

REMARKS PREPARED FOR DELIVERY BY  
DEPUTY SECRETARY OF TRANSPORTATION ELAINE L. CHAO  
AIR TRAFFIC CONTROL ASSOCIATION  
ARLINGTON, VIRGINIA  
NOVEMBER 2, 1989

Good evening -- and thank you for that kind introduction. I am delighted to be here -- and want to add my congratulations to Lynn Helms for his well-deserved award tonight.

The Air Traffic Control Association has once again demonstrated its good judgment and ability to pick a winner -- qualities that you will have to demonstrate again and again as your industry navigates through a tremendous period of growth.

As the theme of this Conference recognizes, it is certainly a time of transition -- and challenge -- for aviation. In one sense, the transition in U.S. transportation habits is already over. More Americans are flying to more places than at any time in U.S. history

Airline passenger traffic nearly doubled in the last ten years, and may double again by the year 2000. Air cargo service is one of our fastest growing industries, and last year accounted for 29 percent of the value of total U.S. exports. Overall, the aviation sector adds \$200 billion annually to the U.S. economy and employs almost a million people.

Given this prominence in both our domestic and international economy, it is imperative that U.S. aviation remain number one in the world -- unconstrained by capacity limitations, even as demand grows.

At the Department of Transportation and the Federal Aviation Administration, we are meeting this challenge head-on.

Last month, 18 CEOs from all sectors of the aviation industry met in Washington to launch the Aviation System Capacity Task Force. Many of you know that various Task Forces, Commissions, Councils and Boards are often created in this city for various purposes. Too often, they meet occasionally, issue a report that nobody reads, and disappear. This one is different. In fact, we don't care if a report is ever written.

The point is to provide system users with a unique opportunity to address the whole spectrum of aviation capacity issues, and work side-by-side with FAA personnel to identify problems, offer solutions, and set priorities.

A new System Capacity Office at the FAA has been established to provide the day-to-day setting for this team effort. The Office will expedite: (1) construction of proposed runway and airport expansion; (2)



development of new airspace procedures; (3) production of new systems, technology, and equipment; and (4) dissemination of high-technology airspace designs and planning programs.

We are serious about FAA's new high profile for system capacity problem-solving. Our mission is straightforward: In the short-term, we must wring every bit of available capacity out of existing facilities to keep up with demand. We must optimize operations at the busiest airports, and integrate unused and underutilized facilities into the system.

For instance, small airports are a crucial asset in invigorating community and regional economic growth -- and we must find ways to assist them in this vital role. Within 50 miles of the top 40 U.S. airports, there are smaller commercial service airports with additional annual capacity of 3.7 million operations. Outside that 50-mile radius, there are another 36 or so airports with the characteristics airlines need for connecting hubs.

There is also a clear-cut need for construction of new airports. Many communities, led by smart, forward-thinking leaders, are responding to the need -- with the most prominent example currently in Denver. The people of Denver demonstrate the type of vision, commitment and leadership that makes a real

difference in solving transportation problems. State, local, and federal officials have joined together to build the largest airport in the U.S.

The time to proceed is now. It takes a decade or more to move from the talking stage to completion of an airport. The odds against new airports are still staggering. Local politics, the "not-in-my-backyard" syndrome, and environmental concerns all work against airport construction.

We need more aggressive support for airports by the communities they benefit, and a higher level of public-private cooperation. The organizational changes at the FAA in System Capacity are significant first steps toward achieving these objectives.

But responding to capacity demand is more than just a question of pouring more concrete -- it is also necessary to provide the best in state-of-the-art technology.

While the U.S. has the world's finest and most efficient airspace coordination, it is also the busiest and most complex -- characterized by expensive upkeep, capacity limitations, and limited flexibility. I believe the National Airspace System (NAS) Plan is the most



important step taken so far to maximize air traffic efficiency.

