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REMARKS PREPARED FOR DELIVERY BY
SECRETARY OF TRANSPORTATION SAMUEL K. SKINNER
U.S. INTERNATIONAL TRAVEL AND TOURISM CONFERENCE
WASHINGTON, D.C.
FEBRUARY 6, 1990

I am delighted to have the opportunity to participate in this international travel and tourism conference. I cannot think of an industry whose interests are more closely allied with transportation than the travel and tourism industry, particularly when its a \$350 billion dollar industry employing nearly six million people.

As you know travel and tourism fall under Secretary Mosbacher's Department but occasionally my Department gets involved. We put out a warning to air travelers just before the Super Bowl game between Denver and San Francisco. We said not all airline tour packages to New Orleans included tickets to the game. So they had better look at their tour package before leaving home or they might travel to New Orleans and not get in the game. Maybe the Denver Broncos didn't get our warning. Denver didn't win the Super Bowl, but they are building a new airport and that's a winner of tourism and other industries.

Your conference theme, "Charting a Course for the 90s" is very appropriate. It reminds me of a story about a Washington cab driver who was driving a family of tourists around the city on a sight-seeing trip. As they passed the National Archives, the 10-year-old daughter

read aloud the inscription over the entrance to the building: "The past is prologue."

The little girl said "Daddy, what does that mean?"

The street wise cabbie looked back over his shoulder at the little girl. "Honey," he said, "it means you ain't seen nuthin' yet."

Well, nothing could be more true for the decade of the nineties. We stand at the dawn of a new era.

As we start the '90s, we are witnessing the longest peacetime expansion in history, the creation of 20 million new jobs, and a new birth of freedom across the globe.

This is perfect for the U.S. travel and tourism industry. The United States provides more diversity in tourism destination, products and services than any other country in the world. We have many strengths. Our culture stimulates boldness, risk-taking and innovation.

This administration is promoting the opening of world markets through the Uruguay Round of multilateral negotiations under the General Agreement on Tariffs and Trades.

As you know this administration is engaged in bilateral talks with Japan to identify and eliminate

structural factors that may impede balance of payments adjustments and efficient patterns of world trade.

At the Department of Transportation, we are implementing a program to promote foreign air carriers to expand service to more U.S. cities. This initiative will improve international services to many U.S. cities and help them realize the economic benefits of improved air travel, as well as promote tourism. We plan to create new opportunities for air travel, and we are considering other ways to create more free trade in international aviation services.

In November, we reached agreement with Japan for a dramatic expansion of air services to Japan. Under the terms of the agreement U.S. airlines will be able to operate new combination service to Tokyo from three U.S. cities. Our airlines will also be able to operate new combination services to Japanese cities other than Tokyo or Osaka from three U.S. cities. The agreement also allows Japanese airlines to operate service from Tokyo to three U.S. cities and from Japanese cities other than Tokyo and Osaka to three U.S. cities. This is an example of the breakthroughs we can make in travel.

In a word, we want your industry to be competitive in international markets. I suggest that the concerns of the travel and tourism industry are not too different

from any other industry in the country or from average Americans who have a gnawing concern that their country is no longer the world's premier economic power.

According to recent opinion polls, most people think we are losing economic ground. Four out of five are worried whether their children will be able to afford a house or obtain the necessary education for a decent job.

They are saying that the U.S. could face a serious economic decline unless far-reaching measures are taken to restore the nation's competitive edge. I suggest the solution is to be bold and visionary, not indecisive and short-sighted.

Specifically, if the United States is to maintain its leadership in this global economy, we must give more attention to our transportation infrastructure and we must do it now. We need to maintain, expand, and make our transportation system more efficient. We need a better application of management and technology to make our people more productive.

David Aschauer, an economist with the Federal Reserve Bank of Chicago, concludes that a root cause of the decline in competitiveness of the United States in the international economy may be found in the low rate

at which our country has chosen to add to its inventory of highways, port facilities, airports and other facilities which aid in the production and distribution of goods and services.

In your industry, more than others, competitiveness depends upon transportation.

What will be the influencing factor in whether a family from another country takes its vacation in the United States? News stories appear almost daily about the Japanese devoting more time to leisure travel. As you know, the Japanese are our biggest foreign spenders at 18 percent of the U.S. travel industry's total receipts last year.

Can that family get a convenient flight to its U.S. destination? Or will they arrive at an over-crowded airport two hours late and find their connector flight canceled or over-booked and their luggage lost? Will they be forced to rent a car to drive to the next city to visit a cousin and risk being stuck in one of our famous traffic jams? If so, will they decide instead to spend their vacation skiing in the Alps or touring ancient European castles? Europe offers high-speed trains that zip across a whole country in no time.

At the Department of Transportation, we may have answers for you. Like you in the travel industry, we

have been "Charting A Course for the 90s". Our effort has produced a national transportation policy, which will be out soon. This will not be a centralized plan but rather a strategic framework for decision-making to help federal, state and local officials, and the private sector deal with America's future transportation needs.

To develop our strategy, we went directly to the American people. We undertook one of the most extensive outreach efforts ever conducted by a government agency. We held 117 public hearings and town meetings in 43 cities and towns across the nation.

We listened to individual citizens, community groups, unions, researchers, academic experts, trade associations, corporations, state and local government officials and many others. This policy has built the foundation of a national consensus.

Although it won't be released until next month, I can give you a glimpse of segments of particular importance to the travel industry.

The policy is intermodal in nature. The focus of transportation programs should be moving people and goods, not simply vehicles or modes of transport.

It is a policy which gives special attention to issues of importance to leisure travelers. It emphasizes human

factors and American standards. Safety and convenience of transportation are given priority. We address the problems of vehicle pollution, noise, and traffic congestion to protect the environment. It also looks at ways to improve the quality of the travelers' experiences in our prime tourist areas.

To make travel more enjoyable requires more than just the basic infrastructure. Travelers generally want services to be safe, convenient, comfortable, and sufficiently frequent to fit within a busy itinerary, and to accommodate a wide range of budgets.

We also need to give more attention to providing ready information on schedules and transportation options. Clear and consistent signs and directions easy to understand in other languages are critical at stations and terminals, on highways and other routes.

Safe, well-maintained routes, clean and attractive facilities, pedestrian walkways as well as trails for bicycles are all important to tourists and other leisure travelers. The federal government alone cannot make these things happen. The public and private sectors must work together to improve the quality and availability of transportation and related service facilities for the traveling public.

The new national transportation policy will tap the energy and initiative of the people who provide transportation services and facilities and the people who use them. We're going to move the action closer to the people.

The five major strategies that will be incorporated in the policy all are designed to increase our reliance on the private sector and state and local government. They are designed to stimulate competition and allow the magic of the marketplace to work.

First, we will promote new technology and more support for efforts in research and development, both in the public and private sectors. In our 1991 budget which has just gone to Congress, we are seeking research and development funding on magnetic levitation and high speed rail service.

Second, we envision a stronger, healthier partnership among federal, state and local governments.

Third, we will be looking for new and creative ways to apply the time-tested user fee principle.

A fourth strategy will be to stimulate more private investment in transportation.

Finally, one of the major thrusts of the policy will be to remove unnecessary regulations. Over the past ten

years, we've witnessed the enormous benefits to consumers from airline deregulation.

I want to carry that one step further. It's high time that we work to knock down some of the walls in international aviation markets as well. Let's push the door wide open to free and unfettered competition of air transportation around the world. It could only mean an avalanche of business for the travel and tourism industry. The competition it generates for tourist dollars alone justifies the journey.

Far too many arbitrary, unnecessary government regulations remain that impede growth in international aviation markets. In fact, for all intents and purposes, the phrase "international aviation market" is today a contradiction in terms. Airlines operating internationally work under circumstances that represent the very opposite of market conditions. Pent up demand goes unserved. Supply is choked by the heavy hand of government. We must develop a genuine global market for aviation services.

The emerging global economy simply will not tolerate the inefficiencies built into the present legal framework for international air services. In today's world, efficient, competitive, low cost service is sacrificed in the pursuit

of mirror-image reciprocity and unnecessary government restrictions.

It wasn't long ago that these regulatory restrictions were present in domestic aviation. Many believed the air transportation system that functioned best was one in which the government told airlines which routes they could serve and how much they could charge. But deregulation of the U.S. airline industry changed all that. It stimulated a phenomenal expansion of our domestic air transport market, and produced huge economic dividends for consumers. What was once considered a more elite mode of transportation is now affordable for the average citizens.

Consumers today are generally satisfied -- if not happy -- with the impact of domestic airline deregulation. And, American consumers are flying for less money. Today, more than 90 percent of air travelers ride on discount fares at an estimated savings of \$11 billion annually. In addition, thousands of consumers are taking advantage of the Department's program to provide information and assistance on air travel issues. The Department's Consumer Affairs Office handled more than fourteen thousand complaints and inquiries concerning airline service alone last year. Whether they

write or phone, our goal is to give consumers the attention they deserve.

