

REMARKS PREPARED FOR DELIVERY BY  
DEPUTY SECRETARY OF TRANSPORTATION ELAINE L. CHAO  
AEI/WEDNESDAY GROUP CONFERENCE  
WASHINGTON, D.C.  
FEBRUARY 4, 1991

Good afternoon, and thank you. It is a pleasure to be here today to participate in this policy roundtable on infrastructure issues and the surface transportation reauthorization bill.

We all know the vital role that transportation infrastructure plays in our national economy. With the surface transportation reauthorization bill coming before Congress this year, it is entirely appropriate that 1991 be the year for renewed attention to this issue.

The opportunity which faces us at this important crossroads is to support economic development by making the most of the network already in place, while adding new capacity where demand has outstripped supply.

The upcoming Reauthorization bill -- which we expect to submit to Congress by mid-February -- will demonstrate the Administration's commitment to meeting these twin goals. It will also make it clear that successful policy in this area requires reforms in addition to money. In short, it is an opportunity to look not only

at *how much* we spend, but also at *how well* we spend it.

With that in mind, the first priority of the Federal-aid program must be to preserve the Interstate System and protect the huge Federal investment made over the last 35 years. For that reason, a new emphasis will be placed on reconstruction and maintenance to preserve its physical integrity.

But the "infrastructure problem" is not just a question of keeping up with deteriorating facilities. The challenge for the future will be to respond to the evolving post-industrial economy that emerged since the Interstate System was originally planned after World War II. The nation's increasingly service-based economy now has a whole set of new transport patterns, and complex mobility requirements.

This new context requires refocusing resources on those routes crucial for the next generation of interstate commerce. Expanding on the Interstates as the core federal-aid system is essential both to economic development and to the economic integration of the nation.

That is why the bill will focus federal resources on a core "National Highway System" to serve key interregional and interstate movements. The

Administration's commitment to this complex task is reflected in the expansion of the federal aid highway program from \$16.2 billion in 1992 up to \$20 billion in 1996.

This targeting is consistent with the National Transportation Strategy announced last March, which proposed designating a national highway system to receive higher matches than other federal aid highways.

Second, the bill will place a new emphasis on research and development within the FHWA. The budget just announced proposes \$103 million for R&D, a 43 percent increase over FY 91. This will allow significant research on infrastructure "hardware," such as better pavement materials, more crashworthy vehicles, and improved scheduling of transportation movements. We need new ways of building and preserving our highways in order to reduce the costs and extend the lives of both construction and repair.

But it is on the "software" where we expect to make important gains in productivity. New technologies are emerging, relating to vehicle navigation and guidance and improved information systems which deserve support. For instance, the FHWA and NHTSA budgets include \$58 million, a 158 percent increase over FY 91, for further development of Intelligent Vehicle Highway

Systems. We will be working in close partnership with the private sector on this research.

Third, the bill is likely to emphasize a greater role along with increased flexibility for state and local governments. There will be an increased reliance on state contributions through an overall lower federal share. In return, federal funds would have fewer strings attached. We will pay attention to the federal grant structure and the incentives it creates for state and local investment decisions. We must ensure that federal programs do not create barriers to cost-effective, custom tailored solutions to state and local mobility improvement.

Within federal transportation programs, we are placing even more emphasis on user fees, and relaxing restrictions on the ability of state and local governments to collect revenues for transportation, through tolls and other sources of revenue from beneficiaries.

We must also move toward "leveling the playing field" among transportation modes, so that recipients can apply funds most effectively to meet their most urgent transportation needs. In that regard, the bill will give the states greater flexibility in using resources interchangeably for highway and transit purposes.



Fourth, the bill will seek new ways to attract private capital for investment in transportation infrastructure. This could involve allowing the states to use at least some portion of their federal aid on facilities otherwise financed, built and operated by private firms. Some pioneering projects using private firms are already under consideration -- the Dulles Toll Road extension here in the Washington area, and the recent franchise granted in California.

After all is said and done, it is useful to remember that competition brings out the best in any industry -- and transportation is no different. A greater private sector involvement in transportation infrastructure can provide a fresh injection of innovation and profit-driven efficiency into responding to a broad range of transportation needs.

The private sector is needed now more than ever. The Department believes a unique opportunity exists for the development of public/private partnerships. The reason is two-fold: (1) Funds from the various levels of government are not sufficient to meet growing transportation infrastructure needs; and (2) There is a strong new expression of interest by the private sector in transportation investments where they believe a profitable operation can be implemented. Working together, public authorities and the private sector can

find new ways to plan, finance, build, maintain, and operate highway facilities.

I believe that responsibility for a sound, efficient transportation system will emerge as a joint responsibility of government at all levels and the private sector. Accordingly, we must foster an environment in which both the public and private sectors can focus on what they are most effective at -- and best suited for -- doing.

We at the Transportation Department are confident that the Reauthorization bill will play a key role in achieving this goal, and become one of the most important legacies of the Bush Administration.

Thank you.

U.S. DEPARTMENT OF TRANSPORTATION

- - -

BUDGET PRESS BRIEFING

BY

DEPUTY SECRETARY ELAINE CHAO

AND

MODAL ADMINISTRATORS

- - -

MONDAY

FEBRUARY 4, 1991

- - -

WASHINGTON, D.C.

- - -

(TRANSCRIBED FROM TAPES PROVIDED BY THE AGENCY.)

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005

## P R O C E E D I N G S

MS. BLAKEY: Could I have your attention?  
Can everyone hear?

I'm Marian Blakey, head of Public Affairs,  
and we're happy to see so many of you here today.

The briefing on our budget will be  
conducted by the Deputy Secretary of Transportation,  
Elaine Chao. Joining her is Kate Moore and her staff,  
Kathy Collins here, Assistant Secretary. Kate is  
Assistant Secretary for Budget and Programs.

We will go through the briefing on the  
budget through all of the modes and administrations  
here, and then take questions. Those of you who have  
specific questions for individual administrators, you  
will see signs around the back of the room. At the  
end of the briefing, they are going to go to those  
spots and will be available to you for one on one  
discussions.

Now Elaine.

DEPUTY SECRETARY CHAO: Good morning.  
Thanks for the opportunity to brief you on our budget  
today. We're actually very pleased as a Department,  
as this is the first growth budget that we're seeing  
since Fiscal Year 1985, and I think we've got some  
pretty exciting things for you.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005

1 Before I go into the budget, let me just  
2 say, I guess, one other thing. Obviously the  
3 accident that we have all seen at the LAX Airport is  
4 one that's foremost on our minds. Our hearts,  
5 obviously, go out to the victims' families and those  
6 who are suffering; but I would also appreciate that,  
7 as we go forward with this briefing, that questions be  
8 held to a minimum on this.

9 As you know, this is an ongoing  
10 investigation. Our FAA personnel is on site working  
11 with NTSB to try to find out what exactly happened.  
12 Obviously, at this point it's premature and  
13 inappropriate for us to comment on that.

14 So, again, let's get back to the good  
15 news. That is that we have a very exciting budget for  
16 you to preview today.

17 Do I get a clicker or something? Okay.

18 Let me also -- Let's just begin by talking  
19 about the six themes of the National Transportation  
20 Policy. For those of you who have been covering this  
21 Department for quite a while, you have heard these  
22 themes mentioned over and over again.

23 Let me emphasize today that this is--  
24 these are themes which continue to guide the  
25 Department, that when Secretary Skinner started off

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005

1 the development of his national transportation  
2 strategy that it indeed has become a framework for  
3 analysis for this whole Department. It is a live  
4 document, and it continues to guide Department of  
5 Transportation personnel as we go forward in this very  
6 exciting year.

