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TALKING POINTS
SECRETARY OF TRANSPORTATION FEDERICO PEÑA
USDOT RESTRUCTURING BRIEFING
WASHINGTON, D.C.
FEBRUARY 2, 1995

Opening

* **On December 19, I joined President Clinton and Vice President Gore in announcing a restructuring of DOT to help develop a transportation system that will meet America's needs in the 21st century.**

* **We proposed consolidating DOT's 10 operating administrations into just 3 to reduce the Department's size and give it a more effective structure.**

* **We considered two options for the reorganized Department's three units: first, a model focused on missions of safety and infrastructure, with an independent Coast Guard; and second, a model focused on land, sea, and air functions.**

* **Today, I can report to you that we've selected a modified version of the second option: an organization comprised of new intermodal transportation and aviation agencies, with the Coast Guard continuing to serve the nation's maritime needs.**

* **Now, I'd like to talk about three things. First, why we needed this restructuring. Second, what the Department would look like under our proposal. Third, the reasons for our decision -- especially the benefits for our customers.**

Past restructuring proposals

* **Restructuring DOT isn't a new idea -- Secretaries of Transportation have proposed reorganizations almost since the Department's creation in 1967.**

* **The late Secretary John Volpe explored reorganization just a few years later. Secretary Bill Coleman, who led DOT under the Ford Administration, called for consolidation of its surface transportation agencies and programs.**

* **Brock Adams, Secretary during the Carter years, said that DOT agencies speak with different voices in their dealings with state and local governments, and advocated a unified surface transportation administration.**

* **Sam Skinner, Secretary under President Bush, echoed that during ISTEA's development several years ago, and the bipartisan National Commission on Intermodal Transportation did the same in its report just last year.**

* **Each of them reacted to the fact that -- while DOT was created to consolidate transportation agencies scattered throughout the federal government -- this goal was only *partly* achieved.**

DOT's current structure outdated

* **DOT wasn't formed as an integrated unit, but as a holding company. Indeed, Secretary Coleman compared it to the giant business conglomerates of the 1960s and '70s.**

* **Well, those conglomerates couldn't respond well to the drive for efficiency and customer service which swept corporate America during the 1980s, and now government faces the same pressures in today's rapid-changing world.**

* **As ridiculous as it sounds, people in the *same building* at DOT can't communicate because they have different E-Mail programs.**

* **This divided structure hinders coordinated policy-making -- a major problem since we *must* make intermodalism a priority by better and more efficiently linking different forms of transportation.**

* **It's hard to get 10 separate administrations to agree on *anything* -- especially if they're conditioned to thinking of themselves as advocates of a particular form of transportation, rather than as part of a team whose purpose is moving people and goods safely and efficiently.**

Restructuring to make government work better

* **Having 10 administrations within DOT also results in wasteful duplication -- in everything from personnel to procurement. It also means duplication for our customers as they're forced to deal with multiple agencies for regulatory compliance, grant approvals, and other matters.**

* **Yet all of that duplication hasn't even assured us compatibility -- in things ranging from our own computer programs to how we interpret regulations for our customers.**

* **That inefficiency is unacceptable today, when we face unprecedented demands and limited resources.**

* **The first round of Vice President Gore's reinventing government effort has already ended many of the inefficiencies we found when we took office -- *but we need to do more*.**

* **So the second round of reinventing government challenges us not only to make our operations more efficient, but to justify *why* we're doing certain things *at all*.**

Restructuring to empower business and state and local governments

* **As President Clinton has said, we need to find those things that the federal government *shouldn't* do -- or *can't* do well -- and let other levels of government or private business do them.**

* **The Clinton Administration understands that decisions made in Washington *can't* be as effective as those made by state and local officials. They're more accountable than federal bureaucrats, and have a better sense of their own communities' needs.**

* **We need to give these officials the authority and the flexibility to make decisions about their transportation needs -- and trust them to make the best choices for their people. We want to let them tailor programs and projects to meet *their* needs, and not *our* requirements.**

* **And American businesses have the competitive drive to efficiently provide some of these transportation services, or to serve as partners with government in funding, developing, or operating them.**

Restructuring to make the most of taxpayer dollars

* **Our restructuring will not only make government work better, but also make it cost less.**

* **It will do that by eliminating waste and duplication here in the federal government...**

* **...by reducing the time and energy our state and local partners spend on meeting federal mandates and requirements...**

* **...and by cutting red tape to attract private investors, reducing the need for government spending to meet America's transportation needs.**

* **Reducing the cost and scope of government is *essential* if we're going to complement our investment in infrastructure with investment in other critical areas, such as the education and training Americans need to compete in the global economy -- and that the President's Middle-Class Bill of Rights will provide.**

The decision

* **For these reasons, we need to dramatically restructure DOT. And so we're proposing an organization comprised of new intermodal transportation and aviation agencies, with the Coast Guard continuing to serve the nation's maritime national security needs.**

* **Most of the functions currently carried out by the Federal Highway, Railroad, Maritime, and Transit Administrations and the National Highway Traffic Safety Administration will be included in the new intermodal transportation administration, together with the safety-related responsibilities of the Research and Special Programs Administration.**

* **This will integrate all of our surface transportation and civilian maritime functions -- reducing bureaucracy, streamlining programs and requirements, and giving our partners in state and local government one-stop shopping.**

* **The revamped aviation administration would include the Federal Aviation Administration's safety, development, and regulatory functions and our commercial space transportation operations -- everything other than the air traffic control system.**

* **As I've said in the past, corporatizing the air traffic control system will free it of the burdensome personnel, budget, and procurement restrictions which hinder the effective use of resources and the deployment of the new technologies we need to safely handle the massive travel growth expected in coming years.**

* **We also want to make the St. Lawrence Seaway Development Corporation an independent entity.**

* **The SLSDC -- created to build the Seaway during the 1950s and now charged with operating it in partnership with the Canadian St. Lawrence Seaway Authority -- is a self-sustaining organization that can independently serve its customers without an additional layer of oversight.**

* **Finally, the Coast Guard would continue essentially in its present role, serving the nation well as it has for two centuries.**

* **Now I'd like to take a few minutes to tell you why we believe that this is the best decision.**

How we made our decision

* **The choice of this structure resulted from extensive analysis by DOT staff, including 50 of our most senior and experienced people, who worked full-time on a task force in which every element of DOT was represented.**

* **We also consulted with Congress, with the nation's transportation industry, with our partners in state and local government, and with the American public in a series of town meetings across the country.**

* **All of these discussions led us to our decision to select the proposed structure. There were many reasons for it, and I'd like to talk about some of the strongest.**

Why <u>this</u> is the best decision: serving safety

* **In December, I said that I wanted to focus this Department on our core missions of safety, infrastructure investment, and national defense. The organization we are proposing does this best.**

* **First, safety -- the single most important factor in our deliberations. We determined that there was a tremendous synergy between safety and infrastructure -- so much that breaking them into separate areas didn't make sense.**

* **Our own safety experts concluded that there's a very close connection between highway safety and infrastructure issues such as highway design and construction. It's impossible to separate safety from infrastructure development.**

* **This reality outweighs the possible synergies between highway safety and, for example, airline safety. Splitting up safety and infrastructure would only have made it more difficult to coordinate these critical concerns -- to the possible detriment of public safety.**

* **We also wanted to maintain the distinct safety technical expertise within our various operating administrations, and not try to retrain**

truck inspectors to perform airplane safety inspections. This structure lets us protect that expertise.

* **The safety of the traveling public and transportation industry workers has always been our highest priority -- and we'll ensure that it continues to receive the highest level of attention by establishing sub-units focused on safety, and having them report *directly* to the heads of each of the three administrations.**

* **For the first time, safety will have equal standing with investment at every level of the Department -- giving us the best feature of the safety-infrastructure organization model.**

Improving customer service

* **Once we determined which structure best served the goal of safety, we looked at other major considerations.**

* **Our second reason for selecting this proposed model is that it preserves many of our traditional customer links -- so that the many state and local agencies which are focused on a single form of transportation can continue to have "one-stop shopping" for their needs at the federal level.**

* **We also recognized that our proposal to streamline and simplify the more than 50 separate federal funding programs into three wouldn't work without consolidating the operating administrations as well.**

* **We couldn't have unified intermodal funding programs with our current structure of agencies focused only on highways, or transit, or rail.**

* **And, although we considered creating a separate infrastructure agency to streamline our investment programs, we found that fully *94 percent* of our infrastructure funds would be channeled through an intermodal transportation agency -- achieving virtually full consolidation without *any* sacrifice of the connection between safety and infrastructure.**

Promoting intermodalism

* **We also want to promote intermodalism -- and, while adopting unified safety and infrastructure agencies did have some appeal, we found that we could achieve huge progress by unifying surface, port, and maritime transportation functions alone.**

* **We also need to improve the connections between air and other forms of transportation. We'll do that through a greater emphasis on airport access under the new aviation administration and through coordination provided by my office.**

The benefits for our customers

* **We also believe that this choice is the best for our customers, too. As I said earlier, the land-sea-air model preserves intact many of our traditional customer relationships with the transportation industry, and that offers our customers a high degree of continuity.**

* **State and local governments and private businesses will finally know whom to deal with on issues such as highway safety -- which currently is split among FHWA, NHTSA, and RSPA.**

* **Or for hazardous materials transport -- where responsibilities are now split between FHWA and RSPA.**

* **This option emphasizes safety and infrastructure, but also ensures that other concerns -- such as the environment, or innovative intermodal projects -- don't fall between the cracks -- a concern that we heard from many of our constituents.**

* **Most importantly, our customers will receive better service from an organization that has fewer hurdles for them, that is less bureaucratic and more flexible -- more responsive to community needs.**

* **There will be less federal interference, fewer strings on spending, fewer mandates -- and more flexibility and opportunity.**

What's next

* **The decision on organizational structure was a critical one for us, but it's only one step. Our next key step will be the President's budget submission to Congress on Monday, which will flesh out our restructuring.**

* **We're also preparing more detailed organizational plans as part of the legislative proposals we will submit to Congress in early March.**

* **Over the coming weeks and months, we'll work with Congress -- with our partners in state and local government -- and with the transportation industry -- to ensure that this restructuring allows all of us to better serve our customers: the American people.**

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U.S. Department of Transportation

TRANSPORTATION TRENDS

REMARKS AS PREPARED FOR DELIVERY
SECRETARY OF TRANSPORTATION FEDERICO PEÑA
USDOT FY 1996 BUDGET BRIEFING
WASHINGTON, D.C.
FEBRUARY 6, 1995

INTRODUCTION

From his first days in office, President Clinton has been committed to investing in the skills and education of the American people -- to empower them to meet the challenges of global competition and build their own American dreams -- for themselves and their families

He has also worked consistently to make this government deliver more effective service to the people who pay for it. The President is delivering on all of these commitments -- and his programs are working.

He has cut the deficit by more than half a trillion dollars, led an economic recovery that has created 5.6 million new jobs and launched an effort -- led by Vice President Gore -- to reinvent this government -- to make it work better and cost less.

Right from the beginning, the Department of Transportation has played a lead role in "reinventing" government by cutting red tape and seeking every way we can to save taxpayers' money while delivering essential services to the American people.

Last week, as part of that on-going effort, I announced the most sweeping restructuring of this Department in its 28-year history.

We are consolidating 10 operating Administrations into three -- a new Intermodal Transportation Administration that will manage the vast majority of investment in

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transportation infrastructure, research and development; a streamlined Aviation Administration; and the Coast Guard.

This month, we will be introducing legislation to transfer FAA's current air traffic control services into a new corporation free of government red tape and ready to meet the challenges of future aviation growth.

In effect, the DOT is reducing its work force by more than 50,000 positions.

With today's budget, President Clinton builds on the accomplishments of this Administration. The President's budget proposes no new taxes. Instead, it delivers $144 billion worth of new reductions in spending. $81 billion goes to reducing the deficit while $63 billion in new tax cuts go to raise middle class incomes.

The President's Middle Class Bill of Rights will enable working Americans to invest in their childrens' educations, in their own job training, or in pre-tax retirement savings. To do our part in keeping these commitments, we at the Department of Transportation are making tough, but vitally needed choices in formulating our own F·Y 1996 budget and in positioning ourselves to meet the challenges of the next century.

THE 1996 BUDGET: CUTTING BUREAUCRACY, ENHANCING SAFETY, AND SUSTAINING TRANSPORTATION INVESTMENT

For the first time since this Administration came to office we have had to make cuts -- $2.3 billion worth -- in federal spending for highways, transit systems and airport construction. That's why this year's budget request -- $36.9 billion -- is a net $2 billion lower -- about 5% --than the $38.9 billion actually enacted for fiscal 1995.

We have also proposed to terminate programs such as Local Rail Freight Assistance and Essential Air Service and cut operating subsidies for transit and AMTRAK.

These savings are a hefty downpayment on the total of $6.4 billion in reduced outlays that I promised the President we would achieve -- savings that we have now built into our five-year budget forecasts through fiscal year 2000.

A VISION FOR AMERICA'S 21ST CENTURY TRANSPORTATION NEEDS

But these efforts are far more than just a matter of reorganization and cost-cutting -- as valid as these goals are.

I believe that we must also reposition this Department so that it can meet the new transportation challenges that America faces on the eve of the 21st century -- just as we

did decades ago by building the Interstates and other highways that linked our nation together.