Deregulation produced an airline industry that is more creative, more responsive to the marketplace, and more efficient. Hub-and-spoke systems, yield management programs and sophisticated computer reservation systems -- developments widely emulated abroad -- are all products of this environment. Innovation spurred by market forces has made our air transportation system the most efficient in the world.

There is, in my view, no reason why these extraordinary benefits should be limited to our domestic market. It is my hope that all the people of the world can enjoy the same benefits of deregulation that travelers in the United States enjoy. How do we get there? Here are my thoughts.

Number one, we must work hard, in international bilateral negotiations, to establish liberal agreements with as many countries as possible. We are currently party to over 70 bilateral aviation agreements.

Number two, as I mentioned earlier, we are creating new opportunities for air travel outside the traditional horse-trading bilateral negotiating process.

By the time I leave this office, I want America to be well on the way toward the transportation system it must have for the 21st century. That's the purpose of the national transportation policy. It gives us a clear route to leadership in a global economic boom. As we approach the beginning of the 3rd millennium, the way we address our transportation needs will fix our place in history.

OPENING STATEMENT OF THE HONORABLE SAMUEL K. SKINNER
SECRETARY OF TRANSPORTATION
BEFORE THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON TRANSPORTATION
WASHINGTON, D.C.
FEBRUARY 8, 1990

Mr. Chairman and members of the Committee, I am pleased to appear before you to discuss the Department's budget request for fiscal year 1991. Before we talk about the budget, I want to tell you how much we have appreciated the care and commitment you have given to issues of this Department and to the quality of transportation in the nation. We look forward to continuing this spirit of cooperation in the year ahead.

Transportation plays a vital role in advancing our country's goals for economic growth, global competitiveness, national security and improved quality of life. To support these goals, this country must confront a range of transportation needs: maintaining and replacing an aging infrastructure; providing sufficient capacity to deal with congestion both in the air and on the ground; ensuring a safe, reliable and energy-efficient system that is also sensitive to environmental concerns, responding to the travel needs of individuals and businesses and ensuring a cost-efficient system. As President Bush has stated, such needs require us to invest now to improve the future as well as current conditions.

Last year I testified before this Committee on the importance of a national transportation strategy to help us address these transportation needs. We will soon unveil our policy in detail. However, this budget, with its emphasis on safety, infrastructure, research and development, increasing state and local financial role through such means as passenger facility charges, and increased reliance on user fee financing, is consistent with our objectives in developing a national transportation strategy.

The FY 1991 budget for the Department asks this Committee to approve \$26.6 billion in appropriations and obligation limitations.

Our request is 8.9 percent above the President's Budget request for FY 1990. Compared to the enacted FY 1990 level, the budget includes areas of significant increase in each mode, but especially for the Federal Aviation Administration, the U.S. Coast Guard, the National Highway Traffic Safety Administration. The areas of major reduction from FY 1990 enacted levels -- transit operating assistance to large urban areas, Amtrak and related railroad subsidies and highway demonstration projects -- are areas where the Executive Branch has consistently sought to reduce or eliminate

federal involvement and to strengthen local or private financial responsibility.

Before I highlight individual modal requests, let me summarize the major themes of the budget before this Committee.

We are requesting \$1.6 billion for direct safety programs, an eight percent increase over the FY 1990 enacted level, needed to carry out the Department's responsibilities to ensure a safe transportation system. This includes inspections, search and rescue, safety grants to states and aviation security.

Our request includes \$18 billion, or 68 percent of the Department's budget, for programs directly supporting capital investments in highway, transit and aviation infrastructure.

We are proposing \$776 million, a ten percent increase over FY 1990, to support the Department's drug enforcement activities.

Our request includes \$390 million for research and development programs, a growth of 17 percent to prepare us for the future and to help make the transportation industries even more competitive. This includes testing of explosive detection equipment, assessing of high speed rail systems and promoting

intelligent vehicle-highway technology to improve traffic flow and highway safety, an area in which this Committee has also expressed interest.

Twenty point seven billion dollars or 78 percent of the Department's budget would be financed from user fees, up from 68 percent in FY 1990. We are proposing increased aviation fees and fee proposals in Coast Guard, Railroad Safety and Commercial Space Transportation.

Let me touch on some significant requests for the modes.

For the FAA, we are proposing a budget of \$8.3 billion, a 16 percent increase over the FY 1990 level. This includes \$4 billion for aviation infrastructure -- a 27 percent increase over FY 1990. Over the next five years, we propose a 78 percent increase in funding for aviation facilities and infrastructure compared to the past five years.

The centerpiece of the capital request is \$2.5 billion, a 45 percent increase over FY 1990, to continue modernization of the nation's airspace system and air traffic control facilities and to maintain certain equipment in the interim.

We also request \$1.5 billion for airport grants. In addition, we are proposing to allow airports to levy passenger facility charges which will generate additional funds for aviation infrastructure. In this vein, we are seeking the advice of a select committee which the Committee directed us to establish.

For FAA Operations, we are proposing \$4.1 billion, a seven percent increase over FY 1990, including funds for increasing employment levels by 495 controllers, 300 new safety inspectors, and 164 security specialists. Included in this request are funds to continue the pay demonstration and training initiatives and to keep pace with permanent change of station requirements.

We are proposing that 85 percent of the FAA budget be financed from the trust fund in line with civil aviation use of the airspace. The current user fee funds are not sufficient to support these spending requirements. Therefore, we are proposing that the current user fee rate be increased from 8 percent to ten percent of the price of an airline ticket. Without an increase, the trust fund balance would be negative in FY 1994.

For the Coast Guard, we are proposing a \$3.4 billion budget, a six percent increase over the FY 1990 level. This includes \$229 million for marine environmental protection activities, a 6 percent increase over FY 1990,

and an 8 percent increase to \$731 million for drug interdiction programs.

The proposals for the Federal Highway Administration and the National Highway Traffic Safety Administration continue our efforts to meet highway infrastructure and safety needs. The Federal-aid obligation limitation is set at \$12.013 billion to continue the federal share of costs to maintain the physical condition of bridges and highways of national importance and to continue completion of the Interstate System. The budget also proposes \$13 million to accelerate our role in new highway technology to address congestion problems.

FHWA and NHTSA are jointly funding, in partnership with private industry and academia, the development of an advanced driver simulator to aid the improvement of vehicle crash avoidance capabilities and to enable us to consider human factors and safety needs in the development of intelligent vehicle highway systems. The budget includes \$3 million to support this project.

For NHTSA, the FY 1991 budget requests a funding level of \$242.9 million, a \$12.2 million, 5.3 percent increase over the FY 1990 level. In line with President Bush's commitment to reduce the extent of drunk driving, the budget proposes to double from \$4 million

to \$8 million funding for incentive grants to states that adopt and enforce effective laws and initiate comprehensive drunk driving prevention programs.

For the Urban Mass Transportation Administration, our \$2.3 billion request recognizes broad support for transit and seeks to focus the federal dollar on the most cost-effective use. We request \$1.08 billion for formula grants for capital and operating assistance but propose to eliminate operating assistance to cities over one million in population. Our proposal of \$1.14 billion for discretionary grants would provide funds to help transit authorities address requirements to improve air quality and increase access to transit services for disabled persons.

For the Federal Railroad Administration, we are requesting \$69.6 million, including \$6.1 million to expand our research efforts to determine the safety requirements for magnetic levitation (Maglev) and high speed rail technology. This would also encourage the development and manufacture of advanced Maglev transportation systems in the U.S. We are also proposing to increase railroad safety inspector employment from 330 FTE in FY 1990 to 361 in FY 1991.

For the Research and Special Programs Administration, our \$27.5 million request will continue

to support our safety and regulatory efforts in pipeline and hazardous materials transportation as well as other vital programs.

For the Office of Commercial Space Transportation, we request \$4.5 million to support the regulation of this new industry, as well as actions to encourage its growth.

In conclusion, let me say that I am convinced that the men and women of the Department of Transportation are hard working and highly professional. Likewise, I am also convinced of the infrastructure needs of this country. Our budget request for FY 1991 asks for the resources needed to support DOT employees in their work and to address the critical transportation issues of this country.

I would be pleased to answer the Committee's questions.



U.S. Department of
Transportation

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REMARKS PREPARED FOR DELIVERY BY
SECRETARY OF TRANSPORTATION SAMUEL K. SKINNER
CITY CLUB OF CLEVELAND
CLEVELAND, OHIO
FEBRUARY 9, 1990

Before I get into a discussion of what the Department of Transportation is doing to improve U.S. productivity and competitiveness, I want to say a few words about what I know to be an issue of great concern to the people of Cleveland.

Drugs are a serious safety problem in transportation -- a problem which must be dealt with.

The American people are entitled to a drug free transportation system and I am personally committed to giving them just that. Random drug testing is a necessary and essential step to providing the safest and most efficient transportation possible.

Americans agree. A recent Gallup poll showed that sixty percent of American workers favor on the job drug testing. But get this: 94 percent think testing of transportation workers is a good idea. That sounds like a green light to me.