7 As you all know, I don't need to go  
8 through all six of them. You know them pretty well.  
9 As we go through the budget, you will see again and  
10 again that these themes are the underlying principles  
11 behind our various actions, and we have built our  
12 whole budget upon these six themes.

13 Next slide. As you all know, our request  
14 for \$33.6 billion for the DOT budget is really a very  
15 positive development for the Department. It is up 6.3  
16 percent from Fiscal Year 1991 enacted. It's up 25  
17 percent from Fiscal Year 1991 President's budget.  
18 Again, it also represents 7.4 percent of the proposed  
19 domestic discretionary spending in Fiscal Year '92  
20 versus 6.6 in the previous year.

21 I cannot emphasize this enough, but this  
22 does represent the first growth budget versus enacted  
23 in seven years. I think the President's request of  
24 \$33.6 billion demonstrates this administration's very  
25 strong recognition that an effective transportation

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005

1 system is essential to our economy, to our national  
2 defense, and also to our quality of life.

3 Here we have the overview on the  
4 Department's budget. You can see that FAA, Highways,  
5 Coast Guard and also UMPTA accounts for about 96  
6 percent of our overall budget request, and 80 percent  
7 of it will actually come from users of the system.

8 This next slide shows basically the total  
9 domestic discretionary funding. The Omnibus Budget  
10 Reconciliation Act of 1990 basically had set statutory  
11 caps on the domestic discretionary spending levels,  
12 and the increase that is proposed for DOT outstrips  
13 the growth of the overall domestic growth -- domestic  
14 discretionary category, as you can see.

15 In fact, in this category the Department  
16 has the highest growth rate of any agency or  
17 department within the Federal government, and the DOT  
18 total here, in fact, excludes a good portion of our  
19 budget which is within the mandatory account and a  
20 much smaller portion, the Ready Reserve Force, in the  
21 defense category.

22 So as you can see, DOT percentage as a  
23 total Fiscal Year '91 is 6.6, and Fiscal Year '92 is  
24 about 2.1 percent. Again, we've done well.

25 Next slide. Oh, sorry -- 6.7, 7.4.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005



1 Right. For the mandatory aspect, you can see as well  
2 that our share of the mandatory spending is increasing  
3 as well. As I mentioned, the 2.07 and the 2.10 and  
4 the overall change of 1.4 percent-plus.

5 As for this slide, this is a slide about a  
6 breakdown of our infrastructure funding for our Fiscal  
7 Year '92 budget. Now as all of you have heard from  
8 the President in his State of the Union address, the  
9 President called for all of us to invest in our  
10 transportation infrastructure.

11 In response to the President's call, our  
12 investment in the core infrastructure programs will  
13 increase about eight percent in 1992. Again, this  
14 supports the national transportation themes 1 and 3  
15 that you saw in the first slide, which are (1)  
16 maintain and also expand the nation's transportation  
17 system; and the third theme, which is to keep the  
18 transportation industry strong and competitive.

19 As you also know, the National  
20 Transportation Strategy or Policy also had endorsed  
21 user fees, to foster a more sound financial base for  
22 transportation. That was theme No. 2.

23 Now our Fiscal Year '92 budget increases  
24 the reliance on revenues generated by users, and it  
25 will increase to about 80 percent of our budget in

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005

1 Fiscal Year '92 versus about 72 percent in the  
2 previous year.

3 A large part of this increase reflects our  
4 proposal to fund all of Federal highways, NHTSA and  
5 UMPTA, except WMATA, from the trust fund.

6 The next slide shows the amount of  
7 commitment dedicated to our national security  
8 programs. Obviously, as you can see, national  
9 security, safety and also the war on drugs are covered  
10 under the National Transportation Policy theme 4, but  
11 the Department has played a key role in our national  
12 security, Desert Storm and, before that, Desert  
13 Shield.

14 We have been heavily involved with three  
15 of our agencies, the Coast Guard, the FAA, and also  
16 MARAD. The Coast Guard has done a superb job since  
17 its presence in the Persian Gulf in September. They  
18 basically have been providing port security and also  
19 boarding expertise for the Navy in the Persian Gulf.

20 Again, we have 350 of our Coast Guardsmen  
21 there. Secretary Skinner paid a visit to the Coast  
22 Guardsmen in Turkey this past Christmas, and we are  
23 exceedingly proud of the men and women in the Coast  
24 Guard who are dedicated to helping out with Desert  
25 Storm.

1           We are also very proud of MARAD, because  
2       MARAD has about 72 Ready Reserve Force vessels  
3       currently activated for Operation Desert Shield and  
4       Desert Storm. Two-thirds of this force has been  
5       activated on time, with minimal delays and  
6       difficulties, and they have carried well over two  
7       million tons of cargo in this current operations.

8           As you well know, the FAA has been in the  
9       leadership position in terms of ensuring that airport  
10      security has been enhanced and, in fact, airport  
11      security has never been tighter.

12          Secretary Skinner has invoked Phase No. 4,  
13      and Admiral Busey has been traveling around the  
14      country with his team to personally check on airport  
15      security. As I mentioned, airport security has never  
16      been more vigilant and tighter.

17          The next slide shows the operational  
18      safety programs. This is a theme that we have  
19      emphasized again and again, regardless of what else we  
20      do; and that is safety is the number one priority here  
21      at the Department of Transportation. It is a theme  
22      that underlies everything that we do at the  
23      Department.

24          In Fiscal Year '92 we will spend 14  
25      percent more on direct and operational safety than in

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005

1 Fiscal Year '91, and 19 percent more than Fiscal Year  
2 1990.

3 Now these funds will ensure a much safer-  
4 - a continued safer transportation system and,  
5 particularly, on our highways where nine of ten  
6 transportation casualties actually occur. Now we need  
7 to focus more still on drinking and driving, which  
8 still remains America's number one safety problem.

9 The next slide shows the Department's  
10 funding for the anti-drug programs. As you well know,  
11 the war on drugs still remains a top priority with  
12 this administration, and it certainly remains a  
13 priority with us here at the Department.

14 We are maintaining our support in this  
15 area, and the Coast Guard again continues to  
16 contribute significantly to this effort. The Coast  
17 Guard, as you well know, is a multi-mission agency,  
18 and throughout the years it has been pulled in so many  
19 different directions.

20 It is in the forefront of protecting our  
21 nation in terms of stemming the flow of drugs, and  
22 again it has done a wonderful job. But as Secretary  
23 Skinner has often said, we just cannot afford to have  
24 drugged and drunk driving in our transportation  
25 system, that we are guardians of the public trust, and

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005

1 that drugged and drunk driving makes the  
2 transportation system unsafe for all of us. So we've  
3 got to do more.

4 The next one -- next slide emphasizes on  
5 the Department's overall emphasis on the environmental  
6 programs. In the past year, we have had a very, very  
7 exciting year. Clearly, the Federal Aviation Act that  
8 was passed last year, the Clean Air Act, the Hazardous  
9 Materials Transportation Act, Hazardous Materials  
10 Clean-Up -- So between the Hazardous Materials, the  
11 oil spill clean-up, the Clean Air, the noise  
12 pollution, also attending to the clean-up of our own  
13 facilities -- DOT is basically spending about \$556  
14 million in Fiscal '92 on the environment.

15 Now this represents an 18 percent increase  
16 over the previous year. We are currently developing  
17 regulations that will phase out completely the  
18 noisiest commercial aircraft Stage II by the end of  
19 the decade, and again our achievement in passing  
20 through the Federal Aviation Act last year really is a  
21 monumental piece of legislation.

