Our first priority in these efforts is safety, and we are working with the developers of the systems to ensure that FRA safety standards and regulations are clear and timely so that they may be considered in system design. We want safety built into the systems, not added later, as is the case with some projects.

FRA is assisting the Florida officials and developers in exploring the environmental issues related to the proposed Florida Maglev project, and will serve as the lead agency for preparation of any federally required environmental documentation.

The Department is exploring the use of existing transportation rights-of-way, such as the Interstate

Highway System and freight rail lines. Preliminary assessments by the Federal Highway Administration have indicated that the location of maglev systems in Interstate Highway median strips may not be technically feasible in certain corridors because of horizontal curvature limitations. However, we are continuing to explore this issue and will work with interested parties to develop mechanisms to expedite the requisite approvals where highway segments can be used in a project.

At the direction of the Congress' Appropriations Committees, FRA is studying the feasibility of commercial maglev in the U.S. That study will be completed in June 1990, and will evaluate the market potential and assess the technical feasibility of commercial maglev systems, assess the capability of U.S. industry to develop such systems and identify legislative and other institutional changes that would facilitate the development of U.S. designed and manufactured maglev systems.

Although the study is still in progress, it is clear that both current maglev systems are still in the formative stage with some bugs to be worked out, including the rather substantial capital costs. This is a natural stage for any new technology, and it offers us the opportunity to leapfrog the existing technology and develop the

second generation of maglev in this country that will address these shortcomings and become the system of choice in the 21st century.

FUTURE DOT MAGLEV ACTIVITIES

As you are no doubt aware, the President's budget request for fiscal year 1991, includes a request for approximately $10 million to explore the possibility of stepped-up U.S. efforts in maglev. This program will build on the ongoing FRA feasibility study to determine the role of maglev in the U.S. transportation system, the economic feasibility, the appropriate safety and operating standards, and the remaining technologies that must be developed to achieve an efficient and environmentally acceptable U.S. system. The goal of the program is to facilitate private development of an operational maglev system in the U.S. based on a domestically designed and manufactured technology.

Approximately $6.2 million of this funding would be allocated to the FRA with the remainder going to the Corps of Engineers. To ensure that this effort gets answers fast, and to avoid possible duplication of efforts, federal agencies, with interests in maglev, have established a mechanism to coordinate our efforts.

The Federal Maglev Executive Committee, chaired by Federal Railroad Administrator Gil Carmichael and

including representatives from the Corps and the Department of Energy will set policy for this effort, which we call the Federal Maglev Initiative. At the working level, the federal Maglev Coordinating Committee is directing implementation of this policy and coordinating all Federal maglev efforts. NASA, EPA and the Department of Commerce are participating in these efforts so that we can take advantage of their specialized expertise.

Despite my own hesitancy about committees, the process is working well. I believe the addition of the Corps' expertise in civil works with the Department's expertise in transportation and in maglev technology will lead to definitive analysis and recommendations on the future of maglev in the U.S. The recommendations, to be completed in early 1992, will lay out the potential for maglev and the steps by the government and the private sector necessary to realize this potential.

The group's first joint endeavor will be a government-industry forum on May 2 and 3 to explain the Federal Maglev Initiative, to obtain private sector input, and to begin to develop the government-industry relationships that will be necessary if this effort is to be a success. I was pleased to learn that Chairman Moynihan has

agreed to address this gathering and provide his insights as to what needs to be done.

The future of maglev will depend on a number of factors. As you know, Secretary Skinner will unveil the Department's National Transportation Policy in the very near future. While I cannot comment on its contents at this time, I can discuss an observation of mine. I share a concern with a wide spectrum of citizens, at the growing congestion on our highways and in the air.

In the National Transportation Policy, we will be looking for ways of providing alternatives that are less disruptive, and possibly less expensive, than the construction of new highways or airports. Maglev has the potential to be one of those alternatives, an alternative that would be largely developed in the private sector and responsive to the demands of the traveling public. And those maglev systems may wear the "Made in the U.S.A." label if we all, federal and state governments and the private sector, pool our efforts toward that common goal.

TESTIMONY OF ELAINE L. CHAO
DEPUTY SECRETARY OF TRANSPORTATION
BEFORE THE
SUBCOMMITTEE ON WATER RESOURCES, TRANSPORTATION AND INFRASTRUCTURE
OF THE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
UNITED STATES SENATE
MARCH 9, 1990
WASHINGTON, D.C.

Mr. Chairman, distinguished members of the Committee, it is my privilege to appear before this Subcommittee to testify on behalf of the Department of Transportation on one of the most exciting developments in transportation in recent years -- magnetically levitated high speed ground transportation or Maglev. With me today is Dean Carlson, Executive Director of the Federal Highway Administration.

America's surface transportation speed is slowing down drastically. Congestion on our highways, and at our airports is constraining mobility to the point that economic growth will soon be adversely affected. Present conditions bode even more serious consequences for the future. Maglev, with very safe operating speeds in excess of 300 mph, offers the potential to dramatically improve surface transportation mobility using a technology that is energy efficient and environmentally sound.

Recently, I had the opportunity to visit Emsland, West Germany, to ride the prototype Transrapid Maglev and

meet with its designers. Mr. Chairman, I understand you also recently had the opportunity to ride the German Transrapid system. Next week, Secretary Skinner will be traveling to Europe and will also be riding this system. I have also had the opportunity to meet with the designers of the Japanese Railways prototype and with state and local officials, and private investors who want to develop Maglev systems in the U.S. I came away from those meetings believing that this technology has the potential to play an important role in the nation's transportation system in this decade and throughout the 21st century.

As the Department responsible for the safety of Maglev systems, DOT has initiated a major effort to ensure the safety of U.S. Maglev systems. We are working with the developers of the systems to ensure that safety standards and regulations are clear and timely so that they may be considered in system design. We want safety built into the systems, not added later, as is the case with some projects.

At the direction of the Congress' Appropriations Committees, FRA is studying the feasibility of commercial maglev in the U.S. That study will be completed in June 1990, and will evaluate Maglev market potential, assess the economic and technical feasibility of commercial Maglev systems, and identify

legislative and other institutional changes that would facilitate the development of U.S. designed and manufactured Maglev systems.

As you are no doubt aware, the President's budget request for fiscal year 1991 includes a request for approximately $10 million to explore the possibility of stepped-up U.S. efforts in Maglev. Building on previous research and development done by the Department and results of the current feasibility study, our program is designed to determine the role of Maglev in the U.S. transportation system, the economic feasibility, the appropriate safety and operating standards, and the remaining technologies that must be developed to achieve an efficient and environmentally acceptable U.S. system. The goal of the program is to facilitate private development of an operational Maglev system in the U.S. based on a domestically designed and manufactured technology.