Many transportation workers agree too. A survey released this week by the University of Florida's Institute of Food and Agricultural Sciences showed that interstate truck drivers approve of the Department of Transportation regulations requiring drug testing. Of 1,300 drivers surveyed in 1989, 66 percent approved random drug-testing while 90 percent supported mandatory post-accident testing.

Our new regulations requiring drug testing in all transportation industries went into effect in December. However, on January 19, 1990, the U.S. Court of Appeals for the District of Columbia circuit dealt us a slight setback. After hearing a consolidated appeal by labor organizations, the court held that the Urban Mass

Transportation Administration exceeded its statutory authority when it issued an anti-drug regulation.

Ironically, that decision came two days after the most recent RTA train accident in Cleveland which injured 14 people. Your drug policy, which had operated for only a month uncovered two drug users after that accident. The student driver who was driving the train and his instructor were tested for drugs. One tested positive for cocaine, the other for marijuana.

Nevertheless, based on that court decision, the Department has suspended until further notice its rule requiring drug testing for sensitive safety employees in the mass transit industry. However, we will seek legislation to provide UMTA with clear statutory authority to reestablish its anti-drug program rule for recipients of federal mass transit assistance.

Meanwhile, we strongly urge all local mass transit systems to implement or continue drug testing where they have legal authority to do so, in order to ensure public safety. The Department of Transportation is still fully committed to support the drug testing efforts of transportation systems.

Now, let me say that as our plane was approaching Cleveland this morning, I looked out across the skyline and thought how much things have changed since the 1970s. Cleveland was the buckle of the rust belt. Many had already written your city's obituary.

Today, Cleveland, with 19 of the Fortune 500 industrial companies, is the third largest industrial market in the United States -- behind New York and Chicago. Cleveland stands tall as a major shipping hub and gateway for world trade, due in no small measure to your wise use of good transportation systems.

The Cleveland-Cuyahoga County Port Authority is one of the St. Lawrence Seaway's busiest ports. In fact, with all the exports of American steel and equipment, you may have had the best year of any port in on the Great Lakes, with a 32 percent increase in cargo. Virgil E. Brown, a member of the Cuyahoga County Commission, is in the audience. He is one of five Presidential appointees on the Seaway Corporation's advisory board. That's how much the administration thinks of Cleveland as a major player in world trade.

In a word, you are a model here in Cleveland for what I'm trying to do on a national level. You have used your rich heritage in transportation linkages -- your port, your interstate highways, your rail system -- to lead an economic revival in Cleveland.

You have demonstrated that transportation is the foundation for our success in international markets, and today every market is international. In fact, we are at a time when markets mean more than just territory.

America has had successes in global markets when we could price our products competitively. One reason for that success is our regulatory reforms which have increased the efficiency of our transportation system.

Let me give you an example of the kind of transportation efficiency I mean. I recently visited one of Chrysler's new assembly plants in Detroit. The plant manager

told me they turn out about 900 cars a day, and yet they never have more than an hour's supply of seats on hand.

He said they rely on a just-in-time supply system that reduces costly inventory to the absolute minimum. Every hour, he calls his seat supplier, 60 miles away, with an order for the seats he'll need four hours later.

The supplier, who is not part of the Chrysler organization, makes the seats and delivers them on time, by truck. That example of efficiency and productivity could not take place if we didn't have the interstate highway system, the legacy of Dwight David Eisenhower.

There's no question that our success in world markets depends in part on efficient transportation at home. But we cannot rest on our laurels.

If the United States is to maintain its leadership in this global economy, we must give more attention to our transportation systems and we must do it now. We need to maintain, expand, and make our transportation systems more efficient. We need a better application of management and technology to make our people more productive.

Widespread public opinion indicates that the U.S. could face a serious economic decline unless far-reaching measures are taken to restore the nation's competitive edge.

David Aschauer, an economist with the Federal Reserve Bank of Chicago, concludes that a root cause of the decline in competitiveness of the United States in the international economy may be found in the low rate at which our country has chosen to add to its inventory of highways, port facilities, airports and other facilities which aid in the production and distribution of goods and services.

As a share of gross national product (GNP), spending on public capital has dropped from 2.3 percent of GNP in 1960 to less than 1.1 percent in 1985. The U.S. ranks 55th in the world in capital investment in infrastructure. We spend a smaller share of our resources on highway investments than Japan, which relies more heavily on rail transportation than we do.

I suggest the solution is to be bold and visionary, not indecisive and short-sighted. That's what we've tried to do in our national transportation policy, which will be released soon. This will not be a centralized plan, but rather a strategic framework for decision-making to help federal, state and local officials, and the private sector deal with America's future transportation needs.

As Samuel Taylor Coleridge put it, "Common sense in an uncommon degree is what the world calls wisdom." Our policy is a common sense approach to international competitiveness in the 21st century and it carries the wisdom of the people.

To develop our strategy, we went directly to the American people. We held 117 public hearings and town meetings in 43 cities and towns across the nation.

We listened to individual citizens, community groups, unions, researchers, academic experts, trade associations, corporations, state and local government

officials and many others. This policy has built the foundation of a national consensus.

Although it won't be released until next month, I can give you a glimpse of its major themes.

The policy is intermodal in nature because we feel the focus of transportation programs should be moving people and goods, not simply on vehicles or modes of transportation.

It will tap the energy and initiative of the people who provide transportation services and facilities and the people who use them. We're going to move the action closer to the people.

The five major strategies that will be incorporated in the policy all are designed to increase our reliance on the private sector and state and local governments. They are designed to stimulate competition and allow the magic of the marketplace to work.

First, we will promote new technology and more support for efforts in research and development, both in the public and private sectors. For example, in our 1991 budget, which has just gone to Congress, we are seeking research and development funding on magnetic levitation and high speed rail service.

Second, we envision a stronger, healthier partnership among federal, state and local governments.

Third, we will be looking for new and creative ways to apply the time-tested user fee principle.

A fourth strategy will be to stimulate more private investment in transportation.

Finally, one of the major thrusts of the policy will be to remove unnecessary regulations.

Over the past ten years, we've witnessed the enormous benefits to consumers from airline deregulation. Today more than 90 percent of air travelers ride on discount fares at an estimated savings of \$11 billion annually. I want that same kind of market for the trucking industry's services. We need to get rid of unnecessary rules and regulations and let the marketplace do its job.

The priority of removing the remaining unnecessary economic regulation of the trucking industry must be moved to front and center stage if the United States is to compete in international trade in the 1990s and beyond. Even though many economic regulations were removed from the trucking industry in 1980, trucking is still subject to a range of federal regulatory requirements governing entry, rates and services. Federal regulation of the trucking industry should be limited to safety and liability requirements.

The reforms we have enacted so far have worked extremely well. As a percentage of GNP, transportation and its related costs have dropped from 14.5 percent in 1980 to 11 percent in 1988. Trucking deregulation will help truckers increase their revenues and profits by avoiding empty trips and the expensive legal and administrative fees involving current federal and state regulatory requirements.

The regulatory evils on the back of the trucking industry are not limited to those of the federal government. There are hundreds of examples of how the crazy quilt of state regulations cost shippers billions of dollars.

Because of state regulation of intrastate trucking operations, Procter and Gamble finds it cheaper to ship Crisco 600 miles from Jackson, Tennessee to Tyler, Texas than to serve Tyler from neighboring Dallas -- only 80 miles away.

Morton ships its products 225 miles from North Central Ohio to Flint, Michigan for \$.76 per 100 pounds, rather than serve Flint's needs from nearby Manistee, Michigan -- where shipping rates are \$1.07 per 100 pounds.

It's clear that remaining unnecessary economic regulation at the state and federal levels seriously jeopardizes our ability to be competitive. With the coming together of Europe into one market in 1992 and already stiff competition from the Pacific Rim countries, our industries must be able to ship their goods in the most efficient way possible. Transportation systems must enable them to turn to just-in-time inventory and manufacturing processes rather than frightening them away with high freight costs and unreliable delivery schedules.

A couple of years ago, millions of us thrilled to the saga of two pilots -- a man and a woman from California's Mojave desert -- who piloted their pencil-like ship through a typhoon across the Pacific. Around the world in seven days without refueling. Together, they were part of a modern day adventure unmatched since Lindberg flew to Paris and Chuck Yeager broke the sound barrier.

In the wake of his historic journey, Dick Rutan struck the keynote of our philosophy of competitiveness. As he put it, he had to fill out only two pieces of paper in the six year history of Voyager. One was an application for airworthiness. The other, an application for a tail number.

Voyager did not originate in the Department of Transportation or from a federal grant. It's birth certificate was a restaurant napkin, its first blueprint a series of doodles by an aeronautical dreamer. Dick Rutan said it best...

"What kind of world would there be if there was no daring?"

It's that question which prompts every generation to challenge the status quo and push out the boundaries of conventional wisdom.

Government can't be immune to daring. We must move forward. We must compete globally. We must export technology instead of importing it. We must invest in infrastructure. These are the challenges DOT has taken on. And as President Bush said about transportation policy in the State of the Union Message, "It's time to act...It's time to act together."