Our nation's new challenges are:

* to integrate all forms of transportation into a unified system -- both within our borders and beyond to our global trading partners;

* to maximize the efficiency of our transportation system by deploying the technologies of the future;

* to increase the safety and security of our transportation systems and infrastructure; and,

* to form new partnerships with states, localities and the private sector to generate the increased investments needed to reduce congestion, break through gridlock and protect America's environment.

In the context of limited public resources -- and rapidly rising travel and shipping demands on our existing systems -- this requires us to pick federal priorities with a clear strategy in mind. And it requires us to divide responsibilities wisely between levels of government and with private industry.

Both our internal restructuring -- and this budget -- are designed to enable us to propel our country forward -- under dramatically different circumstances -- well into the next century.

To do that, we are cutting our bureaucracy in half, while enhancing safety and sustaining transportation investment under very tight budget conditions. Let's talk about those three objectives.

CUTTING BUREAUCRACY

From a base of 109,600 military and civilian employees just two years ago, we have already cut more than 4,700 by last October 1st. By October 1, 1996 we will reduce full-time positions by an additional 3,000 -- taking us two-thirds of the way toward our 1999 target of a 12% civilian personnel downsizing.

As you can see on the chart, we have already taken DOT's civilian staff down from 70,419 to 64,422 and are targeting a reduction to 62,311 by FY 1999.

Our ATC reform proposal, will further cut bureaucracy. We urge this Congress to act on it with dispatch. Because with the transfer of 40,000 air traffic personnel to

an independent corporation we will reduce DOT's total civilian work force by more than two thirds -- 68% -- by 1999.

ENHANCING SAFETY

The second objective that this budget accomplishes is to strengthen our commitment to: safety.

* It includes $2.1 billion for direct safety programs, and it not only maintains safety inspection staffs in all modes but provides substantial growth in many areas. For example, we will add 253 aviation safety inspectors -- in addition to the 300 we hired last year.

* Direct safety grants to states will rise by 20 percent -- $56 million -- for a total of $347 million -- with increases in Highway Traffic Safety, Motor Carrier Safety and Pipeline Safety grants. Railroad safety spending is raised 7 per cent above last year's levels.

Finally, the reorganization of DOT itself (including the ATC Corporation) reinforces our commitment to safety because each of our three core units -- the new Intermodal Administration, the Aviation Administration and the Coast Guard -- will have a specific safety office reporting directly to the Administrator.

In short, this budget reflects a continued -- indeed enhanced -- commitment to the key federal responsibility of ensuring the safety of the travelling public. We will make no compromises on saving lives.

SUSTAINING TRANSPORTATION INVESTMENT

The third objective this budget and our restructuring will do is to sustain total investment in our nation's transportation infrastructure -- even while direct federal spending is reduced $2.3 billion.

I believe that wise investment in transportation infrastructure and technology is vital to equipping the American people to compete -- and win -- in the 21st century global economy -- by improving mobility and eliminating the gridlock facing so many communities.

But the simple fact is that we cannot afford to fill the national infrastructure investment "deficit" through increases in federal government spending. We must spend what we can afford more wisely -- strategically.

We will compensate for reductions in direct federal outlays by providing more flexibility to our transportation partners: states, localities and private industry.

Just last week, for example, I announced nearly $2 billion worth of transportation projects made possible by a new Partnership for Transportation Investment led by DOT.

To do that we used creative financing techniques common in private business and formed partnerships with states, localities, and most importantly, private businesses and investors. Together, we got projects underway that could never have been launched under our old ways of doing business.

This sort of creative finance and this kind of public-private partnership will be part of an ongoing strategy by the new DOT. Our new budget, in fact, will devote $2 billion a year to fund the creation of State Infrastructure Banks. These new financial tools will enable states and localities, over time, to actually increase total transportation investment even while federal dollars decline.

THE UNIFIED TRANSPORTATION INFRASTRUCTURE INVESTMENT PROGRAM

Because we are proposing a dramatic change in our past programs and funding mechanisms, let me now detail for you the new program and funding consolidation embodied in this budget -- our Unified Transportation Infrastructure Investment Program, or, "UTIIP."

I will then discuss three critical funding categories within UTIIP in more detail -- the Unified Grant Program, State Infrastructure Banks and the Federal Discretionary Fund.

In the broadest terms, what this budget does is reflect our organizational streamlining by consolidating more than 30 current transportation infrastructure-related programs into a single broad account. This account contains about two-thirds of our budget:

This Unified Transportation Infrastructure Investment Program proposes no new taxes. It will be funded through a new transportation trust fund, supported by existing revenue sources such as motor fuel and passenger ticket taxes.

UTIIP totals $24.4 billion to support investment in our nation's transportation systems. But because it is structured differently than any previous DOT budget, direct line-by-line comparisons are complicated -- even impossible.

For example, because one key element of UTIIP gives states and localities wide discretion over $10 billion, no one can now give you definitive numbers on how they will divide these funds between, say, highways and transit investments. I can, however, give you an overview of UTIIP as a whole -- with a caveat that some of the details may change as we draft legislation to implement the program.

UTIIP includes State and locally-initiated activities totalling $21.65 billion. These consist of:

..... a $10 billion unified grant program -- to be provided directly to states and localities to enable them to decide which transportation investments best meet their needs. This program will have maximum flexibility and a minimal number of performance measures for states and localities to achieve.

.... $2 billion for State Infrastructure Banks -- to stretch taxpayers dollars by "leveraging" federal seed money in partnership with local governments and private business.

.... $8 billion for 159,000 mile National Highway System, which includes the Interstates. States will be expected to use these funds to maintain the Interstates and other NHS roads up to federal standards. States, will, however, have some flexibility to meet other transportation needs.

.... $500 million for Transit Operating Assistance. This is down from $710 million in FY 1995 but we are proposing that transit authorities be allowed to use capital funds for asset maintenance, such as major bus renovations, as a way to ease this adjustment.

.... $1.14 billion to honor existing commitments for airport letters of intent and to cover our commitments to full-funding agreements for new transit starts and our obligations to the Washington Metropolitan Area Transit Authority.

UTIIP also includes $2.74 billion for federal activities:

.... $ 1 billion in a Federal Discretionary Fund, to be used to directly finance projects of regional and national significance that states, or even groups of states, cannot finance without federal coordination. We will also use these funds to mitigate congestion and improve air quality.

.... $442 million for the Federal Lands highway program which includes the public access roads of the National Forest System, the National Park System, and Native American Reservations.

.... $1.035 billion for rail programs, including:

$750 million for AMTRAK operating and capital programs -- with $100 million to support AMTRAK's current restructuring.

$ 235 million for Northeast Corridor improvement projects.

.... Ongoing administrative costs and surface transportation R&D will also be covered through take-downs from this fund -- as they are today. The R&D component of the UTIIP is $509 million, including $356 million for Intelligent Transportation Systems.

I'd like now to discuss three of the most central elements of UTIIP in more detail.

THE UNIFIED GRANT PROGRAM

The first is the $10 billion Unified Grant Program to be provided directly to states and localities.

The vast bulk of these funds will be available for investment in whatever transportation improvements states and localities believe are most needed. Indeed, this program will expand the flexibility of ISTEA by increasing options.

Instead of having to shoe-horn transportation strategies into more than 30 federal funding categories, state and local governments will be able to use the vast majority of these funds entirely at their discretion. At the same time, however, we will secure essential federal interests by requiring that some significant portions of these unified grants be set-aside for critical areas of national concern, such as:

* transportation investment in urbanized areas, and

* investment in safety in all forms of transportation.

We believe these set-asides reflect clear federal priorities.

This Administration is committed to the health of our nation's cities and metropolitan communities, which play such a vital role in our economy and in interstate commerce. We are also committed to reducing traffic congestion and improving air quality -- problems that are clearly most acute in metropolitan areas.

We will work with states and metropolitan areas to set reasonable, result-oriented measures for the performance for urban transportation programs -- such as reduced congestion.

The same principle holds for safety set-asides. We will ask states to devote a part of their unified grants to safety programs -- with mutually-agreed on targets -- such as lowering overall fatality rates and especially drunk and drugged driving fatalities.

To maximize flexibility, we will allow states and localities that reach or surpass performance measures to redeploy funds to support any other transportation investments they believe are critical.

This concept is the essence of the President's vision for "performance partnerships" in domestic programs. Here, we will bring together federal, state and local interests to establish common goals for using federal funds in new ways. We will stress outcomes instead of rigid rules and funding categories. We will substitute trust and accountability for micromanagement and paperwork.

As I've said before, our goal is to build bridges, not bureaucracies.

STATE INFRASTRUCTURE BANKS

The State Infrastructure Banks that we propose in this year's budget take this principle of local choice even further -- especially by involving private businesses and investors in transportation finance.

With initial federal seed money of $2 billion, to be provided annually -- these banks are designed to institutionalize public-private partnerships and provide the specifically-tailored finance they need to build projects.

They can, for example, become state revolving funds specifically designed to finance transportation projects that don't fit easily into old program standards. Like the projects we announced last week, we expect the SIBs to attract private partners.

Most of the projects they finance will generate revenue streams that can be used to support bond issues or bank loans. We are asking Congress to join us in breaking with business-as-usual, in opening up new opportunities for private investment in transportation -- and in empowering states and localities. They can achieve all three of these goals by approving our SIB proposal.

FEDERAL DISCRETIONARY FUNDS

A smaller, but still critical element of our program is the $1 billion federal discretionary fund.

This fund is targeted at strategic projects of national or regional significance -- such as high-speed rail or national freight corridors -- that states and localities cannot get underway without federal coordination or supplementation from UTIIP resources.

We believe that it is essential to retain such a discretionary fund at the federal level in order to advance national projects that might otherwise be stymied -- either by

the lack of adequate local resources or by the inability of multiple jurisdictions to resolve their differences without federal aid and incentives.

OTHER ASPECTS OF THE BUDGET

Let me now turn to other aspects of our budget.

As I stated at the onset, safeguarding America's national security is a key aspect of the federal role in transportation. DOT responds to that duty through the operations of the US Coast Guard and through our maritime programs.

NATIONAL SECURITY

For maritime programs, Ready Reserve Force (RRF) funds of $359 million for Operations and Maintenance and $150 million for fleet acquisitions will be requested in the Department of Defense's FY 1996 budget -- but DOT will continue to manage the program.

Our own budget proposes a Maritime Security Program with payments of $100 million per year over 10 years to support 50 U.S. flag ships available, when needed, for national defense.

Our Title XI request of $52 million will support a loan guarantees of $1 billion -- significantly above current levels based on our legislative proposal to increase filing fees. We will continue our success in reviving the American commercial shipbuilding industry. This is something that President Clinton promised to do in 1992 -- and it is a promise we are proud to have kept.

For the Coast Guard, we propose a funding level of $3.74 billion...about 2.1 percent above FY 1995, to carry out its growing responsibilities. This is a tight budget, with $2.62 billion in operating funds -- essentially frozen at FY 1995 levels. But we do call for an 18 percent increase in capital spending (to $428 million).

We mean to provide the vessels, aircraft, boats, shore facilities and information resources the Coast Guard needs to carry out its missions and enforce our laws at sea, on the Great Lakes and along our major rivers.

We are determined to see that America's Coast Guard has the equipment it needs to remain "Always Ready."

On a personal note, let me say that I witnessed -- and was deeply moved by -- the dedication and professionalism of the men and women of our Coast Guard -- especially in the past year's historic rescue efforts off the shores of Haiti and Cuba.

It was an honor for me last year -- to honor them -- with this Department's highest award -- the Gold Medal for Outstanding Achievement.

Finally, even as we seek to corporatize the air traffic control services currently run by FAA, we are proposing an increase of $121.5 million in this year's FAA budget -- to $4.7 billion -- and an 8 percent increase in flight standards and safety inspection staff.

CONCLUSION

Let me conclude by saying that in all our efforts over the past year -- including our restructuring and this budget -- what we have sought to achieve is to realize the promise of the 1991 Intermodal Surface Transportation Efficiency Act in this new era.

The principles of ISTEA remain our principles. Its goals -- to give states and localities more choice between forms of transportation, to give communities a greater voice, to link forms of transportation into a single, seamless web to serve the nation --. remain our goals.

ISTEA's preamble envisages a "National Intermodal Transportation System...of all forms of transportation in a unified, interconnected manner.... to reduce energy consumption and air pollution while promoting economic development and supporting the Nation's pre-eminent position in international commerce.....to create the wealth of the Nation for the 21st century."

This vision remains our vision..... The budget we propose is designed to make that vision real.

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TALKING POINTS
SECRETARY OF TRANSPORTATION FEDERICO PEÑA
30-DAY AIRLINE SAFETY UP-DATE
WASHINGTON, D.C.
FEBRUARY 9, 1995

* One month ago today, FAA Administrator, David Hinson and I hosted a conference here in Washington of more than 1,000 aviation safety experts -- from airline CEO's to chief pilots, machinists and flight attendants.

* We came together determined to take dramatic action to address public concerns about aviation safety -- concerns that were sharply heightened by the seven fatal accidents that occured in U.S. commercial aviation in 1994 -- accidents that cost the lives of 264 people.

* We came to work -- to challenge ourselves -- to do everything we could to answer those public concerns. We knew that citing the long record of U.S. airline safety progress would not be enough -- even though U.S. commercial aviation is the safest in the world.