From 1981 to 1992, the Federal government will spend over \$12 billion on the NAS Plan. That expenditure will conclude the initial 10-year capital investment envisioned in the NAS Plan. However, the Plan is not a one-time capital program. It is a continuing program of modernization, expansion and maintenance -- a dynamic process geared to meeting and reacting to changing demand and traffic flows.

NAS modernization will meet three interrelated needs:

First, it must upgrade the equipment and facilities used in air traffic control and air navigation, replace obsolete systems, and provide the additional hardware necessary to accommodate capacity needs and enhance safety;

Second, the plan should provide for equipment obsolescence which will materialize in the late 1990s; and

Third, it must focus on the application of new technologies to promote safety and security, increase

airport and airspace capacity, reduce airborne and ground delays, and ensure the cost-effective delivery of services.

To meet these goals, the NAS Plan will become part of a new, more comprehensive capital investment plan. Capital investment in the nation's air system must remain flexible and dynamic. It must respond to new needs and evolving technology. It cannot be set in concrete. Things change too fast for that.

We are reshaping the NAS plan to accommodate this reality. The new Plan, which will be published in mid-1990, will more accurately describe capital investment activities.

One of these activities is the Advanced Automation System (AAS) -- the \$4 billion program that is going to give us the computer speed and capacity needed to reach the 21st century in good shape. In the future, annual investment in AAS equipment will far exceed the \$200 million spent this year.

In addition, we expect to invest almost \$500 million to modernize air traffic control facilities. Many of these facilities are more than 25 years old -- they need to be



updated with new power, lighting, and heating systems.

The goal is to prepare for the year 2000 by giving our air traffic controllers the best equipment necessary to do the job of cutting air-traffic delays, and providing better routing for airliners.

NAS Plan achievements so far have been substantial. Almost one-fifth of the original NAS Plan projects are completed, and over 90 percent are under contract. However, this progress requires a renewed commitment to provide the necessary resources as we move out of the design phase and move further toward implementation.

We must be ambitious in our pursuit of the technology and innovation that will allow us to meet projected demand on the nation's airspace -- but we should undertake this task with a realistic view of available resources and the obstacles endemic to a system of this size and complexity.

It is always hard to get more money. And it is tougher in this time of intense competition for federal dollars. We are committed to maintaining and expanding our National Airspace System and to working with Congress

and industry to ensure the necessary commitment of funds to realize this goal.

There is also an immediate need to increase the air traffic controller work force and maintain their exemplary safety record. The air traffic controllers in this room tonight know that you have one of the most difficult and high-pressure jobs in government. New ways must be found to make sure that all the dedicated individuals in the airport towers and control centers receive the support they deserve.

I am delighted that President Bush has placed the Air Traffic Control System near the top of his list of priorities. The Fiscal Year 1990 budget includes funding for an additional 695 air traffic controllers, 400 FAA safety and support personnel, and continues the pay demonstration program to help meet critical short-term personnel needs at hard-to-staff facilities.

It is also time to take a long-term view of the overall transportation picture. As many of you know, our first priority at the Department of Transportation has been development of a national transportation policy -- a strategic policy that will help America maintain and



enhance a safe, efficient and strong transportation system into the 21st century.

It is generally accepted that a modern, well-maintained transportation infrastructure is critical to this country's continued economic health. But I believe the quality of the national transportation system is only as good as our strategies and policies.

In developing this policy, we are not adding another layer of bureaucracy. It is a strategic plan for the future of America's transportation system. Planning means knowing where you are going. Successful businesses are run with a strategic plan, and government decisions should be made with one as well.

As co-chair of the effort, I am pleased to report that our strategic planning and policy development process is on schedule, and will be made public in early January. This will prepare us for the critical months ahead, when Congress begins work on legislation reauthorizing federal aviation and other transportation programs.

I am confident that this tremendous outreach effort will yield a plan which promotes cooperation between federal, state and local governments and the aviation industry -- not only when we have problems, but before problems arise.

This is the challenge for aviation. It is a very significant period of growth -- and the growing pains are obvious. Years from now, I hope to look back and say that we weathered this period of expansion, came up with creative solutions, and still have the best air transportation in the world.