Thank you.

POLITICAL SPEECH DO NOT RELEASE

REMARKS PREPARED FOR
SECRETARY SKINNER TO
LINCOLN DAY DINNER
PEORIA, ILLINOIS
FEBRUARY 10, 1990

Today, all over our land, we remember the birth of one of America's greatest sons, Abraham Lincoln -- a self-educated backwoodsman who became a lawyer, Congressman and President. Whoever would understand in their hearts and minds the meaning of America will find it in the life of Honest Abe Lincoln.

His spirit continues to live on. If you stand to one side of his statue at the Lincoln Memorial in Washington, you can see the profile of a man of strength and wisdom, and by standing on the other side, the profile of a man of compassion.

Abe Lincoln taught us the true meaning of "We, the people . . ." He made us understand that no man is good enough to govern another man without that other's consent. And he lived by his words. "I am not bound to win," he once said, "but am bound to be true."

In the spirit of Lincoln, America has carried forward the dream of democracy, guaranteeing political rights and freedom for all her citizens. And as our nation has matured, we have sought to meet more fully the

obligations that spring from our national conscience. In the history of mankind, there has never been a people who've strived harder or done more than we Americans to help all who are truly in need.

This Administration is committed to carry on that tradition. In the past nine years, under the leadership of Ronald Reagan and George Bush, America has once again become the economic wonder of the world. It is the land of opportunity to which people of all persuasions look as a beacon of hope, freedom and growth. We cut taxes, and other nations took notice. We cut regulations that hampered economic growth, and other nations followed our lead. We relit the flame of opportunity and created millions of new jobs for all Americans.

Now, as we enter the decade of the '90s, the decade of achievement as I call it, the burning question facing America is: will we now prepare the way to continue this legacy of opportunity into this decade and into the 21st century?

In the eyes of the Bush Administration, yes we will. Call it competitiveness. Call it a quest for excellence. Whatever you want to call it, in the year 2000 we want America still at the top of the charts, at the head of the

class. In the year 2000 we want America to be number one -- and climbing still higher.

That is going to take some doing. We're going to have to roll up our sleeves and work harder and more efficiently. And we're going to have to be clear from the start about what is the right path, the right way to accomplish that goal.

There are many stories about Lincoln, and one in particular that describes the opportunity before us. As a young lawyer, Lincoln once had to plead two cases in the same day before the same judge. Both involved the same principle of law, but in one Lincoln appeared for the defendant and in the other for the plaintiff. Now, you can see how this makes anything above a 50-percent success rate very difficult.

Well, in the morning Lincoln made an eloquent plea and won his case. Later he took the opposite side and was arguing just as earnestly. Puzzled, the judge asked why the change of attitude. "Your Honor," said Honest Abe, "I may have been wrong in the morning, but I know I'm right now."

The quest for excellence has been underway at the Department of Transportation with the development of our strategic national transportation policy, due to be released soon. It is a great national undertaking that

will challenge our various modes of transportation to work together to seek new opportunities, to be the very best in a strong and ever competitive international economy -- an international economy that gives us both the challenge of competition and, as it grows and we grow with it, the promise of a century of prosperity ahead.

A couple of years ago, millions thrilled to the saga of two pilots -- a man and a woman -- who rode a typhoon across the Pacific Ocean. They piloted a small, untried graphite ship of the air all around the world. Together, they were part of a modern day adventure unmatched since Lindbergh flew to Paris and Chuck Yeager broke the sound barrier.

In the wake of his historic journey, Dick Rutan struck the keynote of our Department and this Administration's philosophy. The free market system is so conducive to pioneering that, as he put it: he had to fill out only two pieces of paper in the six year history of Voyager. One was an application for airworthiness. The other, an application for a tail number.

The free market system is the cornerstone of our national transportation policy. It will tap the energy and initiative of the people who provide transportation services and facilities and the people who use them.

Maintaining America's position as the world leader in safe, efficient, environmentally responsible transportation is one of the President's top priorities. He recognizes that the United States is entering a new era; that's why our national transportation policy is so important. It will evaluate short and long-term transportation requirements and review ways of meeting them.

We need to look at the big picture and make sure the decisions made today will meet our transportation needs in the 21st century. If the nation's transportation system does its part to bring jobs, economic growth and opportunity to the citizens of this country, then we've done our part for the greater good of this nation.

While we're not quite ready to announce the details, I can tell you the national transportation strategy will include a number of new policy directions, including:

- a stronger partnership among federal, state, and local governments;
- new and creative ways to apply user fees, bringing more money and increased stability to our transportation funding;
- the removal of unnecessary government regulations;

- the stimulation of greater private investment in transportation;
- and a major thrust to develop new technology and provide more funding and support for research and development, both in the private and the public sector.

I believe this will be the most significant strategy ever developed for transportation in this country. It is designed to ensure that America has the transportation system it needs to remain competitive in world markets and improve our quality of life. I think it can help build a better America.

Building a better America. That is what George Bush was talking about when, in his inaugural address, he said, "We live in a peaceful, prosperous time, but we can make it better. A new breeze is blowing, and a nation refreshed by freedom stands ready to push on. There is new ground to be broken, and new action to be taken."

Well, that ground has been broken and action has been taken by this President. As we enter the second year of the Bush presidency, the domestic economy remains strong while, around the world, dramatic and hopeful changes are taking place. In the international arena, the President heralded -- in his inaugural address

-- the historic era of freedom that was dawning: "The day of the dictator is over."

You know, it's funny. The leaders of the other party have always underestimated George Bush. Do you remember when he was down 17 points in the polls, written out of the race by the media, they said he was finished. Of course, when he gained the lead in the polls, the critics were quick to point out that his support was a mile wide but only an inch deep. And when he won the election with an overwhelming margin, they said he had no agenda, no mandate, no vision for the future of this country. Everyone predicted that George Bush's honeymoon with the American people would be over in days, not months.

Well, as you know, they were just plain wrong. According to the Washington Post, George Bush's approval rating is around 80 percent. He has given us peace and prosperity. He has taken bold steps both at home and abroad. As he told us, he has done it in a kinder and gentler manner and; read my lips, he has accomplished it with no new taxes.

Remember when the Democrats doubted the President's resolve to stop the flow of drugs and scoffed at the fact that he would come down hard on drug

kingpins. Well, today I think General Noriega would probably disagree with that.

Remember when the Democrats said that President Bush lacked an agenda? Well, the President has taken the initiative and demonstrated leadership by offering solutions to the problems of drugs, crime, day care, education and the environment. These are the issues of the 1990s. These are the issues you and I and every American care about.

Now think about it. What did the Democrats propose? Their only answer is that it's never enough and that we need to raise taxes. Their answer is like a broken record, only they haven't figured out that the American people have taken to listening to George Bush on CD.

Let me give you just one example of what I am talking about. When the President went on national television to announce his drug strategy last year, all you heard from every Democrat on the news media that evening was "We have the solution to the drug problem, we need to raise taxes and throw money at the problem."

My friends, you and I are Republicans because you know that it has been our ideas and our policies that have lead America to the level of peace and prosperity that we have today. It is our ideas and our policies that

have shown the rest of the world the path to freedom and democracy. Just think how much easier it would be, and how much better off we would be if we had a Republican majority in one or both houses in the Congress.

I believe that the elections both this year and in 1992, the re-election of the President, reapportionment, and a lot of plain old hard work in the political trenches, could provide us with a real opportunity to win such a majority. But to do that, we need not only your continued support, we need the type of men and women in the Senate and the House, as well as in the governors' mansions and state legislatures who know and share our philosophy and are willing to do what is right for America.

As popular as a President can be, it is tough to get legislation passed if you don't control at least one house of the Congress. The GOP has not had control of the House of Representatives in more than 35 years. When we did control the Senate, during the first six years of the Reagan Administration, everybody witnessed the change that we were able to accomplish. When we are given the chance to lead we can make a difference in the direction of this country.

But it is people like you who are the key to the future of this party. It is individuals like yourselves who give so much, not only in terms of financial contributions, which are important, but in terms of your time and energy. Whether you are a candidate or a volunteer who answers the phone or goes door-to-door, you are an integral part of any future success this party is going to have.

And nowhere is your effort more important or more needed than right now. History tells us that the party in control of the White House loses a significant number of seats in an off-year election. Our goal is to defy that fact. We must hold our own in the upcoming election, and we will be successful if we have your continued support.

When you think about it, we are living in a rare moment of history. We are experiencing throughout the world not only long-lasting prosperity, but spreading democracy. It is an exciting time to be alive, watching the freedom we take for granted spread like wildfire across Eastern Europe. None of this would have happened without the leadership of Ronald Reagan and George Bush.

I have personally known George Bush for more than a decade. As a result, I am not surprised with his high

public approval rating, nor am I surprised by the fact that during his first year in office, he dropped in on 87 U.S. cities, traveled 135,000 miles, won a mini-war in Panama and held three world summits. Nor am I surprised that he held 33 full-blown press conferences and 15 informal ones, gave 54 interviews and delivered 320 speeches. Those are records, my friends, not for the Guinness Book, but for the White House.