* We knew that we needed to take action -- or rather, to launch a comprehensive series of actions -- in every area of airline safety.

* All of us at that conference worked with a tremendous sense of responsibility. We undertook what I called, "a ruthlessly honest self-evaluation, a gut-check"..... to answer the following questions:

* "Is there something more that we should be doing?"

"Is there anything that we have not anticipated?"

"Are we applying our expertise and training and technology fully?"

"Are our training and supervision and inspection programs the very best that they can be?"

"Are we absolutely sure that we are flying by the book?"

*** We struggled to find answers -- and to develop an agenda for actions -- in workshops that I attended, running through the day and well into the evenings. And we set ourselves a deadline of 30 days for getting serious safety actions underway.**

*** The plan that emerged from those workshops includes 173 specific actions in all six areas addressed by the Safety Conference: crew training, air traffic control and wealther, safety data collection and use,emerging technologies, aircraft maintainence and flight operations.**

*** And today, I am delighted to be able to report that we have met the deadline we set for ourselves last month. We have made remarkable progress in the first 30 days since the Aviation Safety Conference.**

*** In fact, the Aviation Safety Conference has energized and engaged the entire American aviation community. Never before has there been so much cooperation and agreement on priority actions that both government and industry must take to improve air safety.**

*** In the three areas in which we asked the airline industry to voluntarily take safety actions -- by instituting their own safety audits, by appointing specific safety officers reporting to top management, and by agreeing to share safety data -- we have recieved tremendously positive response.**

*** Roughly 41% of the 161 airlines represented at the conference -- including all of our major carriers -- already had their own internal safety audits in motion; 43% more have since instituted such audits and more than a dozen are about to do so.**

*** This near-unanimous response is a clear sign of the airline industry's re-energized commitment to safety.**

*** So are the actions that many airlines have already taken or now have underway -- to appoint or upgrade their chief safety officer to a level that reports directly to top management. We applaud the many airlines that have taken such action in the past month or are doing so today -- and we again urge <u>all</u> airlines to follow their example.**

*** Finally, we have recieved overwhelmingly positive response to our proposal that airlines agree to share safety data on their operations.**

*** I believe that the data policy that we announce today will provide airlines with all of the assurance they need to make this data available in the common interest.**

*** I am very gratified by the airlines' responses so far. But frankly I am not surprised.**

*** Because while safety is and will be this Department's highest single priority -- the plan we developed at last month's conference is not a government plan -- it was developed by and for the entire aviation community. We are all "on board" in this effort -- government, industry and labor.**

*** I want to thank all of the members of the FAA staff who labored so hard not only to make last month's conference a success -- but to follow through on our part of this "shared responsibility" for safety. I also want to thank our colleagues at the NTSB for their able assistance.**

*** And I want to thank all the representatives of airline management and labor who are here today for their role. Thanks, then, to the Air Transport Association (ATA), to the Airline Pilots Association (ALPA) to the International Association of Machinists and Aerospace Workers (IAM) and to the Regional Airline Association (RAA).**

*** Your presence here -- and your work with us over the past month -- is proof positive that all of us involved in American aviation share the same, deep commitment to the safety of the travelling public.**

*** I will now call on my friend David Hinson, our very able FAA Administrator, to explain the details of our progress -- and to reaffirm once again, our common goal: Zero Accidents.**

*** .....David.....**

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U.S. Department
of Transportation

TRANSPORTATION TRENDS

REMARKS AS PREPARED FOR DELIVERY
SECRETARY OF TRANSPORTATION FEDERICO PEÑA
STATE OF TRANSPORTATION ADDRESS
BOLLING AIR FORCE BASE, WASHINGTON, D.C.
FEBRUARY 9, 1995

Today, I'd like to talk about where we've been in transportation -- where we're going -- and how we're going to get there. During the past two years, DOT has had numerous outstanding successes -- many of them by our hosts today, the U.S. Coast Guard.

The men and women of the Coast Guard have shown extraordinary skill and professionalism in Caribbean Sea missions critical to national security.

The Coast Guard began Operation Able Manner in January 1993 to rescue Haitians fleeing a military dictatorship in overcrowded, unseaworthy vessels. This became the Coast Guard's largest peacetime operation ever, exceeded only by their efforts during World War II.

The restoration of democracy to Haiti last autumn brought Operation Able Manner to a successful conclusion, but it didn't end our need for the Coast Guard's service in the Caribbean.

In July 1994, the Cuban government began letting its people leave -- but only on makeshift rafts and small boats. President Clinton couldn't permit a foreign power to dictate America's immigration policy -- but neither could he stand by as thousands of desperate people risked their lives to flee a dying tyranny. Through Operation Able Vigil, he again turned to the Coast Guard to lead America's response.

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In a world that too often is indifferent to brutality, the vision of a Coast Guardsman cradling a child weakened by thirst and hunger made it clear that we Americans value human life above all else.

The Coast Guard carried out its missions in the Caribbean with professionalism in the midst of chaos -- with compassion in the face of misery -- and with endurance in spite of exhaustion. Every American is proud of what they've done.

Operation Able Manner and Operation Able Vigil will stand as historic proof that for the men and women of the Coast Guard, *Semper Paratus* -- "always prepared" -- is not just a motto, but a living reality.

And let us also remember the Coast Guard's many other achievements -- from coping with fires and floods in Houston to preventing a disastrous oil spill in San Juan to the voyage of the *Polar Sea* -- which last summer became the first American surface vessel to reach the North Pole. For all of their achievements, it was an honor for me to award the Coast Guard the Secretary's Gold Medal for Achievement -- our highest award.

The Coast Guard's successes have been highly visible, but the entire Department of Transportation has been doing its part to carry out President Clinton's commitment to sustaining America's economic security and to investing in our nation's future. Right from the start, DOT has played a leading part in this effort.

We've "put people first" by improving vehicle safety, fighting to reduce drunk driving fatalities, and launching landmark rail, pipeline, and aviation safety initiatives.

We've sustained America's economy and our national security by restoring the vital maritime, airline, and aerospace industries that were on the edge of collapse.

We've laid the foundations for our country's long-term economic competitiveness by increasing both public *and* private investment in infrastructure and technology.

Through initiatives such as the Partnership for Transportation Investment we cut red tape to speed up transportation projects, and have invested in new technologies such as satellite-based Global Positioning Systems and Intelligent Transportation Systems.

You -- the employees of the Department -- are the reason we've been able to achieve so much. In the past two years I've come to recognize the energy, the dedication, and the professionalism of our people. Without you, we couldn't have done what we have -- nor would we be able to meet the challenges that confront us.

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Transportation is a trillion dollar-a-year industry in America that affects *all* of us, often in complex ways that go unnoticed until earthquakes or floods ripple through our communities and affect our economies. But sometimes we *can* see the future now...

We see that steadily-rising travel and shipping demand is straining the capacity of our existing transportation system and infrastructure.

We see that users are demanding greater efficiency -- whether they are manufacturers with "just-in-time" delivery techniques or travelers making connections between different forms of transportation.

Finally, we see that federal resources aren't likely to continue to increase.

These new conditions pose additional challenges to us at a time when it's all we can do to maintain America's existing transportation system. We must find new ways to meet the transportation demands that we face on the eve of the 21st century. The world has changed in the last 28 years, but DOT hasn't -- so we must do three things.

First, we have to change our beliefs about transportation systems and how they're developed. We must look towards a single, integrated system that unifies all forms of transportation -- a National Transportation System that builds upon the National Highway System and our other transportation systems.

Second, we in DOT have to change our organization. We no longer can afford to serve as advocates of individual modes -- but instead must adopt the best ways of moving people and goods -- irrespective of modes. That means ending the artificial distinctions that our current organization promotes.

Third, we in DOT must change our policies to reflect new realities. We must move towards full partnerships with state and local governments, in order to make the most of our own limited resources and to empower those who have the best grasp of local needs. After all, they are most directly accountable to the American people.

We also have to adopt new ways of paying for and operating our systems, making the most of the resources and efficiencies that the private sector can bring.

This is why I proposed a major restructuring and downsizing of the Department, and that's why we've crafted a 1996 budget that focuses us on our fundamental missions of safety, infrastructure and technology investment, and national security.

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Our restructuring proposal streamlines DOT from 10 administrations to three: a new Intermodal Transportation Administration, the Federal Aviation Administration, and the Coast Guard.

The Intermodal Transportation Administration will integrate all of our surface transportation and maritime functions -- reducing bureaucracy, cutting red tape, and giving our customers one-stop shopping.

The Federal Aviation Administration will maintain its safety, development, and regulatory functions -- everything but air traffic control, which will be corporatized. That will give us an air traffic control system free of the cumbersome personnel, budget, and procurement restrictions that hinder the efficiencies and new technologies we need to safely handle future travel growth.

Finally, the Coast Guard -- which is undergoing its own streamlining under the leadership of Admiral Kramek and his flag officers -- will continue in its present role, serving the nation well as it has for two centuries.

Similar restructurings have been proposed by Secretaries of Transportation almost since DOT's inception in 1967. That's because DOT was created not as an integrated unit but as a holding company, like the giant business conglomerates of the 1960s. Well, those dinosaurs weren't nimble enough to cope with the drive for efficiency and customer service that swept corporate America during the 1980s. Now, the federal government faces the same pressures in the 1990s.

The reorganization that we are adopting positions us to meet today's pressures -- and then move on to develop tomorrow's transportation systems.

Our new structure ensures coordinated, intermodal policy-making and ends wasteful duplication -- for us and for our customers. Who knows? It may even give us compatible E-Mail systems within DOT itself.

Our reorganization lets us build upon employee reductions we've made over the past two years, and will move us towards our 1999 target of a 12 percent civilian workforce downsizing, while improving customer service. And our air traffic control plan will transfer an additional 40,000 employees to an independent government corporation, reducing DOT's civilian workforce by over one-half by 1999.

The restructuring also moves us beyond the first round of Vice President Gore's reinventing government which focused on efficiency. Now we are asking why we need to do certain things -- and to let other levels of government or private business do them if they need to be done at all. This reorganization focuses us -- better than any other

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proposed option -- on what we must do: our core missions of safety, investment, and national security.

And it supports our plan to streamline and simplify DOT's funding programs -- something that wouldn't work without consolidating DOT's operating administrations as well. That program consolidation begins with the 1996 budget, and it integrates scores of programs into a new Unified Transportation Infrastructure Investment Program -- or UTIIP.

UTIIP will be financed through today's transportation trust funds, which collect revenue from such existing sources as motor fuel and passenger ticket taxes

The UTIIP builds upon the expansion of the ways states and localities can use these funds that Congress has supported through the years. We want to provide even greater flexibility in their use. States will be able to use these funds to meet their needs -- without interference by Washington. We in Washington must trust our partners in other levels of government, and not think that we have all of the answers.

UTIIP will gave states the flexibility to, for example, use this money for transit or AMTRAK to reduce congestion on crowded roads or at airports -- without the need for highway and airport expansions. That's good sense -- and it's good policy.

And this flexibility won't benefit only rail or transit riders, but highway users as well, since they'll have less-congested roads for their travel. Strengthening *all* of the components of our intermodal transportation system benefits everyone.

This proposal also continues the tradition of fiscal responsibility in transportation by keeping trust fund expenditures on the federal budget -- and not exempting them from the budget caps that have helped to control the deficit. It pays our transportation expenses as we go.

More than half of UTIIP's funds will be channeled through just three new sub-programs: the Unified Allocation Grant Program, State Infrastructure Banks, and the Federal Discretionary Fund. These are at the heart of our drive to return flexibility and authority to our partners.

The Unified Allocation Grants will allocate funds directly to states and localities and let them decide which transportation investments best meet their needs.

State Infrastructure Banks will use federal seed money to leverage additional investment from state and local governments and the private sector.

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And states and localities will be encouraged to use the innovative financing strategies pioneered by the Partnership for Transportation Investment to increase total transportation investment.

Finally, the Federal Discretionary Fund will directly fund projects of regional or national significance -- such as high-speed rail or nation-wide freight corridors -- that states, or even groups of states, cannot finance or coordinate by themselves.

These new initiatives sustain total investment in our nation's transportation infrastructure by increasing flexibility and cutting red tape -- lowering costs and attracting new investment, and compensating for lower federal outlays.

Those reduced outlays -- which total $6.4 billion over five years -- will let us maintain our services while providing middle-class Americans the educational and job training opportunities they need to compete in the new global economy. It will also continue the effort that President Clinton began two years ago to control the budget deficit.

These efforts -- our restructuring, the 1996 budget -- seek to realize the promise of ISTEA -- the Intermodal Surface Transportation Efficiency Act. ISTEA's principles remain our principles. Its goals -- giving states and localities more choice between forms of transportation, giving communities a greater voice, linking forms of transportation into a single, seamless web to better serve the nation -- remain our goals. And now we are broadening them to encompass not only surface transportation, but all forms of transportation -- land, sea, and air.

ISTEA envisions a "National Intermodal Transportation System... of all forms of transportation in a unified, interconnected manner... to reduce energy consumption and air pollution while promoting economic development and supporting the Nation's pre-eminent position in international commerce... to create the wealth of the Nation for the 21st century." That vision remains our vision... the restructuring and budget that we propose is designed to make that vision a reality.