To avoid possible duplication of efforts, federal agencies with interests in Maglev have established a mechanism to coordinate our efforts. The Federal Maglev Executive Committee, chaired by Federal Railroad Administrator Gil Carmichael and including Tom Larson, the Federal Highway Administrator, Major General Patrick Kelly of the Army Corps of Engineers and J. Michael Davis, Assistant Secretary for

Conservation and Renewable Energy of the Department of Energy, will set policy for this effort, which we are calling the Federal Maglev Initiative. At the working level, the Federal Maglev Coordinating Committee is directing implementation of this policy and coordinating all federal maglev efforts.

The process is working well. I believe the combining of the Corps' expertise in public works with the Department's expertise in transportation and in Maglev technology will lead to definitive analysis and recommendations on the future of Maglev in the U.S. The recommendations, to be completed in early 1992, will lay out the potential for Maglev and the steps by the government and the private sector necessary to realize this potential.

The group's first joint endeavor will be a government-industry forum on May 2 and 3 to explain the Federal Maglev Initiative, to obtain private sector input, and to begin to develop the government-industry relationships that will be necessary if this effort is to be a success. I was pleased to learn that you, Mr. Chairman, have agreed to address this gathering.

Maglev systems offer an infrastructure alternative that is less disruptive, and possibly less expensive, than the construction of new highways or airports. These

projects would be largely developed in the private sector and responsive to the demands of the traveling public. Also, these Maglev systems may wear the "Made in the USA" label if federal and state governments, and the private sector, all pool their efforts toward that common goal.

I will be happy to answer any questions that the Subcommittee might have.

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REMARKS PREPARED FOR DELIVERY BY
DEPUTY SECRETARY OF TRANSPORTATION ELAINE L. CHAO
AMERICAN PUBLIC TRANSIT ASSOCIATION
15TH ANNUAL LEGISLATIVE CONFERENCE
WASHINGTON, D.C.
MARCH 12, 1990

It is a pleasure to be with you today.

No one in the public transportation sector needs to be reminded of the incredible pace of change taking place the world over. As Vaclav Havel, the new President of Czechoslovakia, said to a Joint Session of Congress recently: "The human face of the world is changing so rapidly that none of the familiar political speedometers is adequate." It seems that none of the familiar economic, financial, or commercial speedometers is adequate, either.

The scope and pace of change will present enormous challenges across the board, and will have a major impact on America's economic future and international competitiveness. To help address these challenges, the Department of Transportation has developed a comprehensive, integrated transportation strategy. It is a blueprint to help our transportation system meet the nation's needs of the 21st century.

Secretary Skinner and I presented our Statement of National Transportation Policy to President Bush last Thursday. As the President said: "As world trade grows

even larger -- as we continue our leadership in an increasingly global society, we will become even more dependent on transportation than we are today. And when transportation lags or is congested -- when people and goods are stranded in traffic or in airports, we will suffer. And when people and goods flow through a responsive, well-maintained and efficient transportation system, our quality of life improves with it."

As everyone here knows, successful cities are those that have a clear understanding of what they want their economic future to be. They have a vision for the future. And they have a set of policy guidelines to help get them there. To help ensure the nation's competitive success in a global economy, the federal government should have a set of policy guidelines as well. And that's what our national transportation strategy is about.

It takes a new look at the nation's transportation agenda. It integrates transportation into the Administration's goals of competitiveness and economic growth. It is intermodal in nature, and organized around the major transportation markets.

The strategy treats all types of transportation even-handedly, but maintains the flexibility necessary to deal with differing needs across the country. It must have

the flexibility to address the needs of states as diverse as California and North Dakota.

Our national transportation strategy encompasses six major themes. We are committed to:

(1) Rebuilding and expanding our transportation system;

(2) Providing a sound financial base for the development of transportation facilities;

(3) Keeping the nation's transportation industry strong and competitive;

(4) Supporting public safety and national security;

(5) Preserving our quality of life and our environment; and

(6) Promoting transportation technology and expertise.

There are several long term goals among the 169 guidelines and 65 legislative regulatory and program objectives outlined in the new strategy that will help preserve and expand transportation facilities. We want to close the gaps in the transportation network so we can provide effective connections between rural and urban areas and the various types of transport.

We want to maintain the integrity of the trust funds, including the mass transit portion of the highway trust fund, and ensure that all transportation user fees are spent for their intended purpose. Our strategy promotes peak period pricing to ensure the most effective use of transportation facilities, something that will bring major benefits to mass transit.

It's time we recognized that the person who insists on driving alone into a downtown business district during rush hour is the one who is imposing the highest cost on the rest of society. And our new transportation strategy says that it's time we started to recover this cost from the people who are benefiting from it.

We must pursue continued deregulation and remove inequitable labor requirements that limit productivity.

If we maintain and enhance the safety and efficiency of the country's transportation system by implementing the guidelines of our strategy, we will take a great step forward in strengthening America's ability to compete in the global economy.

It's important to stress that our strategy is a call to action. It will not sit idly in the archives of the Library of Congress. It is not the conclusion of a project, but the beginning of an ongoing process. It is a long term vision

for the future, and a framework for decision making in the short term.

It will guide us, for example, as we seek reauthorization of the federal urban mass transit assistance program. Coupled with the thorough analysis embodied in your Transit 2000 report, I believe we have established a solid base of common ground from which we can view the future of transportation in our country.

Like our National Transportation Policy, your Transit 2000 report lays out an agenda for the future. Both are positive and forward-looking. Both look to the future with optimism and hope. And both approach the nation's transportation needs from a perspective that is broader than any single transportation system.

That is the kind of approach we will need to tackle the challenges ahead -- including the reauthorization of the mass transit assistance program. Making that task easier will be a mass transit industry that is ready and able to join in a cooperative effort to build a better America.

Our stress on private sector participation in urban mass transit should not be seen as a effort on the part of the Administration to replace existing public operations with new private ones. Our purpose is both broader

and far more important. Our strategy invites private sector investment in urban mass transit. It does not call for replacing public operators with private ones. Cooperation is the key, not rivalry.

Rebuilding our urban transportation infrastructure will take all the help we can get, wherever we can find it. We want to use existing levels of public funding to leverage new levels of private investment.

Last year, the industry and the Administration jointly celebrated the 25th anniversary of the signing of the first Urban Mass Transportation Act in 1964. This year, we're ready to begin our review of this act. We're prepared to examine its provisions to decide which are applicable for the 1990s and the 21st century, and which need modification.

While APTA and the Administration may not be in full accord on each and every point, I am confident that we can forge a successful partnership on reauthorization. The fact is, our transportation strategy and your Transit 2000 report strike resoundingly similar chords in many areas:

(1) Both believe sources of federal transit assistance should be made more stable.

(2) Both maintain that an important by-product of this new stability will be an expanded use of private financing mechanisms.