In all my years of politics and public service, I have found George Bush to be the most considerate officeholder I have met. When I say considerate, I don't mean just to me. Whether you are a member of the Cabinet, a third-level staffer in the White House, or a person he meets during one of his trips, he treats everyone with the same level of respect and understanding. Not only is he considerate of others, but he expresses real concern for their problems. It is those kinds of qualities that the American people want in their leaders, and they see those qualities in George Bush.

So why is he so popular? Why has his presidency been a success? I believe one word describes it: Leadership.

George Bush is dealing with the problems of today in the hope of building a better America for tomorrow. He understands the change that is taking place and he

understands how to manage these changes. He has demonstrated the experience and the traditional values needed to manage these changes. Our party represents these values, and that is why we continue to hold on to the White House.

George Bush also understands the importance of individual freedom. That is the philosophy of the Republican Party, that is what we are all about. While the Democrats offer the same old tired song of tax and spend, the federal government is the answer to all of our problems; the Republican Party offers opportunity, choice, individual freedom to succeed.

That message is reaching out to minorities in America. Many minority candidates have embraced the Republican Party and what it stands for, and they have won. Minority candidates have won Republican seats not only in Congress, but all across America. But we must continue to get out the message that our party holds the best hope for Blacks, Hispanics, Asian-Americans and others. The President and Lee Atwater certainly are committed to that effort, and to recruiting even more candidates for public office. With your help we can be successful.

We have the candidates and the issues, and the message. Now it is our job, from those of us in

Washington to you, the state and local party leaders around the country, to put forth the best possible campaigns.

We also have two extremely strong campaigners on our side -- George Bush and Dan Quayle.

I want to take a moment here to talk about the Vice President. Forget what you read in the press or what you hear from the comedians. Dan Quayle is proving to the American people what George Bush knew when he selected him to be his running mate -- he is the right man for the job.

Since taking office, Dan Quayle has traveled to 38 states and raised more than \$7 million for our party. He has never lost an election for public office and he understands the nuts and bolts of politics. I think he is doing outstanding work for this nation; witness his recent trip to Central America on behalf of the President, and he deserves a major vote of thanks from each and every one of us.

With George Bush and Dan Quayle, and with the understanding of all of us that campaigns are won or lost outside Washington, D.C., the Republican Party can defy history this year.

There is a story about a fellow who was always asking Abraham Lincoln to give him a job in government. And one day the news was that the customs chief had died, and sure enough, this fellow shows up and asks President Lincoln if he could take that fellow's place. To which Lincoln replied, "It's fine with me if the undertaker doesn't mind."

Well, no bureaucrat, politician, government expert or certified genius sitting in a federal office in Washington has ever been able to replace the economic miracle of free men and women working with their hands, hearts and their heads to build a better future for their families and for a stronger America. It is not the government but the American people who have made this country great.

As Republicans, we have shown the way in the 1980s. We have demonstrated to the world how strong, creative leadership can make the difference in a free country. But now is not the time to rest on our laurels, we must build on our successes.

You are the key to that future success. You are the leaders who will help move our party into the 21st century. By working together, we can guarantee the promise of a century of prosperity ahead.

Thank you.

REMARKS PREPARED FOR DELIVERY BY
SECRETARY OF TRANSPORTATION SAMUEL K. SKINNER
BOY SCOUTS OF AMERICA
FEBRUARY 12, 1990
WASHINGTON, D.C.

Mr. President, as a member of your cabinet and as an Eagle Scout, it is an honor for me to present you with the Silver Buffalo Award, the highest award for service presented by the the Boy Scouts of America. Because of your many years of dedicated public service, Mr. President, I cannot think of anyone more deserving.

OPENING REMARKS BY
SECRETARY OF TRANSPORTATION SAMUEL K. SKINNER
ANNOUNCING RESULTS OF DOMESTIC AIRLINE COMPETITION STUDY
FEBRUARY 14, 1990
WASHINGTON, D.C.

Last March, I asked my staff to undertake an assessment of competition in the airline industry. I was prompted to do so by growing criticism of rising airline fares, a widespread belief that the industry had become an uncompetitive oligopoly, and a burgeoning movement to reregulate the industry.

Today, I would like to share with you the results of that study and give you an idea of what I believe the government should and shouldn't do.

First, I want to emphasize that deregulation has worked, and that competition in the airline industry remains strong. The market forces unleashed by deregulation, by and large, have provided the public with more frequent and expanded service at lower cost. Any effort to reregulate airline fares or service would do more harm than good.

Yet, when Congress deregulated the airlines, it did not deregulate safety. The Department and the Federal Aviation Administration are totally committed, and it is our number one priority, to maintain and enhance safety.

In the 10 years following the passage of the 1978 Airline Deregulation Act, there have been significant changes in the way air carriers operate their networks, compete for passengers, and make investments.

PROMPT: CHART ONE

At the onset of deregulation, the size and combined domestic service network of the airline industry rapidly expanded. Between 1978 and 1984, the number of carriers operating large aircraft competing in domestic service markets increased from 30 to 38. Subsequently, as the major carriers adjusted to the deregulated market, the number of airlines declined to 29.

The first wave of deregulation was characterized by fare wars and volatile earnings, as air carriers competed on the basis of price. Wider use of super saver discounts by air carriers, greater frequencies and single carrier service provided more convenient service and reduced connection time.

The most significant change in the airline industry was the development of hub and spoke networks. These systems, grew in response to economic forces demanding greater efficiencies and integration of markets. Hub and spoke systems have provided the traveler with more travel options.

To gain greater competitive advantages -- increase market share -- carriers developed more expansive hub and spoke systems, created sophisticated computer reservation systems, introduced frequent flyer programs, and engineered complex revenue management strategies.

The economic incentive to consolidate led to 11 mergers and 16 acquisitions.

The transformation from a highly regulated industry, to one that is highly competitive, technologically more sophisticated, and somewhat more concentrated, has led to concerns, by some members of congress and others, about fares, service, congestion and delays, and competition.

There are bills in Congress that would either substantially change the industry by reregulating it or introduce more piecemeal reforms. The Department is concerned that changes, such as these, would cause greater harm than good.

The Department's Airline Competition Study concluded that air travelers have benefited from the changes brought about under deregulation by receiving more service between cities at a lower price (after adjusting for inflation).

Still, not all travelers and markets have enjoyed the same level of benefits. Passengers departing from or traveling to some hub airports pay higher fares. Hub and spoke operations can increase airport congestion.

Our study on industry and route structure concluded that:

PROMPT: CHART TWO

While the industry is more concentrated, hub and spoke systems collectively provide greater frequency, a wider range of travel times, and more travel options to the public than were available under the linear route system. In general, cities received more frequent service in 1988 than in 1979.

Smaller cities have also been great beneficiaries of the shift to hub and spoke service. The volume of weekly flights for smaller cities increased, on average, by 33 percent. In rural areas and small communities, weekly flights increased by almost 44 percent.

PROMPT: CHART THREE

By linking cities and coordinating flights at hub airports, competitive service increased in a majority of city-pair markets between 1978 and 1988, 55 percent of the nation's airline passengers traveled between cities in markets where three or more airlines were

competing. About 53 percent of the nation's passengers enjoyed this degree of competitive choice in 1984 compared to only 28 percent traveled in such markets in 1979.

PROMPT: CHART FOUR

The growth in competitive service, while seemingly counter-intuitive given industry consolidation and the reduction in the absolute number of air carriers between 1984 and 1988, is explained by the growth of high quality on-line connecting service illustrated in chart four.

For example, in 1979, travelers between Albany, New York and Minneapolis/St. Paul relied primarily on connecting service offered by two carriers through Chicago and Buffalo. By 1988, two additional carriers effectively competed for traffic between these cities; two over Chicago, one over Pittsburgh, and one over Detroit. The number of passengers traveling these markets increased by 41 percent.

PROMPT: CHARTS FIVE AND SIX

The hub at Charlotte, N.C., provides a good illustration on the effects of hubbing. In 1979, Charlotte had nonstop service to 32 cities, 8 of which were small. In 1989, Charlotte had nonstop service to 73 cities, with

the number of small cities served doubling to 16. If we couple this growth in cities served with the fact that the number of connecting hubs grew from 5 in 1979 to 25 in 1989, it becomes apparent that the hub and spoke system has resulted in more convenient and frequent connections for most passenger trips.

The concentration of flights at a hub by a single carrier creates an advantage for the dominant carrier in two important ways:

First by offering higher frequency and generating higher load factors than competitors at its hub, dominant carriers maintain a service and economic advantage.

Second, while having a positive effect on service competition in most travel markets, the economic advantage enjoyed by the dominant carriers reduces competitive service in dense short haul markets.

This latter problem is somewhat mitigated by the fact that, for the eight most concentrated hubs, these markets represent less than 5 percent of the total domestic air traffic. Moreover, while the number of carriers providing service in these markets may be limited, hubbing provides more service than the volume of purely local passengers would justify.