This evening, you have given me another opportunity to say: We want your ideas. We want your comments. And we want your suggestions.

I look forward to working with you in the crucial task of modernizing and expanding our aviation system. We owe it to ourselves, and to the millions of passengers and businesses who rely on air travel every day.

Thank you very much.



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REMARKS PREPARED FOR DELIVERY BY  
DEPUTY SECRETARY OF TRANSPORTATION ELAINE L. CHAO  
NATIONAL INDUSTRIAL TRANSPORTATION LEAGUE  
SAN DIEGO, CALIFORNIA  
NOVEMBER 13, 1989

Good afternoon -- and thank you for that kind introduction. I am delighted to be back in California. It is particularly fitting that the N.I.T. League chose San Diego for its annual meeting. Your theme, "The 1990s: A Global Marketplace" is certainly in step with the times -- and with the economic future of this city.

The coming 100 years have been dubbed "the century of Asia" and "the Pacific century" by an America that now does more trade with that region than with Western Europe. And I think it's clear that the west coast, as the gateway to the Pacific, is destined to become an even greater element in the development of the U.S. and world economy.

The profit potential, as many of you know, is fantastic -- but so is the competition. Asia's emergence as a center of global economic growth has made the entire Pacific rim a hotbed of new and expanding challenges and opportunities. Now, the question becomes: How do we acquire the global perspective necessary to take advantage of this opportunity?

Generally speaking, global marketing has always been more challenging for U.S. companies than for their European and Asian counterparts. For example, Taiwan recently opened up its capital market due to its tremendous trade surplus. It also opened several new retail markets to manufacturers. To the surprise and disappointment of the Taiwanese, they have witnessed an influx of Japanese firms.

So, while the United States is concerned about opening trade opportunities, we also need to address our role in the global marketplace and focus on our ability -- and willingness -- to take advantage of those opportunities. The underlying theme of this conference is that American transportation companies must compete in today's world market by increasing production and operating efficiencies and improving quality of service.

The first step is to maintain -- and expand -- the benefits of deregulation in the transportation sector. Over the past ten years, deregulation of our transportation system has become a powerful driving force for progress in this country's economy. Thanks to deregulation of air, rail, truck and water, carriers are



offering shippers more efficient and cost effective services.

Perhaps the easiest way to measure how far we have come is to cite some general economic standards. The Interstate Commerce Commission told Congress in June that, as a percentage of GNP, transportation and related costs have dropped from 14.5 percent in 1980 to 11 percent today.

The Department of Transportation estimates that the 1980 reform of railroad and trucking laws helped generate savings of about \$38 billion per year in distribution costs. These are impressive numbers.

Where did all this savings come from? Quite simply, from shippers and carriers like yourselves who used their new market freedoms to find more efficient ways of doing business.

Today, the signposts point in two directions: We can proceed further along the road toward economic deregulation -- or we can take the detour leading to re-regulation. For me -- and I know for you as well -- the choice is clear. Deregulation is the wave of the future -- burdensome regulation a relic of the past.

I do not want the progress of the transportation industry handicapped by regulatory constraints. You, as

shippers, have pressed hard for more competitive rates and the greater variety of services deregulation has brought. We are not about to turn back the clock now. We will not yield to re-regulators who take comfort in a less competitive world.

There are still problems, to be sure, but for most shippers and consumers, deregulation is delivering what it promised: Greater choice, more efficiency, and competitive pricing. On balance, the benefits of deregulation have far outweighed any temporary dislocations.

I'd like to briefly review where we are, what we have achieved, and what remains to be done if we are to meet the competitive ideal in transportation.

The Airline Deregulation Act of 1978 phased out all economic controls over domestic entry, route selection, and fares, and provoked a major industry success story. Since passage, the number of passenger boardings has grown by over 150 million -- an increase of 65 percent.

Based on a recent private study, ten years of airline deregulation have provided travelers and carriers with a cheaper -- and safer -- aviation network. Savings are estimated at \$14.9 billion annually, while the accident rate for scheduled air carriers improved 62.5 percent



and the fatality rate improved 50.7 percent over the previous ten year period.