(3) Both agree that the time for total modal isolation is long since past. One way to make federal resources go further and do more is to give local decision makers more flexibility in their use of these funds.

(4) Both assert that we must reestablish our commitment to research and development.

(5) Both agree that the federal commitment to transit assistance must be positively and strongly reaffirmed.

An idea whose time is long since past is the notion that highway funds are highway funds, and transit funds are transit funds, and the measure of success at the local level is to get as much of each as one can. Transit 2000 and our new strategy speak clearly and in unison on this point. Both maintain that mobility is the problem, and that federal funds are a resource for its improvement.

Our strategy makes clear that changes should be made in the current mass transit assistance program, and suggests ways that will lead us toward them. We

place increased emphasis on formula distribution, and less reliance on discretionary allocation to permit more confident planning at the local level. We want to see an enhanced local commitment to mass transit, and provide flexibility between highway and transit programs in a number of categories. The Administration is also placing greater emphasis on research, technology, and training to provide safe, efficient, attractive, comfortable, and convenient mobility for everyone.

In the strategy, the Department forthrightly addresses the question of capacity and congestion. Inadequate maintenance and inefficient use of our transportation infrastructure reduce the capacity of the system and contribute to congestion. Expanding capacity will certainly be necessary in some areas. In many other areas, we must make better use of existing transportation facilities. For example, with low occupancy automobiles playing a large part in traffic congestion in urban and intercity travel, we must take greater advantage of the potential of bus, rail, and ridesharing if we are to reduce crowding, delays, and gridlock.

While the strategy calls for more private sector investment in urban mass transit, this must be seen as supplementary and additive. Increased private sector

involvement is not a substitute for current programs and dollars. The importance of federal capital assistance to mass transit is preserved.

There is no question that the nature of federal/local relations has evolved considerably since 1964 when the original urban mass transportation act became law. Therefore, the kind of relationship envisioned by that law must be recalibrated and updated. APTA's input is essential.

And I invite this organization, that has long played such an important role in the shaping of national transportation policy, to continue that tradition, and work with us to secure the reauthorization of the federal mass transit assistance program.

A hallmark of our new transportation strategy -- what sets it apart from previous efforts -- is that it calls for a full partnership between the federal government and its state and local counterparts. Transportation has benefited from a long tradition of partnership between these two broad sectors of government. That partnership has built and maintained most of our transportation system to date. And it represents a foundation we can build upon to create the transportation system we need for the 21st century.

In that spirit of partnership, the Bush Administration pledges to you that it will strongly and enthusiastically support the reauthorization of this important legislation. We further pledge to you that we see mass transportation as playing an important role in the future of urban, suburban, and rural America.

As co-chair of the National Transportation Strategy team, I am very proud of our achievement. We feel if it makes a contribution to maintaining the safety and efficiency of our nation's transportation system, then we will have taken a giant step towards improving America's ability to produce and compete in the global economy.

Mass transportation is essential for our country to realize its full promise, and ensure that all its citizens have access to the opportunities that form the basis of our prosperity and give substance to our dreams. To that end, we see mass transportation as an asset and ally.

Thank you very much.

REMARKS PREPARED FOR DELIVERY BY
DEPUTY SECRETARY OF TRANSPORTATION ELAINE L. CHAO
"TRANSPORTATION AS A NATIONAL STRATEGIC RESOURCE"
EMORY UNIVERSITY
ATLANTA, GEORGIA
MARCH 15, 1990

I am delighted to be here with so many transportation industry representatives in this first symposium on strategic staffing for global competitiveness.

I want to congratulate Jeff Sonnenfeld and the mission of the Emory Center for Leadership and Career Change -- in serving as a forum for exchange between the nation's scholars, top executives and research centers. And I applaud United Parcel Service on sponsoring these symposia.

A week ago today, Secretary Skinner and I presented the National Transportation Policy to President Bush at the White House. The President made a similar point. He said "It's not enough to have a partnership between federal, state and local government, we must have the dynamic fourth partner -- the private sector."

Therefore, Jeff, I hope this can be the beginning of a continuing dialogue between public and private sectors and academia. It will be a useful tool in harnessing the challenges of change in transportation in the remainder of this decade.

Who could ever have imagined the kinds of change we're experiencing today -- change that cuts across all sectors of human activity? In international politics, we're seeing the emergence of alliances and realignments that would have been unthinkable just a few years ago. In science, basic research and technological development are expanding at a remarkable rate. Today's global trade and competitiveness far surpass in intensity and scale that of any period in the history of commerce. All this means that we may well be embarking on an era of unprecedented global economic expansion -- and with it, unprecedented challenges. In transportation, we must be prepared to meet those challenges.

As President Bush said: "No sector is more important to the American economy than transportation. As world trade grows even larger, as we continue our leadership in an increasingly global society, we will become even more dependent on transportation."

Transportation is an $800 billion a year business with $5 trillion dollars worth of assets. In one year the U.S. records 3.5 trillion passenger miles of travel and 3.4 trillion ton miles of freight traffic. Transportation is the workhorse of a $350 billion dollar a year travel industry

and is the backbone of a $250 billion dollar a year trucking industry.

The nation's vitality has always been linked to movement -- from immigrants coming to our shores to wagons moving West, rail lines spanning the continent to ships and planes fanning out across the oceans, and now vehicles reaching into space. Transportation is an engine for economic growth, and a link between the regions and the businesses and the people of the nation and the world. That Americans have moved farther, gone faster, and made more progress as a nation than any other society is a proud accomplishment.

Through our combined talents and resources, transportation tomorrow will be not only a central part of the way we live but a central part of building a better America to meet the challenges of the future.

After more than 100 years of industrial and technological development, the United States has a mature transportation industry. The basic technology for railroads, shipping, automobiles and trucks were developed decades ago, and the systems are all familiar today. The array of airports that began growing with the beginning of commercial flight in the 1930s is now well-established and as heavily used as any part of the national transportation infrastructure.

President Eisenhower's goal in establishing the Interstate Highway system was to "Unite the Nation" in the way that only effective interchange of people and goods can provide. On the ground, over the waterways, in air and space, our mission for this decade and the next century is to complete that job and to build on it. Our mission is to ensure connections between all parts of the United States and the world, and to link our world to worlds beyond.

The nations that are the world leaders in the 21st century will be the nations with the safest and most efficient transportation systems. They will be the ones that are the most innovative and the most creative in their transportation ventures. They will be the countries that capture the future, because they best planned for the future.

Our National Transportation Policy is a blueprint for the future. It is based on the fundamental assumption that America's success in the world requires a longer-term strategic approach.

I served as co-chairman of the National Transportation Policy working group. We went out to the American people in more than 100 public meetings. Many of your companies participated in the policy development process. United Parcel Service's Truck

Safety Program was featured in our policy as an example of how a corporate commitment to safety, backed up by a comprehensive safety program, helped UPS achieve a highway safety record considerably above the industry average.