Our study on airline pricing concluded that:

PROMPT: CHART SEVEN

In the ten year period since deregulation, air fares, adjusted for inflation, have continued their long-term historic decline. Following an increase in air fares between 1978-1981 caused by an enormous increase in the cost of jet fuel, air fares adjusted for inflation declined by 26 percent. Since 1984, passenger fares, adjusted for inflation, declined by over 15 percent. Furthermore, the much publicized fare increases experienced by the industry since 1986 track with cost increases in the industry. About 90 percent of passengers travel on discount fares.

Passenger fares, when compared to the formula used when fares were regulated, were higher in short-haul markets and lower in long-haul markets, consistent with a cost-based, competitively determined fare structure.

For 698 travel markets which were dominated by a single air carrier, passenger fares were on average 14 percent higher, and fewer discounts were sold, than in competitive markets. Travel in these single carrier markets represents approximately 10 percent of the total domestic revenue passenger miles.

PROMPT: CHART EIGHT

At the eight most concentrated hubs, fares were on average 18.7 percent higher than at all other airports, suggesting that high hub concentration leads to higher fares for passengers traveling to and from such cities.

While passenger fares declined between 1984 and 1988 at all airports regardless of size, small cities benefited from the greatest decline in fares.

Our study of airport and air traffic control effects on competition concluded that:

The U.S. aviation system is projected to have over 750 million enplanements in the year 2000. Without more air control system and ground capacity, opportunities for new service by new and existing carriers will be denied.

While hub and spoke systems have smoothed nationwide capacity demands by distributing passenger flows over several hubs, severe peaking of demand has contributed to an increase in congestion and delays at many hub airports.

PROMPT: CHART NINE

Inadequate airport and air traffic control capacity led, twenty years ago, to slot allocation programs that limit

the number of flights that can be scheduled at four of our major airports (Washington's National, JFK and LaGuardia in New York, and O'Hare in Chicago). New entrants at these four airports must rely on the rare lottery of unused slots or must attempt to purchase slots from established incumbents.

The ability of an air carrier to enter new markets also depends on having access to ground facilities such as gates and baggage areas. More than 75 percent of large airports lease all their gates on an exclusive use basis.

Environmental regulations do not constitute a significant barrier to entry.

PROMPT: CHART TEN

The airline marketing study involved an analysis of the travel agency industry, computer reservation systems and frequent flyer programs.

Travel agents have become increasingly important since deregulation, now selling roughly 80 percent of all airline tickets.

There has been some consolidation in the travel agency industry; however, industry concentration remains quite low.

CRSs provide essential information on air fares, airline services, and other travel-related services. The rules now regulating the CRS industry are being reviewed within the Department to ensure that CRSs are not being used to stifle airline competition.

Our study of international aviation, as it effects airline competition, concluded that:

PROMPT: CHART ELEVEN

The introduction of new gateways and additional opportunities for international service have resulted in substantial increases in the number of travelers. International operations constitute a significant and growing share of the overall air transportation market. Between 1982 and 1988, international revenue passenger miles increased 76 percent compared to an increase of 56 percent for domestic revenue passenger miles. International revenues, which have increased from \$5.7 billion in 1981 to \$12.7 billion in 1988, account for 22 percent of the industry's revenues.

The growth and significance of international air service affect the financial stability and economic strength of competing domestic carriers.

PROMPT: CHART TWELVE

Deregulation has worked and its benefits continue to flow to the traveling public. Any effort to reregulate or to seek more piecemeal reform, would do more harm than good. Instead emphasis should be placed on promoting airline competition and encouraging the entry of new carriers into domestic aviation markets.

The Department, state and local government, and industry must work hard to expand capacity.

In areas where the Department now exercises some direct control and oversight, such as in the allocation of slots and through rules governing computer reservation systems, any actions we take during our present rulemakings will seek to promote competition.

Where airlines enjoy market power today because of the structure of the industry, we would expect any abuse of this power to be dealt with by enforcement of the nation's anti-trust laws.

Actions we take in developing international aviation policy and administering other related statutory responsibilities must consider the impact of international service on domestic competition.

The Department will continue to seek ways, where a level playing field already exists, to broaden foreign

airlines, access to U.S. airports. In liberalizing international air service we will be better prepared to compete in the global market.

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TALKING POINTS PREPARED FOR DELIVERY BY
SECRETARY OF TRANSPORTATION SAMUEL K. SKINNER
PRESS CONFERENCE ON
CHICAGO THIRD AIRPORT ANNOUNCEMENT
FEBRUARY 15, 1990
CHICAGO, ILLINOIS

I applaud Mayor Daley and the City of Chicago's desire to build a significant new airport in the Chicago metropolitan area. The Department of Transportation and the Federal Aviation Administration have not yet had a chance to study the preliminary plan in detail, and therefore cannot comment on its specifics, I welcome any movement toward a goal I consider to be paramount: the construction of new airport capacity in the Northern Illinois/Indiana area. I am glad that the City recognizes the need for this new airport and capacity.

A new Chicago-area airport is necessary for a number of reasons:

- Demand for aviation services is already outstripping Chicago's capacity. Both O'Hare and Midway are operating at or near their capacity, and the demand for aviation services is expected to double in the next 30 years. This lack of capacity is causing airlines to take their business to other airports, such as Dallas-Fort Worth.
- Chicago's aviation system -- particularly O'Hare -- is facing a delay crisis. In the last five years the

number of air traffic delays at O'Hare has increased by 160 percent. Each year these delays impose an economic cost of \$400 million to \$800 million on travelers. A new airport would go a long way toward alleviating this crisis.

-- A new airport will bring with it considerable economic benefits to the entire metropolitan area. For example, O'Hare has been estimated to benefit the Chicago area by approximately \$10 billion annually.

Although I welcome Chicago's initiative, I cannot yet comment on the feasibility of Chicago's plan or compare the plan with other proposed sites. The FAA is currently funding a committee formed to investigate several alternative sites for a supplemental Chicago-area airport. Those sites are Peotone, Kankakee, the so-called "Bistate" site on the Illinois/Indiana border, and Gary. Given the enormous practical problems inherent in the planning and construction of any major airport, I think it would be wise to continue the site selection committee's work, so as to avoid putting all the Chicago area's eggs in one basket.

As I understand it, even Chicago's plan -- which is the first out of the blocks -- envisions the new airport being operational only in 2010, 20 years from now. It is

important, therefore, that the Chicago area take immediate steps to alleviate the delay crisis in the short term.

Because the Mayor's announcement today does not solve all of Northern Illinois and Indiana's aviation problems, especially in the short term, it is incumbent on all parties to continue the progress we have made toward expanding Chicago's current capacity and decreasing the number of delays at Midway and O'Hare. I look forward to working with the City, the State, and the suburbs surrounding O'Hare to reach a compromise solution to some of these problems.

Moreover, now that everyone, including Chicago, has committed to dealing with the airport and capacity problems, communities surrounding O'Hare have less to fear. And that should help all of us move forward in keeping this part of the country economically sound and growing.

REMARKS PREPARED FOR DELIVERY BY
SECRETARY OF TRANSPORTATION SAMUEL K. SKINNER
OATS BLUE RIBBON CEREMONY
FEBRUARY 20, 1990
WASHINGTON, D.C.

- This is a long awaited day in DOT Having at last a way to buy compatible microcomputer equipment and related services for DOT.
- For some time we have known the benefits of office automation and its ability to improve the productivity in the workplace. Today we stand at the threshold of realizing those benefits in the DOT.
- I am extremely proud to be at the helm of an organization leading the federal government in the most innovative and comprehensive office automation undertaking (both in size and scope) to date.
- One central theme in managing the 90s is that the world of work is changing rapidly. This contract provides technologies and tools that will allow DOT to transition smoothly into that future environment.
- It is one of my goals to use OATS to communicate with my management team throughout DOT and we are developing a policy that will reflect my desire to have all DOT elements use OATS.

- I congratulate everyone who worked to make OATS possible. This effort provides an example of successful participation between FAA and the rest of DOT.
- I also congratulate AT&T on winning OATS. I believe that the state-of-the-art equipment and services that OATS provides will significantly enhance our mission.
- Again congratulation to all of the parties who made OATS possible, and best wishes for a successful partnership.



U.S. Department of
Transportation

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REMARKS PREPARED FOR DELIVERY BY
SECRETARY OF TRANSPORTATION SAMUEL K. SKINNER
AMERICAN ASSOCIATION OF STATE HIGHWAY
AND TRANSPORTATION OFFICIALS
FEBRUARY 22, 1990
WASHINGTON, D.C.

Before we get into a discussion of the forthcoming National Transportation Policy, let me talk about an issue of interest to you -- wetlands.

As all of you know, the President is committed to a major wetlands protection program. The loss of wetlands is a major issue -- the U.S. has lost about 50 percent of its wetlands resources over the years. The President has endorsed a goal of "no net loss" of wetlands and the Domestic Policy Council at the White House has been working for some time on a strategy for implementing that goal.