22 Our increased emphasis on mass transit  
23 will also have a positive environmental impact, and  
24 again this fulfills another of our National  
25 Transportation Policy themes, and that is Theme No. 5,

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005

1 which is protecting the environment and also the  
2 quality of life.

3 This next slide focuses on research and  
4 development activities. Director Darmand (PHONETIC)  
5 started off the year, Fiscal Year 1990, with a great  
6 emphasis on research and development, and within the  
7 Department here the Secretary and, certainly, Admiral  
8 Busey and also Administrator Tom Larsen (PHONETIC)  
9 have been very strong proponents of an increased R&D  
10 program.

11 Our National Transportation Policy as well  
12 supports increases in transportation R&D, both in and  
13 also out of the government. As I mentioned, Director  
14 Darmand and, more importantly, President Bush has made  
15 investment in research a major priority within this  
16 administration as well.

17 Now let me just say that these numbers do  
18 not count the R&D activities that are more  
19 operational. Now that -- Counting that would also add  
20 another about \$41 million in, I think, the highway  
21 account alone.

22 Next slide. Since I've talked a bit about  
23 the mandatory programs versus the domestic  
24 discretionary programs, I thought that you would like  
25 to see this chart, basically, which breaks down our

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005

1 overall budget according to these two major  
2 categories.

3 The Ready Reserve Force is a little bit  
4 separate. It goes into the military programs, but you  
5 can see that DOT's budget breaks into the various  
6 areas, and the percentage of DOT budget for mandatory  
7 programs is about 56 percent. Discretionary is about  
8 forty-three.

9 Personnel is an area that Secretary  
10 Skinner has paid a great deal of attention to, and a  
11 good part of our National Transportation Policy has  
12 been the development of Phase II, which is actually  
13 the development within the Department of our  
14 Department personnel.

15 Tom Larsen has been instrumental in the  
16 NTP II phase, as we call it, in terms of increasing  
17 training and the overall assessment of the management  
18 and organization of our Department. Again, this is an  
19 important area of focus for the Department as a whole.

20 To that end, we are proposing some growth  
21 in staff, and almost all of it responding to new  
22 Congressional mandates and also priority workload  
23 areas. That basically means more security personnel,  
24 more inspectors, more air traffic controllers. We can  
25 talk more about this as we go into the individual

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005



1 modes.

2 I've given you sort of an overview as to  
3 how our budget has faired and how it also relates,  
4 again, to this living document that we call the  
5 National Transportation Policy. This slide basically  
6 shows you how the Department's Fiscal Year '92 budget  
7 request stacks up against the themes of the National  
8 Transportation Policy.

9 As you can see, in terms of maintaining  
10 and expanding the nation's transportation system, 71  
11 percent of our budget is for infrastructure. Foster a  
12 sound financial base for transportation: Eighty  
13 percent of our budget will come from user fees, making  
14 us more self-reliant.

15 Third is keep the transportation industry  
16 strong and competitive. Fourth is to ensure that the  
17 transportation system support the public's safety, and  
18 also national security. Again, we've got 9.5 percent  
19 of our budget for direct safety and also security  
20 activities.

21 The fourth theme is protect our  
22 environment and enhance our quality of life. 1.6  
23 percent of our budget for direct environmental  
24 support. With a budget like ours, 1.6 percent is  
25 still significant.

1                   Then       advance       U.S.       transportation  
2       technology and   expertise, and   R&D takes up about 1.3  
3       percent of the budget.

4                   So with that, let's now go to each of the  
5       individual   modes   and   talk   about   the   operating  
6       administrations.

7                   Federal Highways:   Now consistent with  
8       President Bush's commitment to infrastructure, our  
9       proposal for Federal highways represents an increase  
10      of five percent versus Fiscal Year '91. This is on  
11      top of the 11.2 percent growth in the program in that  
12      year, and the major program within Federal highways,  
13      which is the Federal AJA (PHONETIC) highways, second  
14      bullet point, will increase eight percent over enacted  
15      levels.

16                  Now we do propose a substantial increase  
17      in safety grants, both here and also in NHTSA's  
18      budget. As you know, our loss of life on the highways  
19      is lower than ever. It's 2.2 per 100 million vehicle  
20      miles, but it is still way too high, and highway  
21      fatalities still rank as the number one traffic--  
22      transportation cause of fatalities.

23                  As you can see from the next slide, we are  
24      providing for major increases in Federal aid to  
25      highways and also highway related safety grants. Now

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005

1 I'm going to call on Tom Larsen later on, our Federal  
2 Highway Administrator, because he has designed a very  
3 exciting research program, and you can hear more about  
4 that program from him later.

5 Urban Mass Transit: Our proposal  
6 basically emphasizes research and capital investment,  
7 and this extra capital will help implement the  
8 Americans With Disability Act. The administration is  
9 proposing changes to the UMPTA program. More money  
10 will be allocated by formula, as you can see in the  
11 second bullet point.

12 We also propose that all of UMPTA except  
13 for WMATA be supported from the transit account of the  
14 highway trust fund.

15 Now the new starts -- Let me just mention  
16 that. The new starts program will fund existing full  
17 funding agreements and provide assistance to new  
18 projects that are meeting cost effective criteria.  
19 This is something that Brian Klimer (PHONETIC) has  
20 worked very hard at as well.

21 The next slide basically shows our  
22 appropriations and also obligation limitations. To  
23 provide for financial stability, we are shifting a  
24 greater portion of the program to formula grants, as  
25 you can see here.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005

1           The basic concept is that formula -- is  
2           that -- Oh, yes. -- formula grants is something again  
3           that has been emphasized in our National  
4           Transportation Policy, and this is just basically  
5           carrying that out.

6           We don't have the pictures of Larry and  
7           Vince this year.

8           For NHTSA we are basically requesting an  
9           18 percent increase for Fiscal Year 1992. As you can  
10          see, the budget request is \$292 million, and it's--  
11          and 675 FTEs. Again, it's consistent with our  
12          commitment and also Jerry Curry's (PHONETIC)  
13          commitment to fighting the nation's number one  
14          transportation killer, and that's highway accidents.

15          There is also \$25 million that's allocated  
16          to -- specifically designated for alcohol. Where is  
17          that? Is that on there?

18          MR.           : It's in the bottom part of  
19          that (INAUDIBLE).

20          DEPUTY SECRETARY CHAO:    Okay. In the  
21          alcohol related programs, which is second bullet  
22          point, \$50 million. Thank you.

23          Now this basically is a pie chart showing  
24          the various break-up. We used a pie chart rather than  
25          a graph, again, to show you the comparative funding

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005

1 for the programs.

2 Now about a quarter of NHTSA's budget is  
3 spent directly for safety programs to address alcohol  
4 or drug based safety programs. The \$36.3 million that  
5 you see for Section 402 grants is our estimate of how  
6 much the 115 million in the basic 402 safety grant  
7 will be applied to the alcohol and also drug issue.

8 By the end of Fiscal Year '92 we will be  
9 working with the local police in thirty-five states to  
10 educate them on how to detect drivers that are on  
11 drugs, and that is an important program.

12 Coast Guard is next. As you can see, we  
13 are asking for an additional eight percent to keep the  
14 Coast Guard, as they say, "always ready." The current  
15 budget is 3.6 billion. Basically, it's an eight  
16 percent increase.

17 It also provides 108 million from the Oil  
18 Spill Liability Trust Fund to implement the Oil  
19 Pollution Act of 1990. The current FTE is 45,522,  
20 projected; and it's up about 1,000 from Fiscal Year  
21 Ninety-two.