What we heard from the American people almost echoed the words of President Bush in the State of the Union: "We are ready to make an investment in America's future."

What we heard from the American people is that an investment in infrastructure is an investment in our future economy, in jobs.

Polls show Americans are ready for the investment -- that people are ready to support user fees at state and local levels when they know the money will be spent on highways, bridges and other transportation infrastructure. A Minnesota Star Tribune poll showed 78 percent of adults in Minnesota are willing to pay more state gas taxes and other user fees for road improvements. A Mason-Dixon poll found two-thirds in Florida thought gas taxes should be raised now rather than later to fix roads. A Marist Institute of Public Opinion survey found a majority of New Yorkers willing to pay an additional $100 in taxes per man, woman and child for improvements to infrastructure.

The American people know that when roads and bridges and airports are built, jobs are created. The National Transportation Strategy provides a strategic framework for that investment of time, of money and of commitment. It shapes the movement of passengers and goods in the 1990s and beyond. It is, in short, a charter for a new era.

Among the 169 guidelines and 65 legislative objectives in the policy are long-term goals that will help to preserve transportation facilities currently in place; expand essential capacity; close the gaps in the transportation network; promote effective connections between rural and urban areas, between ports and inland points and between modes; maintain the integrity of the trust fund and ensure that all transportation user fees are spent for their intended purpose -- for investments to improve transportation.

Our policy has six major themes. One theme, maintaining and expanding the existing transportation system, seems to have gotten lost in the shuffle over the past week. I want to emphasize this point: the federal investment in transportation infrastructure will still be there. Our commitment is strong. In the Department's 1991 budget request of $27 billion, two thirds -- or $18

billion -- is for infrastructure. That's an increase of 11 percent over last year's budget request.

Other themes are: providing a sound financial base for transportation programs; maintaining a strong and competitive transportation industry; ensuring public safety and national security; enhancing the environment and the quality of life for our citizens; and advancing education and technology into the 21st century.

The policy also calls for a partnership effort -- a partnership between federal, state and local governments and the private sector, a partnership that will better spur innovation. Our strategy calls for more flexibility for state and local government, and the private sector.

If we are to provide this flexibility, Washington must be willing to ease up on the heavy hand of government. It must let the marketplace do its work, and let state and local officials do their work more efficiently. In one respect, however, the federal government's vigilance in transportation will remain as strong as ever. That is safety. Safety is, and always will be, the Department's top priority.

But we are determined to loosen Washington's continued regulatory grip on much of the nation's

transportation system. At the same time, more flexibility at the state and local level is essential to keep America competitive. It will help ensure that consumers and shippers get the best service at the lowest possible prices. The Department recently completed an airline competition study that showed deregulation is working in that industry. Passenger travel has doubled in the 10 years since airline deregulation and is expected to nearly double again in the next ten years. Consumers are paying on average 20 percent less per trip.

Deregulation's success has been demonstrated in the railroad and trucking industries as well.

Deregulation of the railroad industry and partial deregulation of trucking, enacted in 1980, is estimated to have saved shippers about $40 billion a year.

Here are some examples of why we must move on to full deregulation of the trucking industry.

Because of Texas state regulation, Procter and Gamble finds it cheaper to ship Crisco 600 miles from Jackson, Tennessee to Tyler, Texas than to serve Tyler from neighboring Dallas -- only 80 miles away. Morton ships its products 225 miles from Ohio to Flint, Michigan for 76 cents per pound. It could ship from nearby Manistee, but Michigan's trucking regulations have led

to intrastate shipping rates about one-and-a-half times the Ohio to Michigan rate.

Flexibility is only one side of the coin. The other side is responsibility. That means, in many cases, raising revenue in the form of user fees. All levels of government have a role to play in this. Contrary to some press reports, the Department is willing to take the heat by proposing increased user fees, where appropriate, to meet infrastructure and operating needs. We are doing it in aviation, in maritime, and in rail.

Are the states also willing to find new revenues to meet their transportation needs? Do they accept both sides of the coin, responsibility as well as flexibility? The answer is yes. Let me read you the lead of a story that appeared in USA Today a year ago. "States, worried about losing a source of highway financing, are rushing to approve new fuel taxes before the federal government does the same thing, a 50-state survey shows." That was March 20, 1989, just as we were beginning our grassroots effort to develop our national transportation policy.

The National Conference of State Legislatures said "the financial base envisioned in the National Transportation Policy would allow for greater flexibility

in financing mechanisms employed by states. Equally important, it does not call for an increase in the federal gas tax." Monday's USA Today quotes a Missouri legislator: "If Congress adopts another tax increase," he says, "it will knock us out of the box as far as adopting another gas tax in Missouri."

He's exactly right. If the federal government were to raise the gas tax, it would preempt state and local governments from raising their gas tax. Why should we preempt them at this point when many of them want to do it themselves?

From now on, you will see our policy guiding us in decisions on many major initiatives.

One, next Monday we will send to Congress a proposal for reauthorization of the Federal Aviation Administration. That bill will include an increase of 73 percent in the FAA capital funding over the next five years. It will call for spending down the aviation trust fund from $7.6 billion to less than $3 billion over the next five years. It requests an increase in federal aviation user fees. It also includes a provision to lift a federal ban on local airports that want to apply a passenger facility charge to support needed airport capacity development.

Two, our strategy is being used to begin preparation for reauthorization of the federal highway, mass transit and highway safety programs next year. An integrated strategy will help focus the debate, and help prevent the inefficient and inequitable use of our limited federal dollars.

Three, the new transportation policy provides the umbrella for major highway safety initiatives as well as efforts to prevent oil spills.

Four, we are asking Congress for a 17 percent increase for research and development on an array of important, innovative transportation technologies. We are behind Europe and Japan in intelligent vehicles and highways, high speed trains and magnetically levitated rail systems. If we are going to compete in a world market we must be on the cutting edge of research and development.

Five, we have adopted a program that will enable foreign air carriers to provide improved international air service to more cities in the United States and will continue to work to open up the skies to international aviation to spur economic growth.

Under the strategic framework set forth in this policy, we will work to remove inequitable labor requirements that limit productivity on our nation's railroads. We will

encourage the continued growth of America's new commercial space launch industry. We must find new ways to infuse new life into our maritime industry, and we must see that mass transit realizes its full potential.

Early comments on our policy have been largely favorable. Most people think our policy strikes the appropriate balance to take the nation into the 21st century. I believe it will create new vigor in the transportation industry, and new hope for Americans stalled in gridlock and frustrated by congestion.

Admittedly, it's a challenge. But Americans have faced serious challenges before. And we have shown that we're more than able to meet -- and beat -- the competition. As President Bush said: "We welcome competition. We'll match our ingenuity, our energy, our experience and technology, our spirit and enterprise against anyone." I issue you this challenge: Join us in the journey to better transportation and a more prosperous America.