The Environmental Protection Agency and the U.S. Army Corps of Engineers developed a joint memorandum of agreement in November 1989. AASHTO has a long standing interest in improving highway project processing under the section 404 permit program. With that background, many of you expressed concern about the potential disruption the agreement could cause to transportation programs without any appreciable benefit for wetlands.

Thank you for your input. We heard from 49 states on this issue. In fact, 33 states wrote letters to either the White House or the Department. You talked about millions of dollars of projects that would have been jeopardized, including airports, bridges, highways and harbors all across the country.

As a result of your concerns, along with similar input from others, the Administration has modified the early agreement consistent with many of your concerns.

I was involved in the process, along with EPA Administrator Reilly, Assistant Secretary of the Army Page, and others.

As a result of a healthy, inter-agency process, we now have a document that works. We have a document that supports the President's wetlands protection goal and retains flexibility and opportunity for creative state and local solutions. Your message was heard loud and clear.

But don't stop here. You need to be out there supporting this modified agreement as something that is good not only for our environment, but for continued economic growth.

When AASHTO talks about transportation, you talk about continued economic growth. Your Transportation 2020 Project created your own vision for the future and it was very helpful to us in developing the forthcoming National Transportation Policy. Now I ask you to help us achieve the vision set out in your document as well as in ours. It is a vision of a productive America, an America on the move, harnessing the energies of transportation to help America maintain its competitive edge in an ever increasing global market.

It is a vision, first of all, for safety in transportation. As Secretary of Transportation, safety is always my highest priority. I was delighted to announce this morning that highway deaths declined last year and the 1989 U.S. traffic fatality rate was the lowest in history. Preliminary data indicate the 1989 fatality rate was 2.2 deaths per 100 million miles of travel, down from 2.3 in 1988 and a decline of one-third from the 1980 rate of 3.3.

One of President Bush's major objectives announced in 1989 was to decrease the highway fatality rate to 2.2 deaths per 100 million vehicle-miles by 1992. That goal has been achieved well ahead of schedule, and I ask you to continue working with us to keep the highway safety momentum going.

The National Transportation Policy will be released shortly. I believe this will be the most significant policy ever developed for transportation in this country. Intermodal in nature, it will give us a strategic decision-making framework for looking at our nation's transportation needs with a sharper focus on the proper role of government and the private sector.

Today I want to give you a brief preview of the new policy, focusing primarily on strategies for highways because I want to leave most of my time for your questions.

When I met with you in Atlanta last fall, I detected a wide-spread perception of increased needs. Let me say this: We have a Federal-aid Highway Reauthorization process that will speak to the needs of this country. It is consistent with the major themes of the National Transportation Policy -- themes such as focusing federal efforts on transportation issues of national significance, providing additional flexibility to states to make choices to meet their needs, including toll road financing and private sector involvement. The same threads that run through Highway Reauthorization are a part of the National Transportation Policy.

Roland Mross, Deputy Administrator of the Urban Mass Transportation Administration, and Gene McCormick, Deputy Administrator of the Federal Highway Administration, will be discussing reauthorization in more detail later this afternoon.

First, the National Transportation Policy envisions a stronger, healthier partnership among federal, state and local governments. We will strive for additional regulatory flexibility and policies that recognize the diversity of conditions and needs in the real world. We want the magic of the marketplace to work. As Tom Larson often says, "we must meet the unique needs of states as diverse as North Dakota and California."

Second, the federal government must concentrate more of its transportation resources on projects of national significance. Most of you already realize the importance of greater state and local participation and many states have taken the lead in developing and expanding transportation systems. This can and should continue. What you need from us is flexibility.

The National Transportation Policy will encourage greater flexibility in use of transportation funds at all levels of government. This means moving from predominantly categorical grants to broader, more flexible federal funding. It also means emphasizing integrated state, local and regional transportation planning, including efforts to coordinate land use and investment decisions.

Third, our primary task must be to preserve what we have. But the effort to preserve and maintain our facilities will hinge on partnership between the federal government and the other parties with responsibilities for transportation infrastructure. The private sector and state and local governments have a direct interest in preserving and getting maximum use from their transportation facilities.

Fourth, we must make the best use of transportation assets. We must focus on moving people and goods -- not just vehicles. For example, high-occupancy vehicle lanes for buses and carpools on major commuting routes can carry three or more times as many people as a conventional highway. Even though more people are moving, there are fewer vehicles, so traffic flows faster. That way, both commuters and commercial traffic benefit.

Fifth, we must renew our focus on technology and innovation. We should be exporting technology, not importing it. DOT will foster research, evaluation and demonstration of promising new technology. Our proposed 1991 budget shows a 17 percent increase in research and development. We will also work with state and local governments and the private sector to develop intelligent vehicle/highway systems that integrate the latest computer and communications technology to improve safety and efficiency of our highways. AASHTO has taken a leadership role in endorsing a sizable expansion in research in the '90s and I applaud you.

Finally, we must improve intermodal and rural connections. One of the justifications for the Interstate Highway system initially was to create a seamless interconnected network of safe, high-speed roadways that could transport goods and people to all parts of the nation without delays and inefficiencies.

In today's reality and in the context of the future, connections must reach beyond a single mode. We must foster integrated transportation service for goods and people. An increasing share of travel today employs not only multiple segments but multiple modes.

We also must not forget our commitment to rural America. Rural areas depend on effective transportation to link households and businesses. The National

Transportation Policy will foster an environment in which state and local governments and the private sector give greater priority to transportation facilities and improvements that close critical gaps in the national network.

Our policy will encourage state, local and private efforts to improve transportation services in rural areas lacking effective connections. We must work to serve the transportation needs of the soybean farmer trying to get his crop to market and the urban commuter with equal determination.

The policy recognizes that we must build essential new capacity. To meet long-term transportation needs, the nation must anticipate and plan for expansion of our current transportation system.

Adding new transportation capacity requires substantial investment, and a greater commitment from state and local governments and the private sector to fund needed expansion. In partnership with state, local and private interests, the department will support construction of new facilities and new capacity on existing facilities to address top priority needs in transportation systems of national significance.

The federal government will continue to work to ensure that essential new capacity is provided in transportation systems of national significance in order to meet critical national needs. We will also encourage preservation of land or corridors that will be required for future transportation facilities or capacity additions.

Finally, the National Transportation Policy sets out the need to foster a sound financial base for transportation. In that regard, we will uphold the federal share of the partnership. The federal government is committed to fully using the funds that people have paid in user charges for transportation, for investments in transportation.

For example, we will soon be transmitting reauthorization legislation for the Federal Aviation Administration that will provide for an increase of more than 70 percent in capital investment over the next five years compared to the prior five years. We're proposing an increase in aviation user fees to support our spending proposals, and, taken together, our proposals would reduce the uncommitted balance in the aviation trust fund from \$7.6 billion at the end of this fiscal year to \$3 billion in 1995.

With respect to federal highway spending, you hear a lot about the fact that there is \$10 billion in the Highway Account of the Highway Trust Fund. Most of you know that the cash balance is only half of the story. It's like having money in the bank with numerous checks already written against it.

As of September 30, 1989, there was \$10.6 billion in cash in the Highway Account, but there were outstanding bills totaling \$21.6 billion for highway and bridge projects that have already been approved but not yet completed. There was an additional \$10.1 billion in spending authority that has been distributed to the states and not yet committed to specific projects, but which will eventually be committed and result in bills to be paid.

The Highway Trust Fund can be leveraged in this way because payments for construction projects stretch out over several years. The law requires user fee

revenues to be continued two years beyond the authorization period. The result is that we are counting on future revenues to pay the bills we have already made.

Of course, the most frequent phrase you hear is "spend down the trust fund." There is a risk in spending down the balance too far. Actual revenues may not match projections and the trust fund might not be able to pay its bills. The law recognizes that possibility and limits the "too far" to two future-years of income; currently we are at about one and one-half years of future income. We could spend more, but there would be deficit impacts.

A spending increase from the Highway Account would have to be offset either with spending reductions or tax increases elsewhere in the federal government in order to achieve the statutory targets for federal deficit reduction.

Therefore, I pledge you this: The federal government will preserve the integrity of the trust funds by spending the funds for the benefit of transportation users. But this commitment must be honored within the context of fiscal constraints we as a nation now face at the federal level.

Equally important is what we must do to foster state and local initiatives.

The National Transportation Policy will work to relax restrictions on the ability of state and local governments to raise revenues and use them for transportation facilities and services, including tolls on highways and airport passenger facility charges.

The Dulles Access Toll Road extension is the first privately-funded toll road to be built in 30 years. The North-South Tollway opened for business in Illinois last Christmas, and other toll roads around the country are in varying stages of planning.

We encourage state and local governments to make use of innovative transportation financing and funding options to supplement more conventional sources of funds. These include joint public-private initiatives, benefit assessments on property owners, joint development rights, and other means for capturing the value of transportation projects.