At the DOT, we want these benefits to continue. A task force has been established within the Department to conduct a comprehensive review of all aspects of airline competition, including:

- organization of the industry and its routes, including the "hub and spoke" operations in which passengers are channeled through centrally-located airports where one or two airlines may, in some cases, dominate service;

- marketing of airline services, including computerized reservation systems;

- capacity of airports and the traffic control system;

- pricing of airline tickets;

- the comparative role of regional air carriers and international carriers with restricted operations in the U.S.; and

- development of a computer model of the air transportation market to aid the Department in examining policy alternatives.

Recommendations will be delivered before the end of the year so that we can give ourselves, the public, and the Congress a true assessment of where the industry stands in a deregulated environment.

The DOT and the Bush Administration is strongly committed to airline deregulation. American shippers and passengers deserve a marketplace where air carriers compete for business -- not take it for granted.

The trucking industry tells another deregulation success story. The Motor Carrier Act of 1980 -- enacted with your crucial support --has now been in effect for over nine years. By and large, industry response to its basic reforms has been positive.

With free entry permitted under deregulation, there are now more trucking firms in business than ever before. The total number of interstate motor carriers authorized to carry regulated commodities increased from 18,000 in 1980 to 42,000 as of June, 1989.

Obviously, transportation planning for shippers today entails more than thumbing through a rate book. You, as shippers, now have a hand in negotiating rates and a greater choice in selecting carriers. You can consolidate shipments, contract for particular services, and work with the carriers to design transportation services best meeting your overall needs.

These changes are leading to shipper rates lower than they would have been otherwise -- and to savings for consumers. A recent survey found that average real



truck load rates for large shippers declined by 25 percent as early as 1982.

And there is certainly room for even more savings. The continuing economic regulation of the trucking industry in more than 40 states causes losses and inefficiencies estimated at more than \$10 billion annually. We need to get rid of this drag on our economy.

Another outstanding issue involves the problem of uneven state registration laws and uncoordinated state tax reporting system -- which cost the American trucking industry over \$1 billion annually. A good portion of this waste could be eliminated if forms and standards were uniform. The National Governors Association has issued recommendations, and we will soon begin working with them toward taking the steps necessary for implementation.

Railroads are another deregulation success story. It wasn't so long ago that America's railroads were an economic basket case. The bankruptcies of the Penn Central and six other Northeastern and Midwestern railroads had crippled the rail freight system.

But the Staggers Rail Act of 1980 -- the most important regulatory reform measure to be enacted for the industry in nearly a century -- is largely responsible

for giving shippers the price and service options they enjoy today.

Bankruptcies are down and rate increases have moderated. After adjustment for inflation, average rail rates decreased by 6.4 percent in the first eight years after enactment.

Railroads are now able to buy new equipment and maintain what they have -- so service is more reliable and efficient. And safer, too -- accidents have fallen by two thirds since passage.

I know the NIT League played a leading role in development and passage of the Staggers Act. Your vision and dedication have helped revitalize an industry. I know, too, that many of you have continuing concerns in this area.

Railroads are unique because they operate over their own rights-of-way and the only practical way for some commodities to move is by rail. Opportunities for rail competition are therefore more limited. We are mindful of these distinctions -- just as we are of the importance of preserving competition -- and will closely watch for any signs of undue market control by a single carrier. We are prepared to examine cases that come



before the ICC and participate in support of the public interest.

Developments in the maritime industry have continued the deregulation pattern. The Shipping Act of 1984 reformed the regulations that govern U.S. liner operators and provided shippers with the benefits of greater competition in liner shipping. For example, the Act spurred the use of ocean-surface intermodal services, encouraged the use of contract rates, and improved the competitive position of independent liner operators.