DOT's employees have helped to build the finest transportation system in the world. The challenges we face are greater than ever, and -- over the coming months and years -- I look forward to working with you to meet those challenges.

In closing, let me say that I look forward to the day when our entire Department -- like the Coast Guard -- is *Semper Paratus*.

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TALKING POINTS: ATC REFORM
SECRETARY OF TRANSPORTATION FEDERICO PEÑA
FEBRUARY 13, 1995

*** We are calling for a new ATC corporation for two basic reasons: to sustain the safety of our air traffic system, and to sustain America's world leadership in aviation technology.**

*** We are acting -- now -- to think ahead, and to plan ahead to meet both of these goals for the 21st century. We're calling for bold and significant change -- reinventing government's role in the ATC system.**

*** Let;s face it. In the last two elections, Americans called for this kind of change -- to make government leaner, more effective, and less costly. That's what reinventing government is all about -- and ATC reform is the best example so far.**

*** But this is not just about saving money, or reducing the size of government. We need ATC reform to sustain air safety. Let's look at that.**

*** The fact is that the current, bureaucratic structure -- within the FAA -- simply cannot <u>safely</u> accommodate the growth we anticipate of up to 300 million new passengers a year by early in the next century..**

*** As you know, DOT is committed to ensuring the <u>safety</u> of the travelling public in everything we do. And <u>we always will be.</u>**

*** But as we look forward to the growth in aviation we expect over the next decade, I cannot feel comfortable that we can <u>safely</u> provide today's levels of air service unless we make major changes in the way we run the ATC system.**

*** Despite multiple attempts to "reform" and "reorganize" the FAA over the years -- we find ourselves today with an air traffic control system that is already working close to capacity and lacks the ability to adapt to growing demand.**

* This system is saddled with aging equipment -- including some of the world's last vacuum tubes -- and with crippling governmental rules and red tape that prevent us from procuring state-of-the-art gear.

* Yes, the system has operated safely -- so far. But that's only because dedicated air traffic controllers have worked their hearts out to keep traffic moving -- using equipment that belongs in a technology museum.

* This system cannot <u>safely</u> handle the growth we expect -- and current government rules keep us from giving our controllers the new equipment that they need.

* That's why we need to <u>change the structure itself</u> -- as nations all over the world are doing.

* We are proposing to create a nimble, businesslike air traffic control corporation -- while leaving safety oversight within a new, streamlined Aviation Administration.

* The new ATC corporation will be freed from government procurement rules. It will be financed by user fees -- not by volatile Congressional appropriations. It would be able to accurately predict its revenues and finance costly, long-term equipment upgrades by tapping the capital markets.

* This new corporation will provide the dedicated men and women who direct this nation's air traffic with the modern technology -- American technology, in fact -- that similar ATC corporations in Britain, Germany and New Zealand are already buying to upgrade their ATC operations.

* We Americans are proud of our world leadership in aviation technology. It is a critical industry for us -- both financially and in terms of national security.

*** But the truth is, we're in danger of losing that technological lead in aviation equipment and procedures -- because our current ATC system cannot stay abreast of change the way other nations' reformed ATC systems can.**

*** To recover -- and sustain our lead -- we need an ATC system that operates at the state-of-the-art -- and supports new American aviation technology by actually buying it as it evolves -- not years later, after struggling through huge mounds of procurement forms.**

*** The new ATC corporation will increase the efficiency of our whole air system. And it will enhance safety. Most importantly, this change will enable us to safely support the growth in air travel that we want, that air travellers and airlines want, and that the American economy needs.**

*** Let me caution you: piecemeal "reform" will not do this. We have tried that over and over again in the past. Now, we have reached the point where only fundamental change will work.**

*** Since safety will never be compromised, that means more and more delays, billions of dollars of costs to airlines and growing frustration for travellers. The real alternative to ATC reform, then, is a system increasingly prone to long delays and back-ups.**

*** That's not acceptable. Maybe that's why our call for a new ATC corporation enjoys such strong support from airlines, aviation experts, airports, and by air traffic controllers themselves. It is an idea whose time has come.**

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TALKING POINTS ON DOT RESTRUCTURING/BUDGET
CONSTITUENT REGIONAL MEETINGS
FEBRUARY 13-17, 1995

* **Transportation in America is a *trillion* dollar-a-year industry -- one-sixth of our economy -- that affects *all* of us -- sometimes in unseen ways. But something that we *can* see is the future of transportation...**

* **First, we see that steadily-rising transportation demand -- on our highways, at airports, and on railroads -- is straining the capacity of our existing system.**

* **Second, we see a growing need for more efficiency -- whether by businesses relying on prompt deliveries for "just-in-time" manufacturing or by commuters making connections to get home.**

* **Third, we see that federal transportation funding is going to be limited in the future as we seek to control the budget deficit and provide such critical initiatives as tax relief for the middle class.**

* **These new conditions pose additional challenges to us at a time when we *already* need more than $300 *billion* to repair or replace America's *existing* transportation infrastructure. So we *must* find *new* ways to meet our transportation needs. We need to do *three* things.**

* **First, we have to change how we think about transportation systems. We must move towards a single, integrated system that efficiently unites *all* forms of transportation -- a truly National Transportation System.**

* **Second, we in DOT have to change our organization. The world has changed since the Department of Transportation was created in 1967, but DOT itself *hasn't*.**

* **Third, we in DOT must change our policies to reflect new realities -- streamlining our programs, cutting red tape, and build partnerships with state and local governments and the private sector.**

* **For these reasons, we've proposed a major restructuring of DOT, and have crafted a 1996 budget that focuses us on our fundamental missions of safety, infrastructure and technology investment, and national security.**

* **Our restructuring is similar to those proposed by Secretaries of Transportation for a generation, because DOT was created not as an integrated unit but as a holding company -- like the giant business conglomerates of the 1960s.**

* **Those dinosaurs weren't nimble enough to cope with the drive for efficiency and customer service that**

swept corporate America during the 1980s. Today, the federal government faces the same pressures.

* We have 10 operating units within DOT that focus with tunnel vision as -- essentially -- advocates of individual types of transportation. We've got to end such artificial distinctions, and instead become advocates of the safest and most efficient ways of moving people and goods.

* We've also got to end both wasteful duplication and incompatibility -- in everything from how we interpret regulations to internal E-Mail systems.

* Our restructuring would streamline DOT's 10 operating administrations to three: a new Intermodal Transportation Administration, the Federal Aviation Administration, and the Coast Guard.

* The Intermodal Transportation Administration will integrate *all* of our surface transportation and maritime functions -- reducing bureaucracy, cutting red tape, and giving our customers one-stop shopping.

* The Federal Aviation Administration will maintain its safety, development, and regulatory functions -- everything but air traffic control, which will be transferred to a new government corporation.

* That will give us an air traffic control system free of the cumbersome personnel, budget, and procurement

restrictions that hinder the efficiency and new technologies needed to safely handle future travel growth.

* **The revamped Federal Aviation Administration won't be "FAA Lite," but an agency that is re-engineered and focused on its core missions -- above all, on safety.**

* **Finally, the Coast Guard -- which is undergoing its own streamlining -- will continue in its present role, protecting and serving the nation well as it has for two centuries.**

* **This reorganization lets us reduce thousands of additional positions, building upon the cuts in DOT's bureaucracy that we've made over the past two years. In addition, our air traffic control plan will transfer 40,000 more employees to an independent government corporation, further reducing DOT's civilian workforce.**

* **The restructuring also moves us beyond the first round of Vice President Gore's reinventing government -- which emphasized increasing efficiency -- to ask why *we* need to do certain things -- and to let other levels of government or private business do them *if they need to be done at all*.**

* **This reorganization focuses us on what we *must* do: our core missions of safety, investment, and national security.**

* **It enhances the connection between safety and such infrastructure issues such as highway design and construction, and lets us better coordinate these concerns.**

* **It promotes investment where it's needed by channeling almost all of our infrastructure funds through the Intermodal Transportation Administration.**

* **Finally, it supports our plan to streamline and simplify DOT's more than 50 funding programs -- *something that wouldn't work without consolidating DOT's operating administrations as well.***

* **That streamlining begins with the 1996 budget that President Clinton submitted to Congress last week.**

* **Many of these programs are being merged into the new Unified Transportation Infrastructure Investment Program -- or UTIIP.**

* **The UTIIP provides far greater flexibility to states and localities, which will be able to use these funds to meet *their* needs -- *without interference by Washington*.**

* **It expands our partnerships with state and local governments, empowering those who have the best grasp of local needs -- and who are most directly accountable to the American people.**

* **More than half of UTIIP's funds in 1996 will be channeled through just three new sub-programs: the Unified Allocation Program, State Infrastructure Banks, and the Federal Discretionary Fund. These are at the heart of our drive to cut red tape and return flexibility and authority to our partners.**

* **The Unified Allocation Program will allocate funds *directly* to states and localities and let *them* decide which transportation investments best meet their needs.**

* **State Infrastructure Banks will use federal seed money to leverage additional investment from state and local governments and the private sector -- taking advantage of the innovative financing strategies pioneered by our Partnership for Transportation Investment.**

* **Finally, the Federal Discretionary Fund will directly fund projects of regional or national significance -- such as high-speed rail or nation-wide freight corridors -- that states, or even groups of states, cannot finance by themselves.**

* **These new initiatives sustain total investment in our nation's transportation infrastructure by increasing flexibility and cutting red tape -- lowering costs and attracting new investment even as total federal funding decreases.**

* **This decreased federal funding -- which totals $6.4 billion over five years -- will help us continue to continue controlling the deficit while providing tax cuts for middle-class Americans so they can get the education and job training they need.**

* **These efforts -- our restructuring, the 1996 budget -- seek to realize the promise of ISTEA -- the Intermodal Surface Transportation Efficiency Act of 1991. It's a promise that we will expand to all forms of transportation -- not only surface, but sea and air as well.**

* **ISTEA's vision remains *our* vision. Its goals -- giving states and localities more choice between forms of transportation, giving communities a greater voice, linking forms of transportation into a single, seamless web to better serve the nation -- remain *our* goals, and the restructuring and budget that we propose is designed to make ISTEA's vision a reality.**

* **We look forward to working with you as we develop the transportation system America needs to compete -- and win -- in the economy of the 21st century.**

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U.S. Department of Transportation

TRANSPORTATION TRENDS

STATEMENT OF SECRETARY OF TRANSPORTATION FEDERICO PEÑA
SUBCOMMITTEE ON AVIATION
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
HOUSE OF REPRESENTATIVES
FEBRUARY 14, 1995

Good morning, Mr. Chairman. I appreciate the opportunity to appear here today. With me to help respond to the Subcommittee's questions are:

FAA Administrator David Hinson, who brought to the FAA the perspective of a corporate CEO;

FAA Associate Administrator Monte Belger, who has spent his distinguished career in the FAA, and now has the responsibility for managing the air traffic control system. He has played a key role in developing our proposal; and,

Dr. George Donohue, who came to the FAA last August to take over management of the modernization program, and who has brought a needed new outlook and perspective to this effort.

Throughout government, we are examining how we can best serve the American people. This is especially true of services that affect our economy, safety, and quality of life. The American people want a better, more efficient government and understand that change is necessary to reach this goal.

By calling today's hearing, it is clear that you understand the public's call for change. I hope that together we can seize this opportunity to dramatically improve the way that we serve the more than 500 million Americans who fly every year with a more efficient and safer air traffic control system that can meet the growing demands of the 21st century.

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At DOT, we are working to focus more sharply on our core missions: safety and infrastructure investment. As you know, we are proposing a major restructuring of the Department to provide this focus. Our air traffic control proposal is a major part of this effort.

We recognize just how unique the operation of the air traffic control system is within government. We are proposing to treat it differently because it is so fundamentally different from the safety regulatory functions of the FAA or other government agencies.

ATC is the only 24-hour-a-day, 365-days-a-year government operation upon which an $80 billion industry is dependent for literally its every move. The inefficiencies of the government's system become the inefficiencies of an entire industry.

Today, it's estimated that those inefficiencies cost the airlines and their passengers $3 billion a year -- at a time when the industry is struggling to regain its financial footing. These kinds of losses can mean the difference between an industry that can't make ends meet and one that can.

We need to do all we can to ensure that the traveling public will be provided with the level of safety it expects and deserves of our aviation system. But the question we must ask is, "is the air traffic structure that served us well in the past the one that can meet the demands of the future?" The answer is: *no*.

As we look at projected growth of 300 million passengers a year in the next decade, I am not assured that we will be able to provide the level of service that we know today, unless we make major changes in how we run today's system. Our system is already near capacity, and, unless we can bring on new technology in a timely manner, we will have to make major compromises in efficiency to ensure that safety is not compromised. That shouldn't have to be the case. Safety and efficiency go hand in hand, and we must work constantly to improve both.