Thank you very much.

TALKING POINTS
DEPUTY SECRETARY OF TRANSPORTATION ELAINE L. CHAO
TRADE ASSOCIATION LIAISON COUNSEL
WASHINGTON, D.C.
MARCH 15, 1990

- Last week, when President announced NTP he said "No sector is more important to the American economy that transportation."
- Transportation is especially critical as America competes in an increasingly competitive global economy.
- To meet our transportation challenges, America needs a long term strategic approach.
- That's why we developed the NTP. It is a strategic decision making framework, not a centralized plan. Set of guidelines, not a set of specifics.
- Strategy is intermodal in nature -- integrates transportation into Administration's goals of competitiveness and economic growth.
- NTP is a charter for a new era. Foundation era in transportation must give rise to the innovation era.
- Strategy spells out six objectives to meet our challenges.

  -- Rebuild and expand transportation system.

  -- Provide a sound financial base.

-- Keep industry strong and competitive.

-- Support public safety and national security.

-- Preserve quality of life and environment.

-- Promote transportation technology and expertise.

- As we move to meet these objectives, we want to forge a new partnership with state and local governments.
- More flexibility will spur more innovation.
- And more flexibility requires more responsibility.
- That may mean raising revenue in the form of user fees -- at federal and state level -- where appropriate.
- Administration's commitment is unwavering.

-- Two-thirds of $27 billion 1991 budget is for infrastructure.

-- 11 percent increase over last year's budget.

- Strategy is already guiding Department's decision making on several initiatives;

1) FAA budget reauthorization will be sent to the Hill on Monday and includes 70% increase in capital budget.

-- Calls for spending down trust fund.

-- Requests increase in aviation user fees.

-- Would allow local airports to apply PFCs which could infuse $1 billion into airport development.

2) Strategy will focus debate on reauthorization of federal highway, mass transit, and safety programs.

3) Strategy will be umbrella under which major highway issues will be discussed at Chicago traffic summit.

4) We propose increasing transportation R&D 17 percent.

5) To enhance economic growth, we have adopted a program to enable foreign air carriers to provide improved international air service to more U.S. cities.

- Stakes are high for the United States.
- Only by implementing a comprehensive and consistent approach to our transportation challenges, can America sustain economic growth at home or compete in the economic arena abroad.

REMARKS PREPARED FOR DELIVERY BY
DEPUTY SECRETARY OF TRANSPORTATION ELAINE L. CHAO
WOMEN'S TRANSPORTATION SEMINAR
THIRD ANNUAL SCHOLARSHIP BANQUET
LOS ANGELES, CALIFORNIA
MARCH 30, 1990

Thank you, Lillian (Kawasaki). Good evening, it's a pleasure to be with you today.

I'm pleased to have this opportunity to honor those among you whom the Women's Transportation Seminar has singled out for special recognition this year. Each in her own way has made a significant contribution toward transportation.

I am also pleased to be part of an event designed to raise funds for scholarships and support programs in transportation fields where women and minorities traditionally have not been fully represented in the work force. We will need their full representation to meet the transportation challenges of the 1990s and beyond.

As everyone here knows, one of our top priorities at the Transportation Department was to develop a transportation strategy to help meet these challenges. We presented the Department's National Transportation Policy to President Bush at the White House earlier this month.

Secretary Skinner and I believe that successful businesses have a strategic plan to guide them, and that the government should as well. Our document, therefore, is a comprehensive, strategic decision making framework to guide the nation into the future.

It is based on more than 118 hearings we held across the country. Political appointees and career civil servants were involved in this effort. The impact of this effort on our organization has been palpable. It has brought our Department together by breaking down modal barriers. There is now more and more intermodal thinking and planning.

As for the strategy itself, it takes a new look at the nation's transportation agenda. It integrates transportation into the Administration's goals of competitiveness and economic growth. It is intermodal in nature, and organized around the major transportation markets.

The strategy treats all types of transportation even-handedly, but maintains the flexibility necessary to deal with the differing needs of states as diverse as California and North Dakota.

Our national transportation strategy encompasses six major themes. These themes and our commitments are:

(1) Rebuilding and expanding our transportation system;

(2) Providing a sound financial base for the development of transportation facilities;

(3) Keeping the nation's transportation industry strong and competitive;

(4) Supporting public safety and national security;

(5) Preserving our quality of life and our environment; and

(6) Promoting transportation technology and expertise.

There are numerous long term goals among the 169 policies and 65 legislative objectives outlined in the new strategy that will help preserve and expand the transportation system. For example:

- We want to close the gaps in the transportation network to enhance intermodal connections and link rural and urban areas;

- We want to maintain the integrity of the trust funds, including the mass transit portion of the highway trust fund, and ensure that all transportation user fees are spent for their intended purpose; and

• We continue to advocate deregulation and removal of antiquated and inequitable labor requirements that limit productivity.

By implementing the policies contained in our strategy, we will take a great step forward in enhancing the safety and efficiency of our transportation system, and in strengthening America's ability to compete in the global economy.

The National Transportation Policy is, in short, a charter for a new era. The nation's transportation system is now essentially in place. Our interstate highway system is virtually complete. Our aerospace industry and vast aviation complex is the best in the world. Railroads span our continent like an intricate web. Modern seaports dot our shorelines. The great age of laying the foundations of America's transportation system is basically over.

Now we must embark on a new era of maintaining, modernizing, and expanding, what we now have. We must find new ways to use existing systems. We must develop new technologies and more innovative approaches to financing. The foundation era in transportation must now give rise to the innovation era.

Surface transportation can be made much safer and more efficient through intelligent vehicles and

highways. This evolving array of advanced communications technology could some day give drivers immediate traffic information over special navigation units in their cars. It could warn of an accident on the road ahead, and provide drivers with quick, safe alternative routes displayed on a computer screen in their car, or even given audibly. Traffic signals would adjust to traffic conditions, regulating and redirecting drivers in the most efficient manner possible.

High speed trains and magnetically levitated railways are also promising technologies we are only now beginning to tap. Tiltrotor aircraft may change the ways people move between relatively close cities, and help alleviate our need for increased airport capacity. A new generation of aircraft that travels at more than five times the speed of sound may one day command the attention of our air traffic controllers.

While these advanced transportation technologies are evolving and maturing, other existing technologies can make a difference.

For instance, major roads next to urban freeways often have significant unused capacity, The so-called SMART corridor project underway on the Santa Monica Freeway will help us learn how to tap this existing resource.

Synchronizing traffic signals can also significantly improve the capacity of major roads, as can coordination of peak hour parking restriction among various municipalities.