A system more sensitive to the needs of shippers -- and responsive to the competitive instincts of the liner industry -- is particularly crucial to U.S. competitiveness. More than 95 percent of U.S. overseas merchandise trade by volume -- and approximately 70 percent by value -- moves in deepdraft ocean-going vessels. Consequently, the successful conduct of our foreign commerce depends on the services of U.S. seaports.

One major pending problem is container weight standards. Shipping lines, motor carriers, ports, and shippers must work together to arrive at weight-based rates for container freight, in order to ensure that highway weight limits are observed.

One possible solution is to preclude intentionally overloaded containers -- while retaining many unit-based rates. The Federal Maritime Commission is asking for comments on two petitions for rulemaking on overweight containers, and will complete its review next Spring.

Today, all of our transportation industries -- air, rail, truck, and maritime -- are drawing new energy from competition. Those who will succeed must put aside the old ways of thinking and acting. The consumers now decide who is efficient and who is not. They are no longer merely along for the ride. They are in the driver's seat.

For as long as we have called ourselves Americans, we have taken pride in our native ingenuity. We have displayed a willingness to take daring economic risks for great economic gains. We have placed our faith in a free market disciplined by competition and tempered by a social conscience. Our task together -- yours and mine -- is to make sure that these changes are institutionalized so the American economy as a whole can operate at its full potential.

A key element in reaching that goal is our ability to maintain the transportation infrastructure, maximize its



efficiency, and build new capacity for U.S. industry to compete in international trade.

For too long, we have taken transportation infrastructure for granted. We can't do that any longer. Capital investment in public works has declined over the past quarter century, until today it accounts for just over 1 percent of GNP -- compared to twice that percentage in 1960.

The decline of America's transportation infrastructure is more than a mere nuisance. It's a kind of hidden tax -- money that could be used to replace aging plant and equipment, provide employee training, and do other things necessary to enhance productivity -- which is the basis of national economic health.

Some experts argue that the reduced investment in transportation infrastructure is a root cause of the decline of American competitiveness because it directly affects the speed with which people and products are carried by motor vehicles -- proving again the old saying that "time is money." This suggests that it is time for a new outlook on transportation, and recognition that it has a direct effect on the bottom line for industry and consumers alike.

At the Department of Transportation, we are committed to developing a comprehensive national transportation policy which responds to this fact. It is the fundamental motivation behind our effort to reach out to the public and hear their views on the state of U.S. transportation.

So far, over 3,000 Americans -- including many in this room -- participated in 33 public hearings. We value the input of citizens who use and depend on the transportation system. And once we have listened, there is another step: We intend to make decisions and move forward.

We seek a policy that will take the transportation system that has served us so well in the past -- and prepare it for the demands of a new century. And the way to do that is to study the problem, marshal resources, and put them to work in a long-range policy with a global perspective. A formal report is expected in January.

At the turn of the century, I 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.



This presents a tremendous challenge, not only for government at all levels, but for the transportation industry. By working together on a national transportation policy, we can develop a strategic plan to better utilize existing resources, modernize transport systems, and stimulate investments in transportation infrastructure

As the NIT League has recognized, our transportation system can be ignored only at the risk of future competitiveness and prosperity. We are determined to restore the competitiveness of the transportation system -- because the transportation system may determine the competitiveness of America.

Thank you very much.

REMARKS PREPARED FOR DELIVERY BY  
DEPUTY SECRETARY OF TRANSPORTATION ELAINE L. CHAO  
SWEARING-IN CEREMONY FOR GENERAL JERRY R. CURRY  
WASHINGTON, D.C.  
NOVEMBER 27, 1989

Good morning. It is a special pleasure for me to be here today to participate in the swearing-in ceremony of General Jerry Ralph Curry as Administrator of NHTSA.

Secretary Skinner and I have often said that the number one priority at the Department is safety. As the nation's leading highway safety official, you are a crucial part of helping us meet that priority.

I am very pleased at your desire to streamline the safety review and regulatory process within NHTSA. This is particularly crucial at a time when we are entering an era of heightened public awareness of, and demand for, highway safety. As you said at your confirmation hearings: "This job has a very narrow focus. That focus is saving lives."