22 As I mentioned before, the Coast Guard has  
23 done outstanding work in Operation Desert Storm, and  
24 the last bullet point alludes to that. Basically, the  
25 good news is -- and we do believe it's good news--

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005

1 that we're proposing increases for all aspects of the  
2 Coast Guard budget, again consistent with their  
3 growing mission.

4 Our proposal includes requests for  
5 implementing the new Oil Pollution Act. Admiral Chaim  
6 (PHONETIC) and the Secretary and I have had a  
7 particular commitment to supporting our Coast Guard  
8 men and women, and this budget provides for particular  
9 increases for such areas that Admiral Chaim feels very  
10 strongly about, such as family housing, health care,  
11 and also child and family services.

12 Next we turn over to the FAA. Again, we  
13 have a very successful request, in that the FAA's  
14 request of 9.3 billion is a 14 percent increase over  
15 Fiscal Year 1991 enacted. This increase, again,  
16 reflects the Department's increasing and continuing  
17 commitment to modernizing our air space system and  
18 also assuring the safe and efficient operations.

19 As you can see, it's 17 percent increase in  
20 FAA's capital and R&D programs. There is also -- Our  
21 request also embodies a four percent increase in  
22 staffing over the previous year's request, and also  
23 ten percent increase in operations, again a very  
24 positive, upward trend.

25 This slide, like the others, shows the

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005

1 appropriations and also obligation limitations.  
2 Again, as you can see, we are proposing increases in  
3 each major component of the FAA budget, with a  
4 particular emphasis on facilities and equipment FAA.

5 Now Admiral Busey and his team, and he  
6 will talk about this later, are folding the NAS  
7 (PHONETIC) plan which was initiated in 1981 into the  
8 FAA's capital investment plan, which is again a  
9 blueprint to bring us more -- further into the Twenty-  
10 first Century.

11 So for those of you who haven't noticed,  
12 we've been seeing a lot of pluses, not very many  
13 negatives in the change ratios.

14 Again, this is operating personnel for the  
15 FAA, full time, permanent positions. As you can see,  
16 we are proposing growth in all of the major direct  
17 safety staffing categories.

18 Next is the Maritime Administration. As I  
19 mentioned, Desert Storm has required about 72 merchant  
20 ship activations, and this is the first time that the  
21 Maritime Administration has ever activated that fleet  
22 other than for training and maintenance.

23 Now everyone involved in the Desert Storm  
24 activation, MARAD and its contractors and also the  
25 merchant seamen, really should be proud of what they

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005



1 have done, and also what the Ready Reserve Force has  
2 accomplished.

3 DoD will be participating -- Rather, DOT-  
4 - We will be participating with DoD in reviewing its  
5 post-Desert Storm sealift requirements. DoD does have  
6 a Congressional mandate to have a study ready by  
7 March, and we will be working with the Department of  
8 Defense to see what we can shed in terms of what we  
9 have learned in the activations of our fleet.

10 Federal Railroad Administration is next.  
11 I want to say that this is the first time in seven  
12 years that the President's budget requests funding for  
13 AMTRAK. Now we all know, and Gil Carmichael certainly  
14 believes, that rail passenger travel is key to an  
15 integrated transportation system, and he has taken the  
16 lead in, I think, focusing our attention on a number  
17 of exciting developments in the rail area.

18 Gil, as you know, is visionary; and he and  
19 his staff are looking to the future, and he has single  
20 handedly sparked a growing interest in R&D for MAGLEV  
21 (PHONETIC) and also high speed rail. We are proposing  
22 increases in that area, and we are also proposing  
23 significant increases in our safety staffing as well.

24 This chart basically shows you the  
25 operations budget. You can see the increases proposed

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005

1 for safety, plus nineteen percent, and also research  
2 and development, plus nineteen percent. So overall, a  
3 healthy increase.

4 Next we come to Research and Special  
5 Programs Administration headed up by Travis Duncan.  
6 Travis is the only budget that has increased 41  
7 percent, as we keep on telling him, but the budget  
8 request is 37.9.

9 The reason for that also is Travis will  
10 have some exciting and new responsibilities in the  
11 coming years, but the broad -- the traditional broad  
12 and multi-modal responsibilities of RSPA are growing,  
13 and last year the Congress had enacted new legislation  
14 to address hazardous materials and also food safety.

15 So again, for Travis it's going to be a  
16 very busy year next year. Now these new duties plus  
17 the increased support for the pipeline function, which  
18 is again a new area that Travis has sought to  
19 highlight during his tenure, have led us to ask for a  
20 forty-one percent increase.

21 The next slide will be on the St. Lawrence  
22 Seaway. I didn't see Jim Emory here. Is Jim here?  
23 Oh, there's Jim.

24 As you know, this is Jim Emory's, the  
25 Administrator of the St. Lawrence Seaway Development

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005

1 Corporation, last budget. I know that Secretary  
2 Skinner has thanked him in private, and I want to take  
3 this opportunity to thank Jim very much for his years  
4 of leadership at the Seaway Corporation.

5 During his tenure, he has developed  
6 tremendous rapport with the industry, and also has  
7 earned their respect and also their admiration. So  
8 our best wishes go with you, Jim.

9 As you can see, it's \$10.8 million in new  
10 budget authority, and the major program objective in  
11 '92 is the study needed for computerized vessel  
12 traffic management system and also to carry out a \$1.7  
13 million program of capital replacement and also  
14 improvement.

15 This slide shows the budget highlights of  
16 the Office of the Inspector General. This year we are  
17 asking for an increase in staffing and in contract  
18 dollars to support audits and also investigations.

19 Now Mary Sterling, our new Inspector  
20 General, also needs resources to carry out the new  
21 auditing responsibilities that are mandated under the  
22 Chief Financial Officer's Act of 1990. Basically,  
23 it's a \$39 million budget, a 21 percent increase, 400  
24 FTEs and a growth of eighteen.

25 This slide shows our budget highlights for

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005

1 Office of the Secretary. As we move into the  
2 information age, we really do need a Department of  
3 Transportation that gathers and also disseminates data  
4 electronically and also efficiently. Also, we need to  
5 be an organization that can respond quickly to  
6 changing events in a changing environment.

7 The Fiscal Year '92 budget reflects these  
8 concerns in that there is a focus for the Office of  
9 Secretary on increased systems development and  
10 automation. Increased training for our people and  
11 also our new well automated building, hopefully, will  
12 all prepare us for the next century.

13 This is -- This chart shows basically the  
14 increases for the Office of Commercial Space  
15 Transportation, which is headed up by Stephanie Lee  
16 Miller -- over there, as you can see. Then also the  
17 increases for the essential air service. As you can  
18 see, we've gone in with a request of 38.6.

19 Our salaries and expenses account includes  
20 dollars again for increasing our automated financial  
21 systems. So overall, the percent change from Fiscal  
22 Year 1991 enacted is about eight percent.

23 This is the last slide, I think, of the  
24 presentation. Basically, this is a quote from the  
25 President. "I've come before this House and the

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005

1 American people with an approval for renewal. This is  
2 not merely a call for new government initiatives.  
3 It's a call for new initiative in government in our  
4 communities and from every American to prepare for the  
5 next American century."

6 We all, obviously, applaud the President's  
7 call for Americans to prepare for the next century. I  
8 believe that we at the Department of Transportation  
9 have begun the task of renewal, and also the search  
10 for new initiatives, again, with the National  
11 Transportation Policy which will guide us in the  
12 coming century.

13 So now let me finish this, introduce the  
14 modal administrators, and also I'll be pleased to take  
15 any questions that you may have.