How can we enhance safety and efficiency in our air traffic system? We can do so by having the ability:

- **1: to take advantage of new technologies;**
- **2: to place and retain people where we need them;**
- **3: to respond to change in a business-like fashion with a nimble organization;**
- **4: to finance major capital programs; and,**
- **5: to plan for the future, and be able to implement that strategy in a timely manner.**

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Unfortunately, the FAA doesn't have these tools. First, we have a procurement system that makes it virtually impossible to keep pace with new technology. The evidence is found throughout the system:

- Right here at National Airport, the computer that supplies critical information to controllers is a 1960s Univac;
- Every one of the 2,300 radar displays in our en route centers are over 23 years old;
- We have more than 500 landing systems that are between 15 and 30 years old;
- We have close to 400 radars that are between 15 and 30 years old;
- All of the largest communications switches in our en route centers are over 29 years old;
- And, in an age where generations of computer technology are measured in months, the FAA spends almost $9 million a year on vacuum tubes, a technology invented at the time of the Wright Brothers' first flight.

For many of these components, the original manufacturer no longer exists. Spare parts aren't available. In order to avoid shut-downs, FAA technicians cannibalize other equipment, or go to machine shops to custom-build old technology.

This old equipment is gradually -- and I emphasize gradually -- being replaced. But, should we be proud that there may be no more vacuum tubes shortly after the turn of the century -- 40 years after the private sector got rid of them? Should we be proud of the fact that the FAA's newest surface radar system has hardware that is already 10 years out of date? The answer is: *no*.

When it comes to the safety and efficiency of the nation's air traffic control system, we simply should not settle for "better late than never."

Second, the personnel system is, in a word, inflexible. In a field of increasing and changing demands, it's a system that largely prevents us from providing incentives to reward good work or to staff high-cost, busy facilities.

Third, the budget system is one that simply doesn't allow for long-term planning or timely acquisition. It doesn't give the passengers who pay for this system a reasonable return on their investment.

Through the appropriations process, investment is based not on needs, but on what's available under government-wide spending caps. It's a system that requires the

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FAA to set aside, in cash, all of the funds needed for a contract, even if the money won't actually spend out for several years.

It's an environment in which the FAA gets its budget in over 160 specific line items, with almost no ability to make changes. It forces the FAA to try to plan for the future without knowing how much money will actually be provided, or what strings will be attached. And the continued reliance on Congressional authorization and appropriation means that decisions are routinely undone through specific directives and earmarks.

Together, these three problem areas -- procurement, personnel, and budget -- have created a culture that accepts these limitations as "normal"; a culture in which people are relieved when equipment is "only" 18 months late; a culture that discourages innovation by program managers who know that they'll probably face a protest from losing bidders for trying something new; a culture that invites and allows delays and overruns in the major modernization programs.

Some have criticized the FAA leaders and employees for not solving these problems. But the problems have persisted for years, throughout Democratic and Republican Administrations. I know the Administrator. I know the people. *They're* not the problem. *The system is the problem.*

This must be changed. The only question should be: *how*? Over the years, both the Congress and the FAA have tried to work within the existing structure to bring change. Just in the last decade, the FAA has reorganized itself over two dozen times to try to address these problems. But, clearly, those attempts have not made significant improvements. What's needed is a fundamental change in how the air traffic control system is operated.

In order to address these problems, we should look at a range of options. We now have several concepts on the table, and I'd like to take a few minutes to discuss them.

Some have proposed an independent FAA. We see major shortcomings with this proposal.

First, making the FAA independent without freeing it from the personnel, procurement and budgetary restrictions does not correct the problems, it simply shifts them to a new box on the governmental organizational chart.

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Second, there is no sound basis for removing the FAA's traditional regulatory functions, which are by their nature similar to those of NHTSA, the Coast Guard, and others in DOT, from the rest of the Department.

Third, from a transportation policy perspective, insulating aviation from the other modes is inconsistent with our efforts to create a truly intermodal, unified transportation system that Congress mandated through ISTEA.

Fourth, it would greatly lessen our ability to look at cross-cutting safety issues.

Others have called for privatizing the air traffic control system. While a federal corporation achieves many of the operating advantages of a private corporation, we have serious concerns about a truly privatized system.

First, private sector employees have the right to strike. That could undermine the integrity of the national aviation system, and is, in fact, opposed by the FAA employees.

Second, establishing a private monopoly could raise anti-competitive concerns, and could require the establishment of a new rate-setting structure.

Third, there is the fundamental question about sovereignty of the U.S. airspace. Our skies are a national asset, and should remain in the hands of the American people.

Our proposal specifically and clearly addresses the problems facing the air traffic control system. It is based on the recommendations of the National Commission to Ensure a Strong Competitive Airline Industry, the Vice President's National Performance Review, and a number of other major studies conducted over the last 15 years. Frankly, it is also based on the experience of more than two dozen internal reorganizations in the last decade, none of which have been able to bring about the fundamental change necessary.

Our proposal would establish a wholly-owned, not-for-profit government corporation, freed from the federal budget, personnel, and procurement systems. It would be financed by users, and have the ability to finance capital programs, as would any corporation. There would be no General Fund contribution to the ATC system, which would save the General Taxpayer about $1.5 billion annually.

Importantly, the critical safety regulatory functions remain in the FAA, an agency that is fully accountable to the Congress, the Executive, and the American people.

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Let me take a few moments to talk about some of the details of our proposal that the Subcommittee indicated were of particular interest.

Safety oversight. The FAA would retain safety regulatory oversight of the Corporation in a manner consistent with its regulation of the airline and aircraft manufacturing industries today. Accordingly, the FAA would establish safety standards in areas such as equipment, operating procedures, and training, and the Corporation would operate within those parameters.

For example, just as the FAA sets training standards for pilots and flight attendants, it could do so for the Corporation. Proposed changes to aircraft separation standards or equipment requirements would be subject to FAA safety review. Statutory limitations on operations would not be affected by our proposal.

Fee structure. Our proposal would set the fee structure for the first two years of the Corporation's existence, in order to provide stability during the transition period. After that time, the Corporation would set its fees according to its capital and operating needs, but with several important restrictions.

First, public use aircraft, including the military, would be exempt from any new fees, as would general aviation. In all cases, fees could not harm competition by restricting new entrants or discriminating against any class of user. The fee structure would be subject to review by the government for this specific purpose, and would be subject to disapproval if found to be anti-competitive. We have been very careful to restrict the ability of the government to review fees to avoid having the government involved in regular oversight or second-guessing of the Corporation's financial decisions, while at the same time protecting against anti-competitive practices.

Use of Trust Fund. Our proposal calls for funds already appropriated, but not yet expended, from the Trust Fund to continue to be used for their intended purposes. This would mean that projects now underway with appropriated Trust Fund monies would continue under the Corporation. Any commitments made by the Corporation would come from its revenue stream or financing, not from the Trust Fund.

Employee rights. Employees transferring to the Corporation would retain their existing retirement, health and other employee benefits for three years. After that time, transferring employees would retain their retirement benefits, but other benefits would be determined through the collective bargaining process. New employees would be covered by the personnel system developed by the Corporation.

(More)

Pension liability. Consistent with our objective of financial independence for the Corporation and ending subsidies, we propose that the Corporation would cover its pension costs incurred after the date of incorporation.

Our proposal recognizes that ATC is fundamentally different than the regulatory functions of the FAA. It is modeled on the successful regulatory structure now in place in which thousands of corporate entities are overseen by the FAA.

The safety record of U.S. aviation is the product of a partnership that recognizes the roles of government and the private sector. The reality is that government just isn't set up to run a business.

Building an airplane well is a critical safety issue. But, the FAA doesn't build aircraft; it sets standards and regulates corporations that can build them more cost-effectively and quickly.

Training airline pilots and flight attendants properly is absolutely critical to safety. But, the FAA doesn't hire them, or train them; it regulates corporations that do.

Maintaining aircraft in tip-top condition is essential for safety. But, the FAA doesn't hire and train mechanics; it regulates corporations that do.

The FAA doesn't run commercial airline service that is responsible for safely transporting half a billion people a year; it regulates corporations that do.

And, the FAA doesn't operate airports. This Committee led efforts to get the FAA out of that business almost 10 years ago, and that was the right decision.

It is the partnership between government and industry that has created this system, and that has compiled the safety record of U.S. aviation. And, that was the model we followed in preparing a federal corporation for ATC.

In the area of safety regulation, the FAA is a model for the world. But, that's not the case for the air traffic control system. At the same time that the world looks to the FAA as the standard for regulatory matters, it is turning *away* from how we run air traffic control.

Other countries are taking their ATC systems out of governmental straitjackets, and putting them into more flexible corporations. They're enhancing safety, improving efficiency, and bringing down costs.

(More)

I recently met with Sir Christopher Chattaway, Chairman of the UK Civil Aviation Authority, which has run ATC in a government corporation since 1972. When I asked him about safety, his answer was immediate and unequivocal: *safety is higher in the corporate model.*

I note that Mr. Dieter Kaden, the CEO of Germany's ATC corporation, will testify today. I met with Mr. Kaden yesterday, and was reminded of an ATC museum that they maintain in Frankfurt, which I saw last year. In that museum, they have technology that is actually more modern than some of what we're using in the U.S. today.

There's another point about these other corporations. With their flexibility they're buying U.S. technology that our controllers and technicians can't acquire themselves.

To be sure, our ATC system works today. We have the busiest, most complex airspace in the world. Some look at this and say, "if it ain't broke, don't fix it." Frankly, statements like that miss the point.

They ignore the enormous costs imposed on the airlines and the traveling public. They ignore the drag that these inefficiencies are imposing on the economy.

The reality is that the ATC system works in spite of itself. It's held together by people who just won't let it fall apart. But, we should not add further stress to or penalize the dedicated men and women who keep this system running by refusing to change the structure and conditions that limit them.

The FAA has been accused of reacting to problems instead of anticipating them. That's precisely what we're trying to avoid; we see a problem -- a real problem, and are trying to address it before it becomes critical.

As you consider this issue and weigh the options, I urge you to do something before making *any* decisions. When you leave to go home to your districts, stop and take some time to visit the ATC facilities at National Airport; talk to the controllers and technicians. Then, do the same at your home airport.

Because, ultimately, the best case for change is made *not* by inside-the-beltway arguments, but *by the system itself*.

Thank you, Mr. Chairman. We would be pleased to respond to any questions you and the Subcommittee may have.

# # # # #

FINAL

THIRD DRAFT -- 2-14-95

REMARKS PREPARED FOR
SECRETARY OF TRANSPORTATION FEDERICO PEÑA
FEDERAL TRANSIT ADMINISTRATION BLACK HISTORY MONTH
WASHINGTON, D.C.
FEBRUARY 15, 1995

I want to thank Gordon (Linton) for that generous introduction, and to say to all of you how happy I am to be here celebrating Black History Month with members of the Federal Transit Administration and others here at the Department. I'm also pleased to share this program with a distinguished guest speaker, the Reverend Kenny Smith, pastor of the First Baptist Church of Vienna, Virginia.

Black History Month is a time to reflect on the <u>past</u> -- on battles won and doors of opportunity opened. It's also a time to assess the <u>present</u> and to renew our commitment to meet the <u>challenges of the future</u> -- challenges that include scarce resources, tough international competition and dynamic change in every aspect of our lives. Today I want to talk with you about the past, the present and the challenges of our future.

<u>PAST</u>

First -- Black History Month has a powerful meaning for each of us at DOT. For me, it serves as a reminder of my own past.

My decision in law school to become a civil rights lawyer was inspired by the courage of the civil rights movement of the 60s.

The fervor of that movement and the cause it espoused convinced me -- and thousands of young people like me -- that we should use our skills and our intellect and our energies in public service to respond to -- and overcome -- the evils of racism and discrimination.

I carried that commitment throughout my life ... as a Colorado state legislator ... as mayor of Denver ... as a businessman and now as Secretary of Transportation. I believe I can help make DOT a model agency for equality, fairness and diversity within the federal government.

And I am very proud that President Clinton's Administration has brought more diversity to the executive ranks than any other in the history of the Department and that I am a part of that diversity.

As are FTA Administrator Gordon Linton, FHWA Administrator Rodney Slater and Frank Weaver, Director of the Office of Commercial Space Transportation. I am honored to have these outstanding African Americans and many others as a part of my team. Their achievements will make it easier for future generations to attain that career goal and to reach beyond.

FINAL

It is worth noting that our country's month-long celebration also pays tribute to three great men of black history: to Frederick Douglass, the great abolitionist, to W.E.B. DuBois, the civil rights advocate who planted the seed that led to the NAACP, and to Booker T. Washington, the educator and leader who taught young people to take pride in and develop their own skills.

These three men are featured in the 1995 National Black History Month theme -- Reflections on 1895 -- because they lived their lives in a climate of change and lived their lives to better others. They changed the course of American History and improved the world for all people.

PRESENT

That is the same thing we are struggling to accomplish in 1995. Right here in this Department we are seeking to improve what we do and how we do it for the people we serve. Our current restructuring seeks to change an outdated system that has been in place for more than a generation and to replace it with an integrated, more efficient DOT.

In all our efforts, diversity must remain the foundation of our work force. We will only meet our challenges for better service when all of you contribute with your personal knowledge and professional experience.

With your help, the Department will be as strong, vibrant and meaningful as I know it can be for all Americans.

FUTURE

It is our mission to tie America together safely and efficiently with the goal of improving our lives -- whether it is you or I traveling about or the movement of all the products that make this country thrive.

From the Department of Transportation's creation, to this day African Americans have given their labor and their leadership and their vision to all that we do. And with your support, we have and we will continue to succeed and accomplish our mission.

Let us commit to make these changes in transportation for the same reason we committed ourselves to the civil rights movement -- because it's good for America. Good for all our people.