In the past eight months, you have shown your commitment to keeping NHTSA focused on this goal, and I am delighted that you can now officially lead the important effort that has been unofficially yours for so long.



General, welcome to the team. NHTSA is lucky to have you and so are we.

And now it is my pleasure to introduce Sam Skinner, who has the power to actually make it official. Mr. Secretary . . .

OPENING STATEMENT PREPARED FOR DELIVERY BY  
DEPUTY SECRETARY OF TRANSPORTATION ELAINE L. CHAO  
HEARING ON TRANSPORTATION AND ENERGY  
DETROIT, MICHIGAN  
DECEMBER 11, 1989

*Proper Chao 12/8*

Good morning. I am delighted to be here to support the Department of Energy's efforts to explore the important issues associated with energy use in the transportation sector.

As many of you know, the Transportation Department has conducted a series of similar public meetings around the country in order to gather information for a national transportation strategy.

One of the most important things we learned is the necessity of coordinating energy and transportation policies. It is absolutely clear that the sometimes conflicting interests of transportation, energy, and the environment must be balanced.

The truth is, we Americans want it all. We want mobility, a secure supply of low-cost energy, and environmental quality. The challenge is to set energy and environmental goals while maintaining the mobility and industrial competitiveness that makes their achievement possible. *The fact that this hearing is taking place in Detroit indicates that the Administration recognizes the need for consistent, coordinated energy and transportation strategies so that industry needs consistent guidance and policy direction from the federal government if it is to maintain its competitive edge.*



~~It will not be easy.~~ Transportation is a linchpin of the economy. We depend on it to move nearly all the goods and services used in our personal and business lives.

Each year, our transit system handles 3.5 trillion passenger-miles of travel and 3.4 trillion ton-miles of freight. As transporters of energy products, the major freight companies are crucial to the production and distribution of coal, oil, natural gas, and other fuels.

As an energy consumer, the transportation sector is 97 percent dependent on petroleum, burning nearly two-thirds of the oil and gas used in the United States and accounting for more than a quarter of national energy consumption from all sources.

In addition to the economic consequences of our thirst for energy, we are acutely sensitive to the ~~need to protect our environment,~~ ~~transportation sector's contribution to emissions of carbon monoxide and other pollutants that produce smog, threaten health, and contribute to "global warming."~~

But progress is being made. American industry and consumers have spent nearly \$20 billion on pollution-abatement and control equipment for motor vehicles. Lead usage in gasoline has dropped by 99 percent since 1975. Even with a substantial increase in miles of travel, the Environmental Protection Agency estimates that

transportation-related emissions have been reduced by 38 percent for carbon monoxide, 36 percent for hydrocarbons, and 15 percent for nitrogen oxides in the last ten years.

We are also making major gains in efficiency. Current generation aircraft engines, for example, consume far less fuel than the engines of a decade ago. And the overall fuel economy of our new automobile fleet has practically doubled since the mid-1970s.

This progress must continue as transportation becomes even more energy-efficient and environmentally responsible, while at the same time maintaining its key role in ensuring the economic vitality of the Nation.

Transportation and energy policy must go hand in hand to ensure that the jobs are there in a competitive, productive American economy for future generations. This hearing encourages the type of dialogue needed to coordinate government strategy, and provides another opportunity for experts and the public to be heard.

Our mutual aim is to find a viable approach to meeting the transportation, energy, and environmental needs of all Americans. Working together, I know we



can achieve this goal. I hope you agree, and I look forward to hearing your views here today.

Thank you very much.

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The fact that this hearing is taking place in Detroit indicates that this Administration recognizes the need for consistent, coordinated energy and transportation strategies so that the American automobile industry can maintain and improve its competitive edge.

Transportation forms the foundation of our economy. We depend on it to move nearly all the goods and services used in our personal and business lives. Our export trade depends on it. The state of our transportation system affects our international competitiveness. Deteriorating roads and delays exact a cost in our ability to compete with our international counterparts.

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