16 The light's in my eyes a little bit. So  
17 I'm going to call: Admiral Nelson. Let me just do it  
18 by order: Admiral Nelson of the U.S. Coast Guard.  
19 Admiral Chaim, unfortunately, cannot be here. There's  
20 been -- He's had a family tragedy. So he is not here.  
21 Admiral is our Chief of Staff.

22 Admiral Busey is of FAA. You all know him  
23 very well. Tom Larsen, Federal Highway Administrator;  
24 Gil Carmichael, Federal Railroad Administrator. I'll  
25 start with Travis: Travis Duncan, Administrator of

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005

1 RSPA; Ms. Warren Leeback (PHONETIC), Administrator of  
2 the Maritime Administration; Jim Emory, as I mentioned  
3 before, Administrator, St. Lawrence Seaway.

4 The big guy over there is Brian Klimer  
5 (PHONETIC), Administrator for Urban Mass Transit; and  
6 also Jerry Curry, Administrator for NHTSA. Did I miss  
7 anybody else? I don't think so. Oh, where's  
8 Stephanie? Stephanie Lee Miller is head of our Office  
9 of Commercial Space.

10 I don't think Mary is here. Is Mary here?  
11 Oh, Mary is in the back. Mary, got to get up front,  
12 Mary Sterling is over there. Great.

13 So as Marian mentioned, there will be  
14 opportunities for you also to question these  
15 administrators individually.

16 Right now, if you have any questions, I'd  
17 be more than glad to answer them.

18 (INAUDIBLE QUESTION):

19 DEPUTY SECRETARY CHAO: We expect to do  
20 that fairly shortly, perhaps even as quickly as in the  
21 next week or so.

22 (INAUDIBLE QUESTION):

23 DEPUTY SECRETARY CHAO: Where is the  
24 question coming from? I'm sorry. Oh, sorry.

25 (INAUDIBLE QUESTION):

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005

1 DEPUTY SECRETARY CHAO: Well, I can  
2 definitely tell you, it is an increase. As for how  
3 much -- Do we have that handy?

4 MS. : That number is basically  
5 stable funding versus the prior year. I say stable in  
6 the sense that the Coast Guard budget taken in total  
7 is slightly down versus the prior year, because of  
8 some capital investments we made in the preceding year  
9 which we're not making in 1992 because we already made  
10 them.

11 Our operating budget, on the other hand,  
12 for the Coast Guard for the drug/anti-drug efforts is  
13 going up. So the number of 751 that you cited  
14 compares overall to 757 in the prior year. If we look  
15 at the Coast Guard operating budget, however, you can  
16 see that grows to 626 million in '92 versus the 603  
17 million in 1991.

18 So overall it's stable, but with emphasis  
19 on -- increased emphasis on the operating side of our  
20 anti-drug efforts.

21 QUESTION: Would you address the trust  
22 fund balance? (SEVERAL WORDS INAUDIBLE)

23 DEPUTY SECRETARY CHAO: What's the  
24 question?

25 QUESTION: How much is in there now, and

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005



1       how much (INAUDIBLE)?

2               DEPUTY SECRETARY CHAO:       I think the  
3       question is about the trust fund, and I believe the  
4       question is how much is in the trust fund?

5               QUESTION:   How much is going to be drawn  
6       down during the course of the fiscal year for budgeted  
7       enacted?

8               DEPUTY SECRETARY CHAO:   Okay.   There are  
9       basically three trust funds.   I mean, there are  
10      basically two trust funds, and they're all -- One  
11      trust fund has two accounts. So, basically, when we  
12      talk about the aviation trust fund or the mass transit  
13      account of the highway trust fund, basically, that's  
14      very different than the highway trust fund.

15              In terms of the highway trust fund, we  
16      basically will not see a surplus.   Basically,  
17      commitments will exceed our cash balances.   In terms  
18      of outlays during the reauthorization period, they lag  
19      considerably the obligations during the first four  
20      years, and then outlays exceed the taxes in the last-  
21      - in the fifth year.

22              So over the five years, outlays would  
23      exceed the taxes that we have recently seen in the  
24      budget reconciliation by about 2.4 million.   Now the  
25      cash balance in the highway account is currently about

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005

1 three-quarters of the program level.

2 By the end of Fiscal Year 1996, it should  
3 be down to about two-thirds. So we do envision  
4 spending down that trust fund.

5 In terms of the -- In terms of the  
6 aviation trust fund, there is a bit of a technical  
7 error in that, in that the two cents gathered over the  
8 ten cents increase in ticket tax went into the  
9 aviation trust fund rather than into the general fund,  
10 as we all acknowledge was the original intent of  
11 Congress. But the technical error was that most of  
12 the funds -- the two cent increase is going into the  
13 aviation trust fund.

14 So there will be a slight build-up of  
15 about 15.3 in Fiscal Year '91 to about 16.4 in Fiscal  
16 Year '92; but if you account for -- If you adjust it  
17 for the -- If you adjust it for the technical errors,  
18 basically, in Fiscal Year '91 it's 7.1 and Fiscal Year  
19 '92 it's 5.8.

20 So as to whether the Department will  
21 initiate any action to correct that technical error,  
22 that basically is up to the Congress, and they are  
23 well aware of that technical error. We expect that  
24 they will do something about that.

25 (INAUDIBLE QUESTION)

1 DEPUTY SECRETARY CHAO: As for mass  
2 transit, basically, we do have a surplus account in  
3 mass transit. The cash balance, as of Fiscal Year  
4 '91, is 8.3 billion, and the uncommitted balance is  
5 about 3.6.

6 The surplus -- Now we do expect that the  
7 surplus will decrease by over \$3 billion over this  
8 period.

9 (INAUDIBLE QUESTION)

10 DEPUTY SECRETARY CHAO: Highway again is a  
11 little bit different, because highway does not have  
12 any surplus. Highway is the one trust fund account in  
13 which the commitments exceed the balance. So I can  
14 read you a whole bunch of numbers. I don't know how  
15 helpful that will be.

16 Maybe what -- Just as an example, the cash  
17 balance for Fiscal Year '92 at the end of the year is  
18 estimated to be about 12.6. The commitments at the  
19 end of the year, believe it or not, is 33.3 billion.  
20 So the commitment in excess of the cash balance for  
21 Fiscal Year '92 is about 21 billion.

22 QUESTION: Maybe Tom Larsen could tell us  
23 how much you're going to spend on highways over the  
24 next five year span.

25 DEPUTY SECRETARY CHAO: Well, I think

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005

1 we're going to see that in the Highway Reauthorization  
2 bill that's coming up, and I think that's probably a  
3 more appropriate forum to talk about that. It will be  
4 -- You will not be disappointed. It will be a  
5 substantial increase, and I can tell you that Kate  
6 Moore and I have -- We'd better not say that.

7 Kate Moore and I have worked very hard on  
8 those numbers, as did Tom Larsen. I don't think you  
9 will be disappointed.

10 QUESTION: Two of the programs that the  
11 Department has traditionally proposed zero funding  
12 for, Amtrak as you mentioned, and also the essential  
13 air service. Can you say a little bit about your  
14 reversal of thinking on those two?

15 DEPUTY SECRETARY CHAO: Well, I think the  
16 Amtrak budget request reflects an ongoing effort by  
17 the Department to reevaluate and reassess the whole  
18 mission and also the strategic direction of Amtrak.