So I ask you during this Black History Month to remember the rich and glorious heritage of African Americans -- especially our fellow employees -- and to look to a future that promotes diversity and uses all our people's talents and skills. That dream will be ours if we make it happen.

It is my pleasure to celebrate Black History Month with you.

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U.S. Department
of Transportation

TRANSPORTATION TRENDS

REMARKS AS PREPARED FOR DELIVERY
SECRETARY OF TRANSPORTATION FEDERICO PEÑA
PARTNERS IN PROGRESS MEETING ON
IMPAIRED DRIVING GOALS AND STRATEGIES FOR 2005
WASHINGTON, D.C.
FEBRUARY 22, 1995

Few movements have drawn such broad public support as the alliance between government and citizens to get intoxicated drivers off the road. Fewer still have had such great success -- a success measured in lives saved and injuries prevented.

It's time to take stock of our success...but, more importantly, to ensure continued success in the future. Today, I'd like to talk about three things.

First, our continuing progress on reducing intoxicated driving.

Second, why that success challenges us today to set new targets.

Third, what we can do -- *together* -- to meet these new goals.

Just a dozen years ago, 57 percent of fatal crashes involved the use of alcohol -- more than 25,000 people died each year. In great part because of *your* work, that rate has dropped steadily since then.

When I took office as Secretary of Transportation two years ago, I set a goal of reducing alcohol-related traffic fatalities to only 43 percent of the total by 1997.

I'm happy to announce that we've achieved this goal -- *two full years ahead of schedule*. Last year, alcohol-related deaths on our roads were down to 42 percent of the total -- and these deaths continued to drop *in spite of* continued growth in travel.

(More)

U.S. Department of Transportation
Office of the Secretary, Public Affairs
(202) 366-4570

More than 1,200 Americans are alive today who would have died in 1994 had the fatality rate stayed the same as when I set our goal.

We've accomplished much -- but we still face big challenges. Let me address my second topic...why we need to set new targets.

Many of you know that I have focused much energy on reducing deaths and injuries in our aviation system. But on our roads and highways, we saw last year -- a *good* year -- about 16,900 alcohol-related deaths -- one every 30 minutes.

This is unacceptable.

It is an extraordinary national tragedy that many have come to accept as unalterable. What makes these deaths more exasperating is the fact that we've *already* reached the many millions of Americans who understand that drunk driving is wrong.

Future progress is going to be made by reaching those who may be more resistant to that message. They are:

...problem drinkers who won't stop;

...teenagers who think they're immortal;

...and young men who drink from peer pressure.

And so, when it became likely last December that we would achieve the 1997 goal early, I called for this meeting.

I wanted to bring together *all* of our partners -- courageous leaders in their own right -- to set *new -- and even tougher* -- goals for reducing drunken driving.

And I thank you for responding... and working... and agreeing to work even harder.

Let's look at our new opportunities. Many states are now energized, and there's a new awakening about the costs to public health that result from alcohol-related deaths and injuries.

Hundreds of supportive community and local coalitions are forming around the nation to campaign for reduced drunk driving. The information superhighway gives us new tools that allow us to communicate instantly in order to share models of success.

(More)

In December, I said that I wanted to make the most of these opportunities, and not just pursue small, incremental improvements. I wanted to set *ambitious* goals which would *dramatically* reduce deaths and injuries.

I also wanted -- for the *first* time -- to take the longer view, and set firm targets to be achieved over a *10-year period*.

This conference -- and the town meetings held around the country last week -- have done that.

Today, I am pleased to announce that we've agreed on a new goal of reducing alcohol-related traffic deaths to 11,000 annually by the year 2005 -- just a decade from now.

That's almost 6,000 fewer deaths than last year. And it's at a "rate" that would reduce drunk driving fatalities from last year's 42 percent of the total to about 30 percent in a decade.

Achieving this goal will cut the alcohol-related fatality rate by nearly half in a little over 20 years.

It's an ambitious goal, and one that shows your commitment to saving lives.

It's also a *different* type of goal -- and one that *you've* encouraged us to set.

It concentrates on the absolute number of alcohol-related deaths, rather than just on their share or percentage of total traffic fatalities.

Although the percentage goal we'd set previously is an important indicator of progress, this new goal focuses us even more directly on the true bottom line: saving lives.

That makes it tougher, because we'll be trying to reduce the number of alcohol-related deaths even as our population grows and more people drive.

That brings me to my third point...what new strategies we'll need to employ.

Our progress so far tells us we *can* achieve this goal -- but *not* by the strategies that worked so well in the past. Yes, we've got to continue the strategies that have brought us this far. Strategies like...

...public education...

(More)

...strict law enforcement...

...and the adoption of tough laws that we know work -- such as zero-point-zero-eight *(0.08)* blood alcohol limits, administrative license revocation laws, age 21 drinking minimums, and zero tolerance for drivers under age 21.

But if we do *only* these strategies, our progress is going to slow, and in 10 years there will be about 16,000 people still dying each year from alcohol-related crashes.

We've got to adopt new strategies. Over the past two days you've worked hard to develop a number of these, and I want to touch on some that I think are especially promising.

First, we need to target those individuals who are at the greatest risk.

We need to help problem drinkers overcome their disorder through effective alcohol screening and treatment programs.

Next, we must reach out to young adults by using a whole range of media -- and connect not just to them, but to others in their lives -- their friends and families.

Then, we've got to educate groups -- such as Hispanic Americans and Native Americans -- that are tragically over-represented in drunk driving behavior. Successful programs such as California's *El Protector* and *Si Toma No Maneje* -- if you drink, don't drive -- are only the start.

We must protect our youth -- not only through education in our schools, but through graduated licensing and similar strategies.

And we must send a powerful message to repeat offenders who ignore the consequences of their actions.

Tough penalties -- starting with license suspensions, increasing to vehicle impoundment, and continuing through jail terms -- are a way of demonstrating the pain that drunk driving causes, and that we're going to do something about it.

Our second group of strategies revolves around expanding our efforts to include new partners.

I'm delighted to see new faces in the room today -- reflecting the recognition that this is a fight that affects everyone.

(More)

We need to bring in more groups who have a direct stake -- employers, especially at the community level, building on the success of groups such as NETS -- the Network of Employers for Traffic Safety.

We applaud the involvement of the alcohol beverage industry -- and want to involve others from this community, such as retailers and state alcohol regulators.

And we want to increase the involvement of the health care community, which now devotes $5 billion annually to the care of injuries from alcohol-related crashes.

Our final group of strategies involves the creation of what we are calling safe communities.

Intoxicated driving -- ultimately -- is a *local* problem -- though one that affects every locality in the nation. So the solutions ultimately must be local, and every state and locality must choose the strategies that work best for them.

That means building safe communities by having a comprehensive group of partners pulling together -- business, government, community activists, health providers, police and sheriffs.

They must identify the real and unique problems in each individual locality -- and then adopt appropriate solutions -- as North Carolina has done in its outstanding "Booze it and Lose It " program.

The federal government -- through Dr. Martinez and NHTSA -- *will do its share* -- sponsoring research -- supporting safety groups, business, police, and state and local governments -- and providing funding.

Indeed, the President's proposed 1996 budget requests -- *for the first time* -- full funding of NHTSA's Section 402 program -- which finances Safe Communities -- to build the kinds of coalitions that are needed to meet our new and very ambitious goals. That's a commitment we plan to sustain.

The strategies I've just outlined are innovative ideas that will save lives.

Over the coming months we'll work in cooperation with you -- and many others in communities across America -- because the partnerships we've formed are absolutely critical to making progress on reducing intoxicated driving.

When we reach our goal -- *and we will* -- it will be due in great measure to the leadership of people such as yourselves, who are fighting for safety every day.

(More)

But it can't be up to you -- or me -- alone.

Let me tell you why.

I have two young daughters. In just over a decade, the older one will be about to get her first driver's license. And I know that I'll share the same concerns that every parent feels when a child first goes out into the night.

Before she does, I'm going to sit down with her and tell her what *every* parent should tell *every* child who's getting a driver's license...

...that she shouldn't drink while she's underage...

...and that she should never drink and drive under *any* circumstances.

My children mean more to me than anything in the world. Wanting to protect them doesn't make me different from any other American.

So today I want to challenge *all* Americans to take responsibility for their own actions -- to teach their children to do the same -- and to protect those we love the most.

If we -- as parents -- as adults -- don't take this responsibility ourselves and show the way, how can we expect our children to do so?

With the help of the millions of Americans who are increasingly concerned about the safety of their families, friends, and neighbors we'll continue to save lives *today* -- *tomorrow* -- and *every* day.

Thank you again for your hard work...and now, I'd like to introduce our next speaker. He's a long-time advocate of a sound national transportation system, and especially of increased safety.

More than a decade ago, he stepped up to the plate in Congress and sponsored the legislation that raised the drinking age to 21...a step that now saves a thousand lives a year.

We're proud to have him as a partner in our effort to save lives. Ladies and gentlemen, please join me in welcoming Senator Frank Lautenberg.

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DRAFT STUMP SPEECH
U.S. DEPARTMENT OF TRANSPORTATION RESTRUCTURING

The Clinton Administration wants to dramatically restructure the Department of Transportation.

This restructuring will realize the promise of ISTEA -- the Intermodal Surface Transportation Efficiency Act of 1991. ISTEA's goals of empowering states and localities, giving communities a greater voice in decision-making, and linking transportation systems into a single, integrated web are critical to the future of transportation in America.

This restructuring also carries to another level the work done for the past two years under Vice President Gore's National Performance Review. That effort to reinvent government has been *highly* successful at DOT. We've cut costs, reduced our workforce, *and* improved service.

But we need to go beyond simply making things more efficient, which was the focus of the first round of reinventing government. We must ask why *we* need to do certain things in the first place -- or whether other levels of government or private business should do them *if they need to be done at all*.

This reevaluation is critical because the transportation challenges we face on the eve of the 21st century are not only greater than, but in some ways very different from, those of the past. These future challenges are already taking shape...

...steadily-rising traffic that strains the capacity of our existing highways, airports, and railroads...

...growing demands for efficiency -- from businesses relying on prompt deliveries for "just-in-time" manufacturing to commuters making connections to get home at night...

...and less federal transportation funding than we would like as we seek to control the budget deficit and provide such critical initiatives as tax relief for working Americans.

These conditions increase the demands on us at a time when it's estimated that we need $350 billion just to repair or replace America's *existing* transportation infrastructure. So we *must* find *new* ways to meet our transportation needs.

For us, that means refocusing on DOT's core missions of safety, investment, and national security. We examined those missions, and decided that we needed to do three fundamental things to carry them out.

First, we have to change our way of thinking about transportation systems and how they're developed. We must look towards a single, integrated system that unifies *all* forms of transportation.

Second, we in DOT have to change our organization. We've got to be more than advocates of individual modes -- but instead must be advocates of the *best* ways of moving people and goods -- *regardless* of mode. That means ending the artificial distinctions promoted by our current structure of *10 separate operating administrations*.

Third, we in DOT must change our policies to reflect new realities. We must move towards full partnerships with state and local governments and the private sector. That will let us make the most of our own limited resources and empower those who are most directly accountable to the American people.

To achieve these goals, Secretary Peña proposed a major restructuring of DOT and crafted a 1996 budget that focuses us on our fundamental missions of safety, investment, and national security.

As much as we'd like to take credit for them, these ideas aren't new. Similar restructurings have been proposed by Secretaries of Transportation almost since DOT's creation in 1967.

That's because DOT wasn't created as an integrated unit but as a holding company, like the giant business conglomerates of the 1960s. Well, those dinosaurs weren't nimble enough to cope with the drive for efficiency and customer service that swept corporate America during the 1980s. Now, the federal government faces the same pressures in the 1990s.

The reorganization that we are proposing positions us to meet *today's* pressures -- and then move on to develop *tomorrow's* transportation systems.

Our proposal would streamline DOT from 10 operating administrations to three: a new Intermodal Transportation Administration, the Federal Aviation Administration, and the Coast Guard.

The Intermodal Transportation Administration would integrate all of our surface transportation and maritime functions -- reducing bureaucracy, cutting red tape, and giving our customers one-stop shopping.

The Federal Aviation Administration would maintain its safety, regulatory, and development functions -- everything but air traffic control, which will be transferred to a new government corporation.

That would give us an air traffic control system free of cumbersome bureaucratic personnel, budget, and procurement restrictions. These obstruct the efficiency and the new technologies we need to safely keep pace with future travel growth.

Finally, the Coast Guard -- which already is undergoing its own internal streamlining -- would continue in its present role, serving the nation well as it has for two centuries.

Our new structure would ensure coordinated policy-making, and end the wasteful duplication *and* incompatibility that comes from having not *two* of everything -- like Noah's Ark -- but *10* of everything.

The reorganization also builds on the downsizing we've done under the National Performance Review. It'll move us towards the Clinton

Administration's target of a 12 percent civilian workforce reduction by 1999, without compromising customer service.

And our air traffic control plan will transfer an additional 40,000 employees to an independent government corporation, reducing DOT's civilian workforce by over *one-half* within five years.

The reorganization also supports our plan to streamline and simplify DOT's funding programs. We now have more than 50 different grant, loan, and subsidy programs -- each with its own rules, applications, and criteria. That places an *unreasonable*, *unacceptable* burden on our partners in business and state and local government.