As President Bush recently noted in a speech to the California Chamber of Commerce, telecommuting offers the potential to reduce work trips, and may offer special benefits for single parents and families where both parents work. Right here in Long Beach, McDonnell-Douglas Corporation is developing its own telecommuting program.

Congestion pricing offers another potential for reducing urban congestion. For example, Warner Center in the San Fernando Valley recently increased its ridesharing participation rate after parking fees were imposed. And the Bay Area Economic Forum has called for use of congestion pricing as a major tool in achieving San Francisco's air quality and congestion management objectives.

And studies have shown that over 50% of non-recurring delay on our freeways is due simply to "rubber-necking" at minor accidents, stalled vehicles, and even police giving out speeding tickets on freeway shoulders and median strips. Improved response capability is being studied by Los Angeles County

transportation officials in the hopes that it offers significant potential for reducing delays.

Clearly, there is no shortage of innovative ideas that can be applied. We need to use our imagination and work together to make them happen.

In the past, the federal government took the lead in developing the nation's transportation system. The time has come for the federal government to share its leadership role, not to transfer its leadership role, but to share it, in order to create full partnerships with state and local governments and the private sector.

A partnership effort will better spur innovation. And all innovation, whether in technology or financing, is best fostered in a decentralized environment. That's why our strategy calls for Washington to provide more flexibility for its state and local counterparts, and for the private transportation industry.

Flexibility means that Washington must be willing to ease up on the heavy hand of government. It must let the marketplace do its work, and let state and local officials explore their options more efficiently. There are many examples of this in Southern California.

Much attention has been given to the Metro Rail subway project in Los Angeles, a conventional heavy rail

subway system which is costing over $200 million per mile. With that kind of price tag, it is obvious that there are large sectors of the county which Metro Rail will never serve.

Fortunately, some local officials have had the foresight to envision using more cost-effective technologies, so that a more extensive network can ultimately be built. A study done for the Los Angeles County Board of Supervisors shows that a high speed, automated monorail system could be built from downtown Los Angeles to Canoga Park, a distance of 26 miles, at a per mile cost which is only a fraction of the Metro Rail figure. This is the kind of creative thinking that will lead to more and better service for a lot less money.

Another example of the kind of innovation that I'm referring to is taking place in Orange County. You are all aware of the partnership that has been formed there to build three state-of-the-art toll highways.

In the face of growing congestion and constraints on public funding, the County plans to build the roads with a combination of federal, state, county, and private sector funding. Landowners adjacent to the new roads are already paying special assessment fees to help cover a significant share of the road costs. Public revenue

bonds will also be issued, to be repaid from tolls to be collected from motorists who use the roads.

New toll-collection technology will be used to eliminate the need for most vehicles to stop to pay the toll. Regular users can prepay a set amount, then place a coded card in their car window. As these vehicles pass each collection point, tolls will simply be deducted from the prepaid amount, until owners are notified that they must replenish their accounts.

Another good partnership example is right here in Long Beach, where the City, major employers, and commercial property owners are developing an innovative financing program for over $20 million worth of improvements on local streets near the Long Beach Airport.

That's the kind of innovation and partnership effort we'll need to meet America's transportation needs in the 1990s, and into the 21st century. To spur more of these efforts, we are determined to loosen Washington's continued regulatory grip on much of the nation's transportation system.

More flexibility at the state and local level is essential to keep America competitive. It will help ensure that consumers get the best service at the lowest possible

prices. This has been amply demonstrated by the deregulated transportation market of the past decade.

The partial railroad and trucking deregulation enacted in 1980 is estimated to have saved consumers about $40 billion a year. That's $160 for every man, woman, and child in America -- every year for 10 years. And that's only partial deregulation. I'll give you a couple examples to show why we must move on to full deregulation of intrastate trucking as well.

What deregulation can do for the consumer in intrastate trucking, it already has done in air travel. Americans now travel 65 percent more by air than they did before the deregulation of the airline industry in the late 1970s. And despite the increased demand, consumers are paying on average 20 percent less per trip. Total savings for the American consumer are estimated to be $100 billion.

Flexibility, however, is only one side of the coin. The other side is responsibility. Responsibility to help operate, maintain, and expand what has been put in place. That means, in many cases, raising revenue in the form of user fees. All levels of government have a role to play in this. Contrary to some press reports, the Department is willing to take the heat by proposing increased user fees, where appropriate, to meet

infrastructure and operating needs. We are doing it in aviation, in maritime, and in rail.

Another dimension of responsibility is the need to make better transportation investment decisions, and to put our limited resources to work where they will have the most impact.

As the federal share in new project costs decreases, we expect that State and local governments, with more of their own funds at stake, will take a harder look at the merits of highway and mass transit investments. When you put a planner between a politician and 90% federal money, it is a safe bet what is going to happen. Reducing the federal share will tend to eliminate those kinds of distortions in the transportation decision-making process.

Are the states also willing to find new revenues to meet their transportation needs? Do they accept both sides of the coin -- responsibility as well as flexibility? The answer, in most cases, is yes.

It should come as no surprise that 18 states have raised user fees over the past year. In the last three years, 33 states have increased user fees or created special funds for infrastructure. Nine states have raised fees twice. So at this time in our nation's history, the

states have a unique opportunity to play a bigger role than they have before.

And what does the consumer think? The American Association of State Highway and Transportation Officials conducted a national survey to find the answer. It found that 50 percent of the public would vote for a 16 cent per gallon increase in fuel taxes if it were used to support the right combination of expenditures.

Four out of five adults in Minnesota said the same thing in a poll last month conducted by the Minneapolis Star Tribune and KSTP TV. They said they're willing to pay more in state gas taxes, registration fees, or bridge and road tolls to raise money for road repair and maintenance.

In Florida, 72 percent said they are willing to pay more in gas taxes to avoid the increased costs of delaying projects. "Acceptance of increased gas taxes will be enhanced," the poll found, "if accompanied by guarantees that the money collected is used only for roads, used in the same region of the state as collection, and local people decide exactly which roads would be targeted for the additional spending."

The Highway Users Federation says our policy is "favorable to highway users" and "acknowledges the need for significant expansion of the nation's highway

capacity and recognizes the need for preserving existing roads of national importance." This is precisely why Washington must forge a new partnership role for the other sectors of government.

Having said that, it is imperative to point out that the federal government's commitment to transportation has not slackened.

In fact, our strategy calls for a new federal emphasis on maintaining infrastructure, investing in R&D, and expanding capacity in areas of national significance. In the Department's 1991 budget request of $27 billion, two-thirds -- or $18 billion -- is for infrastructure. That's an increase of 11 percent over last year's budget request. The federal investment will still be there. Our commitment is strong. Unfortunately, this fact seems to have gotten lost in the shuffle over the past week.