19 We have had a study underway now, I would  
20 say, for almost a year with Battelle to basically look  
21 at the Northeast Corridor and also look at Amtrak's  
22 overall system, to see, you know, from a strategic  
23 business point of view whether certain of their--  
24 what the volume and profitability -- the relationship  
25 is along certain routes.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005

1 That is a strategic plan, again, of Amtrak  
2 that's similar to the National Transportation Policy.  
3 As you well know, Secretary Skinner never likes to do  
4 things on a piecemeal basis. So our study of Amtrak  
5 is to basically study the overall underlying  
6 feasibility of self-sufficiency within X period of  
7 time, and also where the profitable areas of  
8 operations really are, and what areas of subsidizing  
9 what.

10 So to have that kind of clear picture,  
11 number one, I think, is very important in that it  
12 provides much greater justification for continued  
13 subsidization of Amtrak along the lines that we hope  
14 eventually to take it; and that is still self-  
15 sufficiency within a ten year period.

16 As for the Essential Air Service, I think  
17 the feeling there is clearly we are taking a much more  
18 conciliatory point of view, I think, to Congress as  
19 well, that there are communities which do need the  
20 service.

21 To zero out completely, I think, would  
22 create certain battles up on the Hill that I think  
23 would -- that has not proven to be very productive in  
24 the past. So what we have done is to take a  
25 responsible look at what essential air services are

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005

1 truly necessary and to go from there, again with no  
2 commitment as to continued EAS funding.

3 Yes?

4 (INAUDIBLE QUESTION)

5 DEPUTY SECRETARY CHAO: Kate, can I have  
6 that sheet of paper?

7 Actually, that's a great question,  
8 because, obviously, we don't want to -- We don't want  
9 to unfairly fund any operation if there is no hope  
10 eventually of achieving success. But part of what  
11 this study of Amtrak is doing is to take a look at  
12 productivity initiatives and also other areas in which  
13 there can be reductions in operating expenses.

14 So for example, the projected cash  
15 expenses of Amtrak for Fiscal Year '92 is about \$2  
16 billion. We project revenues of about \$1.6 billion.  
17 We are looking forward to certain legislative  
18 initiatives, and then also we have basically looked at  
19 productivity initiatives which include like  
20 streamlined operations and work assignments, modifying  
21 work rules to reduce unproductive time, modifying  
22 compensation, and also employee benefits packages,  
23 franchise or contract out for certain services.

24 There's a whole list of productivity  
25 improvements that we feel could be implemented, and

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005

1 these productivity initiatives would, hopefully, bring  
2 about, you know, \$94 million in improvements, and  
3 there will be some legislative initiatives which will  
4 bring in another \$81 million.

5 So, overall, if we project an operating  
6 deficit of about 5.5 billion -- million -- with the  
7 legislative initiatives and also the productivity  
8 initiatives as recommended in the study, we hope that  
9 we will have the -- we will be able to meet that 330  
10 or \$350 million that's requested.

11 I think that -- In fact, the request and  
12 the deficit after the initiatives should match. Yes?

13 QUESTION: Could I get you to comment on  
14 the shift toward formula funding in the UMPTA budget,  
15 particularly does this reflect some of the philosophy  
16 that's going to go into the administration's  
17 reauthorization of the major programs?

18 DEPUTY SECRETARY CHAO: Well, I think--  
19 During the past two years, I think there's been a lot  
20 of talk about trying to decrease the operating  
21 subsidies to beneficiaries, and depending on whether  
22 they're in the 1 million population center and up or  
23 below one million population centers, there is a  
24 difference in how they are treated. But the overall  
25 theme and the aim has been to shift more into capital

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005

1 funding and not into operations.

2 To that end, when we talk about formula,  
3 more and more formula will be geared toward what we  
4 call materials and parts or --

5 MS. : Materials and supplies.

6 DEPUTY SECRETARY CHAO: Materials and  
7 supplies. Basically, we're going to -- These are sort  
8 of viewed as light capital program improvements, and  
9 we would hope that locales under a million population  
10 would be able to access these light improvements  
11 before going into, let's say, wages and salaries or  
12 something like that.

13 Yes?

14 QUESTION: Can you explain the Office of  
15 the Secretary chart?

16 DEPUTY SECRETARY CHAO: Yes.

17 QUESTION: That had double digit or triple  
18 digit increases in all categories, but you say  
19 overall it might run 8 percent.

20 DEPUTY SECRETARY CHAO: Just hold on for  
21 one second.

22 Yes. No, no, no, it's correct. What we  
23 have tried to do in all of this is basically to -- The  
24 total figure does not necessarily -- The total at the  
25 bottom is not necessarily a compilation or a

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005



1 cumulative total of the above.

2 Primarily, what we have tried to do is to  
3 highlight certain elements which have contributed to  
4 the increase. But having said what I said, let me go  
5 and ask Kathy Collins if there is any further  
6 information on that.

7 MS. : One comment. The slide that  
8 you're seeing picks out --

9 QUESTION: Step up to the mic.

10 MS. : Oh, step up to the mic. Let  
11 me just make one overall point, and then Kathy  
12 Collins, our Budget Director, might want to elaborate.

13 This slides picks out subsets of the  
14 budget. So it doesn't -- It's not a complete -- I  
15 think that's a fair statement. So that we are --

16 DEPUTY SECRETARY CHAO: For example, if  
17 you look at the 144 percent increase -- I mean, that's  
18 a huge increase, but the base number, system  
19 development, for example, 12.2. 144 percent of the  
20 12.2 is a smaller number; and the 16 percent of the  
21 68.6. So the base makes a difference.

22 MS. : But your point about, you  
23 know, gee, look at all those high percents, and then  
24 the bottom line is only plus 8 percent, something must  
25 not be growing at such a high rate. I think that's

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005

1 your point. Right? Hold on.

2 QUESTION: What is that 69 million for  
3 (INAUDIBLE)? I assume that's not the entire project  
4 cost.

5 MS. : No, sir. It is a subset of  
6 the total project cost, and it relates to some of the  
7 communications features that go into the building,  
8 some of the softer costs that the General Services  
9 Administration -- the kind of thing that they don't  
10 carry in their budget, which the Department would be  
11 carrying in its budget.

12 So it is just a subset for some of the  
13 internal pieces of the new building.

14 QUESTION: Does that line come from a  
15 specific site within the headquarters here?

16 MS. : That line specifically isn't  
17 linked literally to a specific site. It's a basic  
18 concept.

19 DEPUTY SECRETARY CHAO: Right.

20 QUESTION: Is there a commitment to a  
21 specific site?

22 DEPUTY SECRETARY CHAO: I don't think so  
23 at this point.

24 MS. : We --

25 DEPUTY SECRETARY CHAO: Wait a minute. We

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005

1 have a particular site in mind and we're working on  
2 it, but we have not gotten the final sign-off from  
3 OMB.

4 MS. : Right. We will be sending up  
5 a prospectus to the Congress relatively soon.

6 DEPUTY SECRETARY CHAO: I believe I missed  
7 a gentleman back there.

8 (INAUDIBLE QUESTION)

9 DEPUTY SECRETARY CHAO: I think New York  
10 is a little bit unusual, in that New York is this vast  
11 system. It's got 150 miles. It's an older system.  
12 There clearly are needs there that the Federal  
13 government, even with all of their funding, cannot  
14 address.

15 The whole issue about discretionary versus  
16 formula -- I think the other point to remember is that  
17 in the traditional program 80 percent financing from  
18 the Federal government, that there is a reduction in  
19 the local incentive to really control costs and to  
20 have a feeling of accountability and responsibility  
21 for their local system.

22 What we are trying to do, again, is to  
23 increase that feeling of responsibility and  
24 accountability. I think we can do that through this  
25 method. Yes?