We want to consolidate those programs beginning with our 1996 budget. That budget integrates scores of programs into a new Unified Transportation Infrastructure Investment Program -- or UTIIP.

UTIIP will cut red tape and give state and local governments far greater authority and flexibility. They'll be able to use these funds to meet *their* needs, and not waste time and money meeting *our* requirements.

These funds ultimately will be channeled through just three new sub-programs: the Unified Allocation Grant Program, State Infrastructure Banks, and the Federal Discretionary Fund. These are at the heart of our drive to revamp federal transportation funding.

The Unified Allocation Grants will send funds directly to states and localities and let *them* decide which investments best meet *their* transportation needs.

State Infrastructure Banks will use federal seed money to leverage additional investment from state and local governments and the private sector. These banks will cut red tape and use innovative financing strategies already common in the business world.

Finally, the Federal Discretionary Fund will directly fund projects of regional or national significance -- such as high-speed rail or freight corridors -- that states can't finance or coordinate by themselves.

These streamlined programs will lower costs for our partners and attract new resources -- and help to sustain total investment in our nation's transportation infrastructure.

As I said at the outset, these efforts -- the restructuring, the 1996 budget -- seek to fulfill the promise of ISTEA. *ISTEA's* principles remain *our* principles.

***Its* goals -- giving states and localities more choice between forms of transportation, giving communities a greater voice in decision-making, linking modes into a single, seamless web to better serve the nation -- remain *our* goals.**

And now we're broadening them to encompass not only surface transportation, but *all* forms of transportation -- land, sea, and air. That will give us the transportation system we need for the coming century.

It's a transportation system that will be developed in partnership with state and local government and private business -- and in response to the needs of the American public.

It will help us fulfill our responsibility to the future -- an obligation, as the poet Wordsworth wrote, "to live, and act, and serve the future hour."

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REMARKS PREPARED FOR DELIVERY
SECRETARY OF TRANSPORTATION FEDERICO PEÑA
U.S.-CANADA AIR TRANSPORT AGREEMENT ROUTE APPROVALS
HARTSFIELD INTERNATIONAL AIRPORT, ATLANTA, GEORGIA
FEBRUARY 27, 1995

I'm happy to be in America's Olympic City to welcome you to the dawn of a historic new era in aviation, created by the agreement to re-write the aviation accord between the U.S. and Canada..

For many years air service between the U.S. and Canada was restricted by an antiquated agreement. Two years ago, Atlanta residents couldn't even fly directly to Toronto to cheer on the Braves in the World Series.

The comprehensive aviation agreement that Canada and the United States signed this past Friday is going to change all that.

It's the momentous first step towards a true open skies market for air travel. American and Canadian airlines will have full freedom to serve each other's cities, with the exception of Toronto, Vancouver and Montreal, to which fully free access will be phased in over a three-year period.

This treaty means that, from the Arctic Circle to the Rio Grande Valley, dozens of Canadian and U.S. cities which haven't had direct air service will soon have access to competitive air services -- *starting today*.

What the United States and Canada have done is to further free up what is *already* the largest bilateral aviation market in the world.

More than 13 million passengers fly across our common border each year.

To put that into perspective, more passengers fly between our two nations than between the U.S. and Africa and South America *combined*.

In short, this is a very big deal.

It's good news for Canada and good news for America -- and, I'm happy to say, it's good news for Atlanta.

Today we take immediate action to bring those benefits home. I'm announcing the award of routes to 12 U.S. airlines for service between U.S. and Canadian cities.

For the first time, these airlines are being given approval to provide direct, non-stop service between 12 American cities and Toronto, Vancouver, and Montréal.

I am especially pleased to announce that Delta Airlines will now be able to provide non-stop flights from Atlanta to *both* Toronto and Montréal.

Not only will Atlantans be able to fly directly to Canada's two largest cities -- but thousands of Canadians

will be able to attend next year's Summer Olympics without the aggravation and wasted time of connections and layovers.

The only high hurdles *they'll* see at the Olympics will be on the track.

As you can see from this map, other U.S. cities will also immediately have expanded access to Canada: Pittsburgh, Milwaukee, Dallas, Phoenix, Newark, Houston, Minneapolis, Reno, San Francisco, Washington, and New York all will have flights provided by U.S. carriers to one or more of the three largest Canadian cities.

[Flip over map]

[And in three years, open skies will make the potential options for non-stop travel between the U.S. and Canada *virtually unlimited*.]

As a former mayor, who worked hard to bring enhanced air service -- and a beautiful new airport -- to Denver, I know how critical air services are to *any* city's ability to compete successfully in the global economy.

So let me emphasize today that I'm grateful for the support that cities, communities, and businesses from both Canada and the United States gave us throughout our

negotiations. That support was a vital element in ensuring our success.

The expanded air services we announce today will enable communities in both the United states and Canada to fully realize the promise of our North American Free Trade Agreement -- which has already created the largest free trade zone in world history -- 370 million people, with over $6.5 trillion in economic output.

It's the future success of cities and communities like Atlanta, Montréal, and Toronto -- and the benefits that they will reap from enhanced air service -- that I hope will convince nations everywhere that aviation accords like this one are in their best interest.

We believe that this new accord will generate millions of new passengers between the U.S. and Canada. It will raise demand for new aircraft and increase employment in the airline industries of *both* of our nations.

In coming years, it will stimulate hundreds of thousands of new jobs and billions of dollars in expanded economic activity -- on both sides of our border.

We invite cities and business communities everywhere to watch what we in Canada and the United States achieve through this accord -- in increased travel and tourism, jobs, and business investment.

And we suggest to nations everywhere that freeing up trade in aviation may be the single most cost-effective step that *any* government can take to stimulate its economy, to create jobs, and to enable its citizens to meet the challenges of the 21st Century.

So as we begin to see the fruits of this agreement with our Canadian partners, we invite all nations to join what is fast becoming a global movement towards a free, competitive aviation world.

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REMARKS BY
U.S. SECRETARY OF TRANSPORTATION
FEDERICO PEÑA
OPENING POST-SIGNING PRESS CONFERENCE
U.S.-CANADA AIR TRANSPORT AGREEMENT
OTTAWA, CANADA
FEBRUARY 23, 1995

Ladies and gentlemen, welcome to the dawn of a new era in U.S.-Canada aviation.

The agreement that Canada and the United States signed today reflects the spirit that links our nations in the North American Free Trade Accord.

It is also, truly, a milestone in the global movement toward more open aviation trade.

This accord, in fact, is the single greatest breakthrough towards more open global aviation since the Chicago Convention in 1944.

That's because the United States and Canada have come together to free up what is already the largest bilateral aviation market on this planet.

More than 13 million passengers a year fly across our common border -- over 14% of total U.S. international air travel.

To put that in perspective, let me note that more passengers fly between the U.S. and Canada than between the U.S. and Germany, France and the Netherlands combined.

More passengers fly between our two nations each year than between the U.S. and the entire continents of Africa, Oceania and South America combined.

In short, this is a very big deal -- in global terms -- all by itself.

And because of the benefits this accord will bring -- to both nations -- it will add powerful momentum to what is becoming a global movement toward freer, more open trade in aviation services.

This accord will, of course, generate millions of new passengers in coming years across the U.S.-Canada border. It will raise demand for new aircraft and increase employment in the airline industries of both countries.

But its most important impact will be the example it shows -- to the whole world -- of the gains that open, competitive trade in aviation services can bring to entire national economies.

We believe that in coming years, these benefits will include hundreds of thousands of new jobs and billions of dollars in expanded economic activity -- on both sides of our border -- at no cost to either government -- indeed, to the benefit of both.

And from the Arctic Circle in the North to my childhood home in Brownsville, Texas, literally dozens of Canadian and U.S. communities that have not had direct air service under our previous accord, will soon be able to achieve access to competitive air services -- starting today.

I'll be making some specific announcements on some of these new routes next week.

And that will be a pleasure.

As a former mayor, who worked hard to bring enhanced air service -- and a beautiful new airport -- to Denver, I know how critical air services are to any city or region's ability to compete successfully in the global economy.

And let me say that I am grateful for the support that cities, communities and businesses from both Canada and the United States gave us throughout our negotiations. That support was a vital element in ensuring our success.

And it is the future success of these cities and communities -- the benefits that they will reap from enhanced air service -- that will, I hope, convince nations everywhere that aviation accords like this one are in their best interests.

We invite cities and business communities everywhere to watch what we in Canada and the United States achieve through this accord -- in increased travel and tourism, jobs and business investment.

I would suggest to all nations that open aviation accords, like the one we've signed today, may be the single most cost-effective steps that any government can take to stimulate its economy, to create jobs and to enable its citizens to meet the challenges of the 21st Century.

So as we celebrate this agreement with our Canadian partners, the United States invites nations everywhere to join with us in freeing up world aviation trade.

We are ready to be your partner.

You have nothing to lose but the chains of outdated aviation agreements.

You have a world to gain.

I'd be happy now to take your questions.

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5.76

REMARKS PREPARED FOR DELIVERY
SECRETARY OF TRANSPORTATION FEDERICO PEÑA
U.S.-CANADA AIR TRANSPORT AGREEMENT ROUTE APPROVALS
NATIONAL AIRPORT, WASHINGTON, D.C.
FEBRUARY 27, 1995

Ladies and gentlemen, welcome to the dawn of a historic new era in aviation, created by the agreement to re-write the aviation accord between the U.S. and Canada.

For many years air service between the U.S. and Canada was restricted by an antiquated agreement.

The comprehensive aviation agreement that Canada and the United States signed this past Friday is going to change all that.

It's the momentous first step towards a true open skies market for air travel. Now, American and Canadian airlines will have full freedom to serve each other's cities, with the exception of Toronto, Montreal and Vancouver, to which fully free access will be phased in over three years.

This treaty means that, from the Arctic Circle to the Rio Grande Valley, dozens of Canadian and U.S. cities which haven't had direct air service will soon have access to competitive air services -- *starting today*.

What the United States and Canada have done is to further free up what is *already* the largest bilateral aviation market on this planet.

More than 13 million passengers fly across our common border each year.

To put that into perspective, more passengers fly between our two nations than between the U.S. and Africa and South America *combined*.

In short, this is a very big deal.

It's good news for Canada and good news for the United States -- and, I'm happy to say, it's good news for Washington.

Today, we take immediate action to bring those benefits home. I'm announcing the award of routes to 12 U.S. airlines for service between U.S. and Canadian cities.

For the first time, these airlines are being given approval to provide direct, non-stop service between 12 American cities and Toronto, Vancouver, and Montréal.

This includes service provided by Valujet from Dulles Airport to Montréal -- giving Washingtonians non-stop flights to one of the world's greatest cities.

As you can see from this map, other U.S. cities will also immediately have expanded access to Canada: Pittsburgh, Milwaukee, Dallas, Phoenix, Newark, Houston, Minneapolis, Reno, San Francisco, Atlanta, and New York all will have flights provided by U.S. carriers to one or more of the three Canadian cities.

[Flip over map]

[And in three years, open skies will make the potential options for non-stop travel between the U.S. and Canada *virtually unlimited*.]

As a former mayor, who worked hard to bring enhanced air service -- and a beautiful new airport -- to Denver, I know how critical air services are to *any* city's ability to compete successfully in the global economy.

So let me emphasize today that I'm grateful for the support that cities, communities, and businesses from both Canada and the United States gave us throughout our negotiations. That support was a vital element in ensuring our success.

The expanded air services we announce today will enable communities in both the United states and Canada to fully realize the promise of our North American Free Trade Agreement -- which has already created the largest free trade zone in world history -- 370 million people, with over $6.5 trillion in economic output.

It's the future success of cities and communities like Washington and Montréal -- and the benefits that they will reap from enhanced air service -- that I hope will convince nations everywhere that aviation accords like this one are in their best interest.

We believe that this new accord will generate millions of new passengers between the U.S. and Canada. It will raise demand for new aircraft and increase employment in the airline industries of *both* of our nations.

In coming years, it will stimulate hundreds of thousands of new jobs and billions of dollars in expanded economic activity -- on both sides of our border.

We invite cities and business communities everywhere to watch what we in Canada and the United States achieve through this accord -- in increased travel and tourism, jobs, and business investment.

And we suggest to nations everywhere that freeing up trade in aviation may be the single most cost-effective step that *any* government can take to stimulate its economy, to create jobs, and to enable its citizens to meet the challenges of the 21st Century.

So as we begin to see the fruits of this agreement with our Canadian partners, we invite all nations to join what is fast becoming a global movement towards a free, competitive aviation world.

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5.75

TALKING POINTS
SECRETARY OF TRANSPORTATION FEDERICO PEÑA
DOT EMPLOYEES MEETING
DENVER, COLORADO
FEBRUARY 28, 1995

* **It's *always* good to come home to Denver -- and especially on a day that has so much meaning for *all* of us who work in transportation. I'm glad to be able to share it with you.**

* **The new Denver International Airport that opened today symbolizes our profession's commitment to giving America the transportation systems it needs for the 21st century.**

* **That's nothing new. From its earliest days, our nation's prosperity has depended on moving people and goods safely, quickly, and efficiently.**

* **From the colonial post roads to the transcontinental railroads to the Interstate Highways, America's progress has *always* been made possible by advances in transportation.**

* **DIA is squarely in that tradition. It will be an engine for economic development, linking Denver and for the whole Rocky Mountain region with our next frontier: the global economy of the future.**

* But even as we celebrate the opening of the crown jewel of America's aviation system, we face new transportation challenges that are not only greater than, but in some ways very different from, those of the past.