Another issue that is seriously misunderstood is our position on the trust funds. As the President has made clear, we are committed to spending transportation trust funds for transportation purposes. The balance in the highway account has not been growing. In fact, it has stayed about the same over the last 10 years. As we develop our reauthorization proposal, our commitment to spend the trust fund resources will remain firm.

We're going to rely on the free market to the maximum extent possible. That's what got us to where we are today, and -- based on what we heard during our outreach effort -- that's what the American people believe will get us to where we need to be tomorrow. Where the market fails to account for all public costs in transportation -- such as safety or environmental protection -- then federal policy can be used to correct imbalances, to improve the general public welfare.

Our strategy recognizes transportation as an integrated whole. It acknowledges that the United States needs all of its diverse modes of transportation -- and that all of them comprise one seamless system of national transportation.

Our strategy strikes the appropriate balance to take the nation into the 21st century. I believe it will create new vigor in the transportation industry, and new hope for Americans stalled in gridlock and congestion.

As co-chair of the team that wrote our national transportation strategy, I am proud of what we have produced. Our efforts have lifted the issue of transportation to a level of national significance. The new transportation document we've created will provide the necessary framework that we'll need as we

go forward in the reauthorizing debates on aviation this year and surface transportation next year.

Our strategy is the basis upon which we are seeing the building of a grassroots, nationwide consensus on the importance of investing in our transportation system. To that end, I trust it will also be the basis upon which we at the Department of Transportation and you involved in the Women's Transportation Seminar can forge a long and fruitful partnership in our efforts to see that America's transportation system remains second to none.

Thank you very much.

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REMARKS PREPARED FOR DELIVERY BY
DEPUTY SECRETARY OF TRANSPORTATION ELAINE L. CHAO
TEAM 100/TEAM CALIFORNIA WEEKEND
INDIAN WELLS, CALIFORNIA
MARCH 31, 1990

Good afternoon, and thank you for that kind introduction. I cannot resist an opportunity to return to California, because I always view this State as my home, and it's great to be back, especially to the sunniest part of sunny California. As Kipling once said, California has one drawback: It's so hard to leave.

So, first of all, I want to say thank you for making me feel so welcome among the people who have done so much to promote our party in this great State. More than that, you have done so much to promote a President and a point of view that serves the best interests of all Americans.

I've been in Washington for three years now. I can tell you that I've met a lot of people in and out of government, and President Bush is by far one of the most dynamic leaders I've ever met. The President has set an agenda for the country which orients us toward the future. Under his leadership, we at the Transportation Department have also developed an agenda for America's transportation system which will take us into the 21st century.

Three weeks ago, Secretary Skinner and I presented the National Transportation Policy to President Bush at the White House. We hope this is the beginning of a continuing dialogue between the public and private sectors to harness the challenges of change in transportation in the remainder of this decade.

And the changes are upon us now. Transportation is only part of a larger revolution taking place in science, basic research and technological development. Today's global trade and competitiveness far surpass in intensity and scale that of any period in the history of commerce. All this means that we may well be embarking on an era of unprecedented global economic expansion -- and with it, unprecedented challenges. In transportation, we must be prepared to meet those challenges.

As President Bush said: "No sector is more important to the American economy than transportation. As world trade grows even larger, as we continue our leadership in an increasingly global society, we will become even more dependent on transportation."

Transportation is an $800 billion a year business with $5 trillion dollars worth of assets. In one year the U.S. records 3.5 trillion passenger miles of travel and 3.4 trillion ton miles of freight traffic. Transportation is an engine for economic growth. That Americans have

moved farther, gone faster, and made more progress as a country than any other society is a proud accomplishment.

No place is more aware of that than California -- the state that invented the freeway. And no state is more aware of the problems and sacrifices that a congested transport system imposes on its people and economy.

One of the biggest social and economic problems in major cities in gridlock. I've seen the statistics regarding the transportation outlook in California: 22.4 million automobiles, trucks, and motorcycles are expected to keep eighty-four percent of the freeways in Los Angeles and San Francisco at capacity by the year 2000. And Los Angeles alone has a $1 billion backlog of necessary street repairs.

This is a tremendous challenge, and if the state is to keep its competitive edge, it must make new investments in its transportation system. Our National Transportation Policy can assist that investment and planning. It is based on the fundamental assumption that America's success in the world requires a longer-term strategic approach.

Over the past year, we went out to the American people in more than 100 public meetings. What we heard from the American people almost echoed the

words of President Bush in the State of the Union: "We are ready to make an investment in America's future."

Among the 169 policies and 65 legislative objectives in the policy are long-term goals that will help to preserve transportation facilities currently in place; expand essential capacity; close the gaps in the transportation network; promote effective connections between rural and urban areas, between ports and inland points and between modes; maintain the integrity of the trust funds and ensure that all transportation user fees are spent to improve transportation.

Our policy has several major themes. One theme, maintaining and expanding the existing transportation system, seems to have gotten lost in the shuffle. I want to emphasize this point: The federal investment in transportation infrastructure will still be there. Our commitment is at an all time high. In the Department's 1991 budget request of $27 billion, two thirds -- or $18 billion -- is for infrastructure. That's an increase of 11 percent over last year's budget request.

We have also sent to Congress a proposal for reauthorization of the Federal Aviation Administration. That bill includes an increase of 73 percent in the FAA capital funding over the next five years. It calls for spending down the aviation trust fund from $7.6 billion

to less than $3 billion over the next five years. It requests an increase in federal aviation user fees. It also includes a provision to lift a federal ban on local airports that want to apply a passenger facility charge to support needed airport capacity development.

Our strategy is being used to begin preparation for reauthorization of the federal highway, mass transit and highway safety programs next year. An integrated strategy will help focus the debate, and help prevent the inefficient and inequitable use of our limited federal dollars.

The new transportation policy provides the umbrella for major highway safety initiatives. Safety is, and always will be, the Department's top priority. In fact, Secretary Skinner and myself, along with the nation's top law enforcement officers, will be attending a national highway traffic safety summit starting tomorrow in Chicago. The purpose is straightforward: The highway traffic death rate is at an all time low, and we intend to bring it lower.

We are also asking Congress for a 17 percent increase for research and development on an array of important, innovative transportation technologies. Part of the solution to transportation congestion will be found in new technology.

For instance, we must explore development of intelligent highway vehicles. This technology would allow an automobile driver to sense on a video screen what the conditions are, not only on the road currently traveled, but also on alternative routes available to him or her. The driver can then make an intelligent decision on the most efficient route to follow. It is a fact finder, with tremendous potential to reduce the pressure on key highway arteries.

Another option is high speed rail. Last Fall, I visited Europe and saw the latest in this emerging technology. There is no question that the Europeans have made tremendous progress on high speed rail technology. In Germany, we are talking about magnetic levitation, which attains trains speeds up to 225 miles per hour. They also have a competing technology called "Inter City Express" (ICE), which achieves 200 miles per hour. Italy and Spain are experimenting with so-called "tilt rails," and France with its "TGV" high speed train.