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005

(INAUDIBLE QUESTION)

DEPUTY SECRETARY CHAO: Maybe I will--  
Does Brian want to answer that one? Okay.

MS. : Let's start with the premise  
of your question. Last year's budget deal said there  
couldn't be -- What was your premise?

(INAUDIBLE QUESTION)

MS. : Yes. I think that's a  
slightly incorrect premise. Let's just walk through  
it.

The nickel increase in the gas tax -- Two  
and a half cents was to be going into the general  
fund, and two and a half cents going into the highway  
trust fund. In my knowledge, there is nothing that  
specifically says that new revenue cannot be spent.

In point of fact, the Act was preceded by  
a statement of intent that they were trying to have  
that money indeed be spent for infrastructure  
purposes. So --

(INAUDIBLE QUESTION)

DEPUTY SECRETARY CHAO: Well, I wasn't  
sure about that, and Kate just reconfirmed my  
understanding. If there's a difference, we will look  
into that. That's not my understanding.

MS. : Then there's one other point

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005

1 which may relate to your premise, which is going to  
2 the aviation trust fund. I don't know if you're  
3 linking those two or not, but in the aviation trust  
4 fund the Congressional intent was to say that the  
5 incremental two percent that was provided in the  
6 ticket tax, moving from eight percent to ten percent--  
7 - that that incremental two percent would go not to  
8 the aviation trust fund but to general purposes.

9 There was that intent by Congress, but  
10 when the law actually was written and actually voted  
11 on, that change was not made. Now I don't know if  
12 that relates to your premise or not.

13 (INAUDIBLE QUESTION)

14 DEPUTY SECRETARY CHAO: Well, in terms of  
15 -- Again, in terms of the highway, the outlays during  
16 the reauthorization period -- let's say, for the first  
17 four years -- lagged considerably behind the  
18 obligations. That sort of catches up in the fifth  
19 year. Yes?

20 (INAUDIBLE QUESTION)

21 DEPUTY SECRETARY CHAO: Kate, I have--  
22 Let me just take a look here.

23 MS. : That's a fair statement.

24 DEPUTY SECRETARY CHAO: I guess you were  
25 talking about the net in '91 of 905, and I guess

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005

1 President's budget of '92.

2 Now, basically, as we have seen there--  
3 Let me just take a look at some of the numbers here.  
4 I guess you can infer that. It does come out to be  
5 about 339. The most of that again is for Amtrak, and  
6 we would hope that a certain amount of that reduction  
7 would come from the productivity increases that we  
8 would have initiated.

9 Well, that's it. Thanks very much.

10 I guess the modal administrators are going  
11 to the back. Thank you.

12 - - -

13

14

15

16

17

18

19

20

21

22

23

24

25

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVENUE, N.W.

WASHINGTON, D.C. 20005

CERTIFICATE OF TRANSCRIBER

MATTER: Budget Press Briefing by  
Deputy Secretary Elaine Chao and Modal Administrators

DATE: February 4, 1991

I HEREBY CERTIFY THAT THE ATTACHED TRANSCRIPTION OF  
PAGES 1 TO 40 INCLUSIVE ARE TO THE BEST OF  
MY BELIEF AND ABILITY A TRUE, ACCURATE AND COMPLETE  
RECORD OF THE PROCEEDINGS AS RECORDED ON TAPE  
PROVIDED TO US BY THE AGENCY.

  
\_\_\_\_\_  
Transcriber

Feb. 6, 1991  
Date

REMARKS DELIVERED BY  
ELAINE L. CHAO  
JAPANESE AMERICAN CHAMBER OF  
BUENA PARK, CALIFORNIA  
FEBRUARY 15, 1991

Good evening and thank you for inviting me to be your speaker at tonight's installation dinner. I'm delighted to not only be back in my home state, but to be back with the people of my home state party.

But before I begin my remarks let me talk about something that I know is on all our minds - the war in the Middle East.

This is not an easy time for our nation nor for the President. I have had the opportunity to observe President Bush first hand during this period. From last August when the aggression first began until January 15th, it is clear that the President has pondered long and hard on this complex and troubling issue and consulted with a wide range of experts and advisors. What I see at the end of this very carefully thought out process is a world leader who is morally at peace with himself. He has thoroughly evaluated the situation and exhausted all plausible means of diplomatic resolution of this conflict. America is dealing with a man, Saddam Hussein, who has no principles and who will hold no bar to further aggression, if left unchecked.

As the President said in his recent speech to the Religious Broadcasters Association - This is a just war. This is a war to protect global peace and our national security.

Tonight, as we gather, we need to remember the brave men and women who are protecting global peace in the Persian Gulf and also remember their families. Let us also resolve to stand resolute behind our great President in this just conflict.

Now, you may not be aware that the Department of Transportation is also involved in the war effort. The United States Coast Guard, which is a part of my Department, is assisting in the enforcement of international sanctions.

Also, the civilian airline industry and merchant marine fleets have been indispensable in meeting the logistical needs of this war. Both industries are participants in the Civil Reserve Air Fleet, otherwise known as CRAF, and the Ready Reserve Force, programs which are administered by the Department of Transportation.

To date, the Ready Reserve Force has delivered almost thirty



percent of the total supplies carried by sea for Desert Storm. The CRAF program has involved 79 civilian aircrafts making over 2,300 flights, and transporting over 256,000 people.

The war in the gulf, for some of you and your families, may conjure up memories of another difficult chapter in our nation's history. Indeed, Saddam Hussein stated in August that the detention of foreigners in Iraq and Kuwait was no different than the U.S. Government's internment of Japanese Americans during World War II. His spiteful words took a very deliberate stab at an old wound - a wound that mere words and monetary restitution could never truly heal.

The lost years can never be restored, the painful memories can never be erased. We can never fully right the wrongs of the past. But we can take a clear stand for justice and recognize that serious injustices were done to Japanese Americans during World War II.

The struggle of Japanese Americans for Redress is one of the finest examples of what our country is about, and of what we have pledged to protect and defend. As Attorney General Thornburgh stated in October of last year on the occasion of the presentation of the first Japanese Americans redress checks, "Your efforts have strengthened the nations's Constitution by reaffirming the inalienability of our civil rights."

We enjoy a precious system of government that is unsurpassed by any in the world. Even when that system failed you, you never lost your faith in it. On the contrary, you believed that through that system you could achieve the justice which you had been denied. By finally admitting a wrong, a nation does not destroy its integrity but, rather, reinforces the sincerity of its commitment to the Constitution and hence, to its people. In forcing us to reexamine our history, you have made us only stronger and more proud. For that, all Americans are indebted to you.

Two years ago, we saw the passage of the Civil Liberties Act of 1988. Adding to this tradition of commitment to civil rights, the Bush Administration has continued to support redress and as I mentioned earlier, last year took part in its realization by authorizing compensation of \$20,000 to eligible persons of Japanese ancestry who were evacuated, relocated or interned during World War II. The Civil Liberties Act of 1988 affirms this administration's deep commitment to protecting the fundamental principles of individual rights contained in the Constitution, in times of war as well as in times of peace.

This is an ongoing commitment, to which this administration

remains dedicated. Today, when Arab Americans find their loyalty questioned as has been reported in San Francisco, Chicago, and Detroit, with incidents of harassment and violence against American citizens of Arab ancestry, our response is immediate. The FBI and the Civil Rights Division of the Department of Justice stand ready to protect our basic civil rights.