* These future challenges are already taking shape. Steadily-rising traffic strains the capacity of existing highways, airports, and railroads.

* For example, 23 U.S. airports now have over 20,000 hours of delays annually. That number will increase to 32 in a decade as our air travel system grows from 500 million passengers each year to 800 million...unless we can increase either capacity or efficiency, as we've done here at DIA.

* There are also growing demands for efficiency -- from businesses relying on prompt deliveries for "just-in-time" manufacturing to commuters making connections to get home at night.

* Finally, we'll have less federal transportation funding than we would like as we seek to control the budget deficit and provide such critical initiatives as tax relief for middle-class Americans. DOT's 1996 budget is expected to be $2 billion less than this year.

* These conditions increase the demands on us at a time when it's estimated that we need over $360 billion just to repair or replace America's *existing* transportation

infrastructure. So we *must* find *new* ways to meet our transportation needs.

* **We're doing that through a restructuring of DOT that focuses us on our core missions of safety, investment, and national security and positions us to build the transportation systems of the 21st century.**

* **This restructuring is similar to those proposed by Secretaries of Transportation almost since DOT's inception in 1967.**

* **They found that DOT wasn't created as an integrated unit but as a holding company, like the giant business conglomerates of the 1960s.**

* **Those dinosaurs weren't nimble enough to cope with the drive for efficiency and customer service that swept corporate America during the 1980s.**

* **Now, the federal government faces the same pressures in the 1990s.**

* **We're meeting those pressures -- first through Vice President Gore's National Performance Review, which has had tremendous success at cutting costs while improving customer service...**

* **...and now through the restructuring of DOT that we've proposed. It positions us to meet *today's***

pressures -- and then move on to develop *tomorrow's* transportation systems.

* **That means *integrated* systems that unify all forms of transportation and that promote *the best* ways of moving people and goods.**

* **Our proposal would consolidate DOT from 10 operating administrations to three: a new Intermodal Transportation Administration that integrates all of our surface and maritime functions, the Federal Aviation Administration, and the Coast Guard.**

* **It also includes an independent government corporation for air traffic control, so that the men and women who keep our air system safe will have the resources and technology they need to handle growing demand -- without being constrained by outdated procurement and budgetary rules.**

* **This restructuring also will give our customers one-stop shopping and end the artificial barriers that make it hard for you to work with each other to provide effective service to state and local governments.**

* **It also ends the duplication and the incompatibility that frustrate all of you -- who *hasn't* had a problem communicating with someone from another DOT agency because you're on different E-Mail systems? *That's going to end.***

* **The reorganization clearly *is* going to affect some of our field offices -- especially those that focus on administration and programs rather than the direct delivery of services.**

* **However, that focus on customer service means that we're going to have to depend on you more than ever. In the coming weeks we're going to work with you so that the reorganization gives you the tools you need to do the job.**

* **Of course, the restructuring isn't *just* about reorganization: it's also about streamlining and simplifying DOT's funding programs.**

* **We now have *more than 50* different grant, loan, and subsidy programs -- each with its own rules, applications, and criteria.**

* **That places an *unreasonable*, *unacceptable* burden on our partners in business and state and local government. It adds to their costs and discourages new investment from other sources -- something I can tell you from my experience as Mayor here in Denver**

* **Our proposal for a new Unified Transportation Infrastructure Investment Program -- or UTIIP -- will return flexibility and authority to state and local governments, attract new resources, and better target our investments.**

* **The new sub-programs within UTIIP -- unified allocation grants, state infrastructure banks, and the federal discretionary fund -- will do that.**

* **They're at the heart of our drive to revamp federal transportation funding.**

* **Unified allocation grants will empower states and localities by letting them use funds to meet *their* needs, and not spend time and money meeting *our* requirements.**

* **State infrastructure banks will use federal seed money and innovative financing strategies to leverage additional investment from state and local governments and the private sector.**

* **Finally, federal discretionary grants will directly fund projects of regional or national significance -- such as high-speed rail or freight corridors -- that states can't finance or coordinate by themselves.**

* **These innovations are going to make us more effective and more efficient -- and let us spend more time moving people and less time moving paper. That's something we can all look forward to.**

* **Much of what we're doing is new, but it's grounded in something that's been tested by time: the principles of ISTEA -- the Intermodal Surface Transportation Efficiency Act of 1991.**

* **ISTEA's goals -- giving states and localities more choice between forms of transportation, giving communities a greater voice in decision-making, linking modes into a single, seamless web to better serve the nation -- remain our goals.**

* **And now we're broadening them to encompass not only highways and transit, but *all* forms of transportation -- land, sea, and air -- to give us the integrated transportation system we need for the coming century.**

* **You -- DOT's employees -- have helped to build the finest transportation system in the world, and *you* must be part of changing that system to meet the challenges of the future. I look forward to working with you to fulfill that responsibility.**

* **And now, I'd like to hear your thoughts -- about the restructuring, how we can make it work for our customers, and whatever else is on your minds.**

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5.74

REMARKS PREPARED FOR DELIVERY
SECRETARY OF TRANSPORTATION FEDERICO PEÑA
DENVER METRO CHAMBER OF COMMERCE
THE ASPEN ROOM, DENVER INT'L AIRPORT
DENVER, COLORADO
FEBRUARY 28, 1995

INTRODUCTION

That was a very generous introduction that Bob Albin just gave me -- and it's one more thing among the many that I have to thank him for over the years.

Governor Romer, Mayor Webb, Mayor Tauer, Chairman Greenwald, ladies and gentlemen, my many good friends.....(pause).....

Welcome to "Peña's folly!!"

You realize, of course, that I am joining a very distinguished list of all-American "follies"

-- starting with Robert Fulton's "folly" -- the silly idea -- ridiculous, really -- that you could safely power wooden boats with wood-burning steam engines

-- moving on to Secretary of State William Seward's "folly" squandering $7,200,000 of the taxpayer's hard-earned money -- for what? -- just to buy the state of Alaska

-- and then there was our own Ben Stapleton's "folly" tossing $143,000 right out the window, to build his airport too far from town -- refusing to listen when his critics warned him -- and they did warn him -- that aviation was "just a passing fad".

Ladies and gentlemen, I feel I am in good company.

Today, we celebrate the opening of the most efficient, technologically advanced, environmentally friendly airport in the world.

This is an airport that will immediately reduce congestion throughout America's entire national air system, saving airlines millions of dollars and travellers millions of hours of wasted time -- not to mention sleeping overnight on a bench at Stapleton, curled up like a pretzel.

This is one airport that is designed to have room to grow to meet our needs in Colorado and the Rocky Mountain region for generations to come.

It has already been -- and it will be -- a powerful engine for economic development -- linking Metropolitan Denver and the Rocky Mountain region with a dynamic global economy -- well into the next century.

I don't want for a minute to minimize the long series of delays and added costs we've had to endure to make DIA a reality.

All of us who believed in and fought so hard to build this airport -- including many people in this room -- have been frustrated and disappointed at times over recent months.

I am more convinced than ever that our decision to move forward was the right decision -- just as Ben Stapleton's decision to act was the right decision in 1929.

Everywhere I go -- from Brussels to Riyadh -- every time I meet with aviation experts and airline executives and foreign transportation ministers -- they all ask me the same question: How did Denver build its new airport <u>for so little</u>?

That's right. The rest of the world sees $4.2 billion for this airport as a <u>bargain</u> -- not a <u>burden</u>.

For example, Japan's Kansai airport in Osaka is costing $14 billion -- for just a single runway.

The new airport in Munich, Germany -- $7 billion -- for just two runways.

Hong Kong's new airport -- $16 billion -- again, for just two runways.

All of these cities are right to go ahead with these projects.

Their leaders realize the tremendous economic engines that new airports can become as they position themselves as hubs in our competitive world economy.

And here at home, airports like Dulles in Washington, Hartsfield in Atlanta, or Dallas-Fort Worth -- all of which once faced many of the same criticisms that DIA has -- are today straining at maximum capacity -- and facing great difficulties in expanding.

This is not only a critical challenge for these areas -- it's a challenge for the whole nation.

We forecast an increase from 500 million air travellers today to 800 million within a decade -- and airport capacity itself may be the single most difficult obstacle we have to overcome.

Fortunately for our nation, Denver International is designed to expand to maximum capacity of 110 million passengers a year -- triple today's volume -- enough capacity to equip this city and this region to compete successfully in the 21st century global economy.

THE GLOBAL ECONOMY MAKES DIA CRITICAL

A truly global economy is emerging before our very eyes -- with the North American Free Trade Agreement, the new GATT treaty, the breakthroughs towards free trade that we made last year with the whole Western Hemisphere and with the nations of the Asia-Pacific region -- more than half of the world' GNP.

In my role as Secretary of Transportation we are matching these efforts with a drive to free up trade in aviation services worldwide -- and we are making dramatic progress.

Just last week President Clinton was with me as I signed a new aviation agreement with Canada to free up what is already the largest bilateral aviation market on this planet -- with more than 13 million passengers a year -- more passengers than fly between the U.S. and the entire continents of Africa, Australia and South America combined.

(Please note that there had been 12 previous attempts to re-negotiate this aviation agreement. But this time, I brought out our secret weapon -- Steve Kaplan -- who got the job done for millions of consumers on both sides of the border.)

We are currently negotiating with 11 European nations about agreements that will also produce fully open aviation trade between our countries.

Let me submit to you today that this whole, historic movement toward free trade and toward freer, more competitive world aviation comes to a focal point -- right here -- in Denver -- at DIA.

This airport is halfway between Europe and Asia, mid-way between our Atlantic and Pacific coasts and at the very heart of the $6.5 trillion NAFTA free trade zone linking us with Canada and Mexico.

That's why, this June Denver will host a historic meeting of trade ministers from throughout our Hemisphere.

They'll be coming to talk about moving toward free trade throughout the New World -- and they will be flying into DIA.

Because we shared the vision of this airport -- and because we made it happen -- Colorado and the Rocky Mountain region will see millions of visitors who might never have come, economic opportunities that might never have existed, thousands and thousands of jobs that might never have been created -- and better access for all of us to the emerging global economy.

Access to a world-class airport like DIA -- and to competitive air services -- is a critical variable -- in decisions on siting corporate headquarters and in attracting high-tech industries.

Denver and Colorado can enjoy these benefits without subjecting people in our neighborhoods, like Park Hill and Montebello, to intolerable jet aircraft noise and without sacrificing the quality of life and natural beauty that make this state such a magnificent place.

That's why we faced up to the challenge of building this airport more than a decade ago.

Today, Colorado's challenge is to capitalize on this magnificent investment, to capture the benefits of Hemispheric -- and global -- free trade: to bring in new customers and tourists and investors.

All of this will require a strategic alliance between civic and political leaders -- the Denver Chamber, small businesses and large corporations, citizens groups and our city and state officials.

After all, we've done it before -- in a decade's worth of projects that have transformed our Queen City of the Plains -- and positioned us to take control of our destiny.

I see people in this very room who have played lead roles in:

* Our new Convention Center
* The Historic District in Lower Downtown
* Our wonderful new Library
* Cherry Creek Mall
* Elitch Gardens

* Coors Field
* Temple Buell Theater

It's people like you who made possible the tough decisions and the bold investments that have laid the groundwork for a great future -- a legacy that Denver's children and grandchildren will thank us for.

And I don't have to remind you that we started all of this in the middle 1980's -- at a time when Denver's people were hurting -- and deeply worried about the future.

But we faced up to Denver's problems and needs and we attacked them in a comprehensive way -- through a strategy designed to expand our economic base and to improve our quality of life -- at the same time.

I don't believe that there is another community in the United States that has done more for itself, and for its future, than we have here in Denver and Adams County.

With all of the benefit of hindsight, I'm proud to say: We did it our way! .... and for my part:

"I'd do it all again."

CONCLUSION:

Let me say just a few personal words before I close.

I am deeply grateful for the support and the dedication that thousands of people in Denver and Adams County put in -- time and time again -- to back me in the many fights we had to wage to get all of this done.

It's <u>your</u> support, and <u>your</u> votes and <u>your</u> labor that made this airport -- and all of our other projects -- realities. I will never forget that.

I am both honored and humbled by those memories.

Today, <u>here</u>, let me tell you about just <u>one</u> of those memories -- because some of you might remember that day, too.

It was five years ago, back in September, 1989, when I drove out to DIA's groundbreaking ceremony. I was expecting to see, maybe, 100 cars -- a few dignitaries -- some contractors.

But even far across the plains -- miles away -- I could see that there were thousands of cars and pick-up trucks -- and whole families -- who had driven out that day from Denver and from Adams County.

They showed me what a symbol of hope this airport had become. They showed me what it means to have faith in yourself and in your future.

And they showed me that what you need most of all, if you want to "Imagine a Great City", is great people.

We have those people here.

And we've done more than just imagine.

And I believe that if we keep faith in ourselves, then my children -- and all the children of Denver -- won't have to "imagine" a great city.

They'll grow up in one.

And like all good Denverites, they'll go on, in their day, to make it even greater -- for their children, too.

Thank you very much.

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