In the last ten years, we have made great strides in reducing costly and unnecessary federal regulations that deterred private investment in transportation. Federal policies must continue to foster an environment that encourages private sector participation in financing, managing, owning and operating transportation facilities and services.

Our policy also will suggest new and creative ways to apply the time-tested user fee principle. We intend to recover from users the maximum practical share of costs they impose. We also want to make it easier for other levels of government to levy user fees for transportation improvements.

States have raised their gas taxes 42 times since Fiscal Year 1988. Most states have recognized that they must do more. They have taken on that responsibility and moved forward.

Bob Best, California Director of Transportation, didn't let even an earthquake hold him back. I applaud Bob on his department's response to the earthquake, particularly getting the Bay Bridge back in operation as quickly as they did.

California now faces an upcoming gas tax referendum. The existing 9 cent a gallon tax would be increased by 9 cents over the next four years. It's obvious California must have these roads to maintain its economy and I feel very strongly that those states that raise their gas taxes and move ahead now on their own will be economically more attractive in the future.

As I said at the outset, the road ahead to better transportation in the 21st Century is long. It is fraught with many obstacles. With your support, the National Transportation Policy can help guide us as we take on critically important task of reauthorizing the surface transportation program. By assuring a good future for transportation, we can work to assure the future of America.

That's what it's all about. We must move forward. We must do everything possible to make sure we can compete globally. We must invest in infrastructure in America's future. These are the challenges DOT has taken on. And as President Bush said about transportation policy in the State of the Union "it's time to act...it's time to act together." DOT has always counted on AASHTO. I know we can work together again.

Thank you very much.



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REMARKS PREPARED FOR DELIVERY BY
SECRETARY OF TRANSPORTATION SAMUEL K. SKINNER
NATIONAL GOVERNORS' ASSOCIATION TRANSPORTATION COMMITTEE
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WASHINGTON, D.C.

It's a pleasure to be here to share some thoughts on our nation's transportation future with the people who bear a major share of the responsibility for making it work.

In my year as Secretary of Transportation I've always found the National Governors' Association ready and willing to dig in, roll up its sleeves and get to work on whatever needs to be done for the betterment of transportation. Just two weeks ago, for example, the chairman of this committee, Governor Kay Orr of Nebraska hosted a NGA/FHWA workshop on alternative fuels.

When governors talk about transportation, they talk about continued economic growth. As Governor George Mickelson of South Dakota put it, "when you build roads, you build jobs."

I've said this before but it bears repeating. The Report of your Task Force on Transportation Infrastructure was very helpful to us in developing the forthcoming National Transportation Policy.

In your report you created a vision for the future. Now I ask you to help us achieve the vision set out in your document as well as in ours. What we must articulate to the American people is just how important transportation is to our nation's ability to remain competitive in the world. If we are effective in transportation we can compete in an increasingly global market.

The National Transportation Policy will be released shortly. I would like to give you a brief preview. I believe this will be the most significant policy ever developed for transportation in this country.

To start with, it provides a framework for a short-term legislative agenda, from 1990 to 1992, which includes reauthorization of the aviation, highway, transit and highway safety programs.

We have a Federal-aid Highway Reauthorization process that will be consistent with the major themes of the National Transportation Policy -- themes such as focusing federal efforts on transportation issues of national significance, and providing additional flexibility to states to make choices to meet their needs. This includes loosening some of the restrictions on such things as toll roads and toll road financing and private sector involvement. The same threads that run through Highway Reauthorization are a part of the National Transportation Policy.

First, the National Transportation Policy envisions a stronger, healthier partnership among federal, state and local governments. One of the things we will try to do is give you additional regulatory flexibility as well as more flexible policies that recognize the diversity of conditions and needs in the real world. We want the magic of the marketplace to work. As Tom Larson often says, "we must meet the unique needs of states as diverse as North Dakota and California."

The federal government must concentrate more of its scarce transportation resources on projects of national significance. Most of you already realize the importance of greater state and local participation and many states have taken the lead in developing and expanding transportation systems.

Governor Jim Martin of North Carolina has an outstanding plan for a four-lane interstate system backed up with a new North Carolina Highway Trust Fund Program which became law last year. Governor Joe Frank Harris of Georgia and Governor Tommy Thompson of Wisconsin have programs emphasizing road and bridge construction. Other governors have airport and transit as their priority. In Colorado, Governor Romar's state, the new Denver airport is the first major airport construction in this country since Dallas-Fort Worth in 1974.

This type of state and local initiative can and should continue. The American people will support increases in user fees, especially at the state and local level, as long as they know they are going to be used for improving infrastructure. People want improvements in the nation's infrastructure. They are tired of gridlock, decayed bridges and airport delays.

Our policy will make it easier for other levels of government to levy user fees for transportation improvements. Thirty-three states have raised their gas taxes since 1988. Most states have recognized that they must do more. They have taken on that responsibility and moved forward.

The National Transportation Policy will encourage greater flexibility in use of transportation funds at all levels of government. This means moving from predominantly categorical grants to broader, more flexible federal funding. The American people get a better product when there is a significant state and local component. If you collect the user fee at the state and local level, you have more control over it.

Our primary task must be to preserve what we have. But the effort to preserve and maintain our facilities will hinge on partnership between the federal government and the other parties with responsibilities for transportation

infrastructure. The private sector and state and local governments have a direct interest in preserving and getting maximum use from their transportation facilities.

This partnership is not a new concept. It is not a federal abandonment of state and local government. It's a return to the basic philosophy set down by President Dwight David Eisenhower, who had the vision and foresight to see the benefits of an Interstate Highway System to America's future economic well being and national security.

President Eisenhower understood the responsibility of the federal, state and local governments in partnership.

"Communities are where the everlasting job of building a stronger America must have its roots," Eisenhower said. "To do so, we rely on good sense and local knowledge of the community and will, therefore, decentralize administration as much as possible so that the services of government may be closer to you and serve you better."

The National Transportation Policy is intermodal in nature. It focuses on making the best use of transportation assets. We must use existing transportation to move people and goods, not just vehicles. For example, high-occupancy vehicle lanes for buses and carpools on major commuting routes can carry three or more times as many people as a conventional highway. Even though more people are moving, there are fewer vehicles, so traffic flows faster.

We must renew our focus on technology and innovation. We should be exporting technology, not importing it. Why in the world, with all of our experience in transportation infrastructure, shouldn't we be the leaders in creative technology for transportation throughout the world? The Administration is committed to fostering research, evaluation, and demonstration of promising new technologies.

There is no question that we must build essential new capacity. To meet long-term transportation needs, the nation must anticipate and plan for expansion of our current transportation system.

Adding new transportation capacity requires substantial investment, and a greater commitment from state and local governments and the private sector to fund needed expansion. In partnership with state, local and private interests, the Department will support construction of new facilities and new capacity on existing facilities.

Finally, the National Transportation Policy sets out the need to foster a sound financial base for transportation. In that regard, we will uphold the federal share of the partnership. The federal government is committed to fully using the funds that people have paid in user charges for transportation, for investments in transportation.

I am aware of Governor Orr and Governor Wilkinson's letter to the President, expressing the urgency of spending down the cash balance in the trust funds. I assure you that we share your commitment to keeping sacred the word "trust" in the transportation trust funds.

Let me simply make this pledge to you: The federal government will preserve the integrity of the trust funds by spending the funds for the benefit of transportation

users. But this commitment must be honored within the context of the fiscal constraints we face at the federal level.

Equally important is what we must do to foster state and local initiatives, and to unleash the energy of the private sector.

In the last ten years, we have made great strides in reducing costly and unnecessary federal regulations that have deterred private investment in transportation. Federal policies must continue to foster an environment that encourages private sector participation in financing, managing, and owning and operating transportation facilities and services.

The policy will help make the transportation industry more productive, and the economy more competitive. Complete deregulation of the trucking industry, and uniformity of state regulations and licensing of truckers, will be a high priority. This is a concern that DOT and the NGA have worked on together for several years. The issue has been around long enough. It's time to act. We need to enhance productivity of the trucking industry by removing unnecessary regulations.

If any of you think we've waited until the National Transportation Policy announcement to take action, let me point out to you some of the actions already started.

- Aviation reauthorization, including the passenger facilities charge;
- Airline competition study;
- Plans for a highway traffic safety summit on April 1;
- High speed rail corridor study;
- Expediting funding to transit projects in which local authorities put up more than the usual matching funds;
- A complete review of maritime policy;
- Proposed "open skies" in major bilateral aviation markets.

These actions alone prove the strength and validity of the policy. These, I assure you, are only a beginning. By ensuring a good future for transportation, we can work to ensure the future of America's economy and competitiveness.

That's what it's all about. We must move forward. We must do everything possible to make sure we can compete globally. We must invest in infrastructure and invest in America. These are the challenges DOT has taken on. And as President Bush said about transportation policy in the State of the Union "it's time to act...it's time to act together." DOT has always counted on the National Governors' Association. I know we can work together again in the implementation of a policy that we all recognize as key to future economic growth, the creation of more jobs and a safer and more efficient national transportation system.

Thank you very much.