Regrettably, this is but one aspect of a troubling phenomenon which the entire nation has been witnessing - a startling rise in the number of Hate Crimes - acts of violence by groups and by individuals based upon racial, ethnic, and religious bigotry. This bigotry is a poison which President Bush in his State of the Union address vowed to fight. This administration will join with community leaders and law enforcement officials in the development of a national policy to enforce the laws that protect against such shameful crimes. We must work together toward a society protective of the constitutional rights of all its people.

The Republican Party itself has traditionally sought to protect the rights of the individual no matter what their creed, nationality or color. Republicans believe that good government is based on the individual and that each person's ability, dignity, freedom and responsibility must be honored and recognized. The American people's steadfast support of Republican principles of individual rights and responsibilities has made our nation a lighthouse for the world's new democracies.

One of the most dramatic images of the past year is that of a reunified Germany rising from the rubble of the Berlin Wall. The crumbling of the Wall was accompanied by the fall of dictatorships around the world yielding to the irresistible forces of freedom. The promise of the individual, long in the wall's shadow, has finally come into the light.

For over a decade, Ronald Reagan and George Bush have kept that light burning. With firm resolve Republican leadership has helped shape this new era we are now living in. It has been done in many ways: keeping our military strong; standing by emerging democracies; championing free markets; and making our own government work better. President Bush has been working with world leaders to resolve conflicts, manage changing societies and create stronger partnerships for cultural and economic exchange.

Almost twenty-five years ago a man was elected governor and transformed our state, then transformed our nation, and, in the end, transformed the world - one of the greatest governors and presidents our country has ever known.... Ronald Reagan.

Today, we California Republicans once again have a familiar

feeling. Another great Republican leader has been elected governor of this great state. Pete Wilson. A man who I believe will continue to make our state great. And who knows - with our help, he may go on to transform the country.

As Republicans, we believe the proper function of government is to do for the people those things that have to be done but cannot be done, or cannot be done well, by individuals, and the most effective government is government closest to the people.

As Republicans, we believe in free enterprise and encouragement of individual initiative and incentive, there are those who believe that the only way for minorities to get justice in the workplace and elsewhere is by substituting government regulation for market forces. I reject that ideology. Instead, the Republican Party seeks to promote economic and educational opportunity. The government cannot and should not guarantee that all Americans end up with the same level of income or education. But the government does owe it to every American that they be given an equal chance at the starting line.

A dangerous twist the other ideological side has sought to invoke in the name of opportunity for women and minority groups is what is called "gender balance" or "racial balance". It may seem like a new idea but it's the same old tired advocacy of quotas.

Now, let me say right away that this is an issue I feel strongly and personally about. It touches me. It touches my family. It touches many of my friends. Not because I am a woman. And not because I am of Asian ancestry. But because I am an American.

I believe that there is something eternally precious about America.

America was founded on a faith... ~~a faith revealed in words as soft as a prayer and as firm as a promise, through the Declaration of Independence and the Constitution...~~ a faith that has drawn millions to our shores to build this country and has sent millions more into battle to defend it... a faith that the United States would, in George Washington's words, "give bigotry no sanction, persecution no assistance"... a faith that all are created equal.

It is at its root a faith in people, not as members of groups, but as proud and free and deserving to be judged on their own abilities, their own character, and their own achievements.

We must never forget how special this heritage of looking at

the person and not at the group is. Just glance around the world at countries that have turned their backs on the individual and you can see where abandoning your faith can lead.

I am not talking now about the chaos of Northern Ireland or Lebanon, or Malaysia where quotas were started as a way of securing peace among groups and ended up helping to destroy the country.

Canada is close enough. Canada has long had what are in essence quotas along linguistic lines, particularly in government hiring.

And what has happened? Group has ended up pitted against group, and some say that the result is that Canada may not survive the decade as a single nation.

How can anyone believe that California should follow Canada's example? Our message to California will be, must be, is that the best example is the American example.

I wonder if our opponents have given a moments thought to what they are advocating. They say "Asian, Hispanic, black" as if that's the end of it. But among Asians and Hispanics alone there are scores of nationality groups, each with its own claims. As immigration from Africa and the West Indies grows, the same will become true for blacks.

Because of immigration and births, proportions -- however they are defined -- are bound to change. And yet if we can find any lesson from the world's experience, it's that once established, quotas won't change with the population -- at least not easily. Whatever group loses will become embittered towards other groups and the system. Even the winners are bound to feel short-changed.

Parts of California government already have what are called hiring goals, and no place is that more true than in our university system.

You've heard stories of Japanese American applicants who are denied admission to the universities of their choice, despite superior qualifications, because Japanese Americans are considered an "over-represented" minority.

You've seen reports that have been published recently of hiring practices from San Francisco State to Berkeley to UCLA. These practices include refusing even to consider superior candidates because they do not belong to one group or another. It doesn't matter what you call them, these are quotas.

And they are what a black professor at San Jose State recently denounced in a major national magazine as a "Faustian

bargain". As he put it, these kinds of "preference make scapegoats of the very people they seek to help." Everyone -- even the people who supposedly benefit from these quotas -- begins to wonder if the job came because of merit or group membership.

No one can help but conclude that sooner or later for almost everyone our opponents say needs preferences, quotas are sure to become what they once were for Jews and are now for Japanese Americans -- not a boost to progress but a barrier.

The truth is that for women, for Japanese Americans, for virtually every group, the American way is working. Our job should be, not to take the American way apart, but to keep it working.

It's just this simple -- quotas are demeaning. They are an enduring insult to the people they supposedly benefit.

They don't belong in our universities. They don't belong in our courts and commissions. They don't belong anywhere in government.

I am tempted to tell you here the story of my father... who came to America as a graduate student, worked three jobs to put himself through school, finally started his own business and became an American success story.

~~These are typically American stories.~~

~~But~~ Let me tell you of someone else. In years past, he would have been called the "highest ranking black in the military"... except now, as Chairman of the Joint Chiefs of Staff, he is the highest ranking person in the military.

General Colin Powell grew up a continent away from this room in New York's South Bronx. His father and mother both worked in the garment business -- he as a sales clerk, she as a seamstress.

You get an idea of the kind of people they were when you find that, of them, General Powell has said, "It would never be possible for me to do better than they in providing their children with values and goals, and in that way making a valuable contribution to their country, which they loved."

Yes, he found discrimination and prejudice after he joined the Army. But of that he has said, "If there is one thing I have tried to do over the many years that have followed my enlistment, it's to allow the fact of my minority status to be somebody else's problem, not mine, and to do the best I could as I pursued my chosen career."

~~Sometimes I think that there are those who can't see or~~



~~won't grasp stories like my father's story or General Powell's story.~~

And yet <sup>↑</sup> the common threads of values, goals, hard work, dedication to doing ~~(you)~~ best, not getting too caught up in other peoples opinions, love of family, love of country -- these common threads run through so many millions of proud American stories. They weave together into the great and essential cloth of our national life.

Finally, I would like to say a word about how the Republican Party plans to be a player in the political empowerment of minorities in the nineties.

Simply put, much power in this country lies in the hands of the elected. So if Japanese Americans are to become a substantial political force, more of us should seek and attain public office.

It's time to move further into the political arena. The potential is there.

I know the Republican National Committee is making a concerted effort with State and local parties to recruit, train, and finance the best individuals to run for office, particularly minorities. This is not an attempt to fill quotas or play token politics. No. There is simply too much political talent among minorities to ignore.

Japanese Americans no longer need to stand outside hoping for entry within. Our Party is like a new home, a home with big doors and many rooms. Walk in. Stay. We think you'll like what you see. And what you do not like - stay and help change. Because quite simply, we are the party that values your commitment - and above all the party values you as an individual.

Thank you. Good night, and God bless you.