I believe that this technology, or variants of it, will be deployed in this country in the not-too-distant future in select areas where it makes sense. Several possibilities are here in California, such as the Las Vegas/Anaheim corridor. Another might be in corridors connecting Los Angeles and San Francisco, or Los Angeles and San Diego. Secretary Skinner has commissioned a new study

group at the Department to look at AMTRAK, and the role that high speed rail can play in U.S. passenger rail service.

The fact is, we are behind Europe and Japan in intelligent vehicles and highways, high speed trains and magnetically levitated rail systems. If we are going to compete in a world market we must be on the cutting edge of research and development.

In short, this new transportation era calls for a new approach. In the past, the federal government took the lead in developing the nation's transportation system. The time has come for the federal government to share its leadership role -- not to transfer its leadership role, but to share it -- to create full partnerships with state and local governments and the private sector.

A partnership effort will better spur innovation. And all innovation -- whether in technology or financing -- is best fostered in a decentralized environment. That's why our strategy calls for Washington to provide more flexibility for its state and local counterparts, and for the private transportation industry.

If we are to provide this flexibility, Washington must be willing to ease up on the heavy hand of government. It must let the marketplace do its work, and give state

and local officials more options to meet local needs. There are many examples of this in Southern California.

Much attention has been given to the Metro Rail subway project in Los Angeles, a conventional heavy rail subway system which is costing over $200 million per mile. With that kind of price tag, it is obvious that there are large sectors of the county which Metro Rail will never serve.

Fortunately, some local officials have had the foresight to envision using more cost-effective technologies, so that a more extensive network can ultimately be built. A study done for the Los Angeles County Board of Supervisors shows that a high speed, automated monorail system could be built from downtown Los Angeles to Canoga Park, a distance of 26 miles, at a per mile cost which is only a fraction of the Metro Rail figure. This is the kind of creative thinking that will lead to more and better service for a lot less money.

Another example of the kind of innovation I'm referring to is taking place in Orange County. A partnership has been formed there to build three state-of-the-art toll highways. In the face of growing congestion and constraints on public funding, the County plans to build the roads with a combination of

federal, state, country, and private sector funding. Landowners adjacent to the new roads are already paying special assessment fees to help cover a significant share of the road costs. Public revenue bonds will also be issued, to be repaid from tolls to be collected from motorists who use the roads.

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That's the kind on innovation and partnership efforts we'll need to meet America's transportation needs of the 1990s, and into the 21st century. To spur more these efforts, we are determined to loosen Washington's continued regulatory grip on much of the nation's transportation system.

The Department recently completed the most comprehensive airline competition study ever undertaken. It showed that deregulation is working in aviation. Passenger travel has doubled in the 10 years since airline deregulation, and is expected to nearly double again in the next ten years. And despite the

increased demand, consumers are paying on average 20 percent less per trip. Total savings for the American consumer are estimated to be $100 billion.

Deregulation's success has been demonstrated in the railroad and trucking industries as well. The partial railroad and trucking deregulation enacted in 1980 is estimated to have saved consumers about $40 billion a year. That's $160 for every man, woman, and child in America -- every year for 10 years. And that's only partial deregulation.

But flexibility is only one side of the coin. The other side is responsibility. That means, in many cases, raising revenue in the form of user fees. All levels of government have a role to play in this. Contrary to some press reports, the Department is willing to take the heat by proposing increased user fees, where appropriate, to meet infrastructure and operating needs. We are doing it in aviation, in maritime, and in rail.

Are the states also willing to find new revenues to meet their transportation needs? Do they accept both sides of the coin, responsibility as well as flexibility? The answer in many parts of the country is: Yes.

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created special funds for infrastructure. Nine states have raised fees twice.

And what does the consumer think? The American Association of State Highway and Transportation Officials conducted a national survey to find the answer. It found that 50 percent of the public would vote for a 16 cent per gallon increase in fuel taxes if it were used to support the right combination of expenditures.

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As co-chair of the team that wrote our national transportation strategy, I am proud of what we have produced. Our efforts have lifted the issue of transportation to a level of national significance. The new transportation document we've created will provide the necessary framework to ensure that our transportation system remains second to none.

This matches the letter and spirit of the political leadership this country has enjoyed since 1981. The 1980s were blessed with leaders like Ronald Reagan and George Bush who knew what was right for the moment and what is necessary for the future. We look ahead now with confidence to the future of our nation and our party.

The opportunities are vast. The maturing of the Baby Boomers and their empowerment in the 1990s will work in our favor. We are living in a rare moment in time. A time of long-lasting prosperity in our country, and much of the West. And a time of spreading democracy.

We've seen a world of change this past year: a triumph of democracy from Prague to Panama. We need to make the most of the opportunities now emerging for a more peaceful and freer world.

While watching freedom spread and witnessing the birth of democracies around the entire planet, I know

that none of it would have happened without the Ronald Reagan-George Bush decade of leadership.

Do you remember President Reagan standing in front of the Brandenburg Gate in June of 1987? He said: "Mr. Gorbachev, open this gate. Mr. Gorbachev, tear down this wall." The critics considered it nothing but empty rhetoric, a sound bite for the evening news. Well, today that gate is open. Today, that wall is down. And that wall will never go up again because the people there have tasted freedom. Victor Hugo once said that no army can match the might of an idea whose time has come. In 1989, an idea overcame armies and tanks, and that idea is democracy.

These are exciting times, and I'm very proud to be serving this President and helping him succeed for all of us. I am proud to be part of an Administration that is addressing the problems of today, and building a better America for the future. Our President understands the changes going on. And he understands how to manage these changes.

Many years from now, when historians analyze this period, they will describe it as a period of uncertainty , a time when any decision by any leader of a major power could have had a significant effect on how these changes take place.

George Bush has the experience, the intelligence and the traditional values to manage these great changes. Our party represents those values, and it shows in presidential election after presidential election.

Let me close with a word about the Vice President. Dan Quayle is proving to the American people what George Bush knew a long time ago: He is the right man for the job. He is doing outstanding work for the country and for the party.

I believe that George Bush and Dan Quayle will preside over a decade of unprecedented prosperity and hope. We have shown the American people how strong, bold, creative leadership can make the difference, and in so doing, lead the way on the path to progress.

The era of Republican leadership is only beginning. More Americans are turning to the Republican Party because our Party has more of the answers, answers that will help this country maintain the competitive edge in a global economy; clean-up our environment; keep crime and drugs off our streets; lead a new crusade for excellence in our schools; and, yes, keep our transportation system the best in the world.

Perhaps most of all, Republican leadership will ensure that every American enjoys the opportunity to live,

work, prosper and advance as far as their own efforts will carry them.

Thank you and God bless you.