ARTHUR J. ROTHKOPF
DEPUTY SECRETARY OF TRANSPORTATION
FEDERAL HIGHWAY ADMINISTRATION
OCTOBER 5, 1992
RAPID CITY, SOUTH DAKOTA

It's a pleasure to join you for your annual meeting. I'm particularly pleased to have the opportunity to speak to fellow members of the large and diverse DOT team.

I'd like to share with you an observation that I think puts things into perspective. It comes from one of America's greatest philosophers -- Earl Weaver -- who happened to manage the Baltimore Orioles for many years. At one point, he was trying to explain the law of cause and effect, and the best he could come up with was: "Everything changes everything."

Well, when I think of the world in which we are living, that pretty much sums it up. Of course, the world is always changing, but by historical standards the world today is changing at a breathtaking pace. The Soviet Union has disintegrated into 15 separate countries. The iron curtain has fallen. Germany is united. Yugoslavia is shattered beyond repair. We're still waiting to see how successful the European Community will be in achieving a unified economy. The mighty economic engine of Japan is now sputtering badly. In the Middle East -- who knows? -- peace could break out at any time.

Here at home, we're facing challenges on many fronts. Traditionally, we've been one of the most stable of nations, yet our population and demographics are changing dramatically. How to best make our growing diversity work for us is a challenge confronting all sectors of society, including the Federal Highway Administration. But I know all of you in FHWA are acquainted with change, and adjust to it well.

In fact, it's hard to believe how far you've come over the course of one year. Remember this time last year? We were still in the midst of wrangling with Congress over the final shape of our new surface transportation act. Now, we're actually in the midst of implementing that historic piece of legislation. And it is changing transportation thinking, and planning, across America.

That's an exciting thought, and one that should make everyone in this room proud to be a part of the Federal Highway Administration. Each one of you is a key player in one of the key agencies of the U.S. government. It is impossible to imagine America today without the Interstate Highway System -- the crowning achievement of this organization's first century of service. That system ranks as the greatest public works project in history. By linking together all regions of our vast continental nation, it gave Americans unprecedented mobility -- mobility that is inexpensive and safe.

Next October will mark the 100th anniversary of the Federal Highway Administration. It will also mark the transition from one era to another. The challenge for the second century will be the challenge contained in our new surface transportation bill: How do we best connect our magnificent highway system to all our other modes of transportation to prepare America for the highly competitive global economy of the 21st century?

America's ever-increasing love of the automobile only intensifies our challenge. A recent report shows that motor vehicle travel -- particularly driving alone in a car -- overwhelms all other modes of travel in this country. Ten years ago, private vehicles were used to make 82 percent of all trips. Today, that figure stands at 86 percent. Public transit is used for two-and-a-half percent of all trips -- up a mere two-tenths of one percent in ten years. Airplanes and AMTRAK barely register as one percent. When we calculate miles travelled, however, they account for 7.5 percent. But even that is down from 8.7 percent from ten years ago.

Hearing these new numbers is one thing, experiencing them is quite another. Many of us have to struggle with the congestion brought about by current driving trends on a day-by-day basis. Twenty-two million more people are now driving alone to work compared to ten years ago.

That is more than the number of new workers. The resulting congestion means, among other things, that we at DOT cannot rest on our laurels.

In a way, it would be nice if we could sit back and simply become the caretakers of this enormous highway system we helped create. But then, who wants to go through life without new challenges on the horizon? In our case, we don't face the choice between sitting back or moving ahead. As I mentioned a minute ago, that choice was made for us in our new transportation act -- ISTEA.

Just think of the ways ISTEA is changing the managerial landscape of the Federal Highway Administration. First, our whole approach is changing from an almost exclusive highway orientation to a focus on a single, intermodal network of highways, transit lines, railways, airplanes, and ports. Second, the heart of this intermodal system will be the new National Highway System. So your traditional focus on highways will coalesce on those highways of greatest importance to U.S. commerce, defense, mobility, and international competitiveness.

Third, are new twists on financing. New challenges will arise out of ISTEA's call for innovative financing that draws on the private sector. And that includes toll financing, with federal participation in some cases, to provide needed improvements. A fourth way ISTEA is changing the way you in FHWA do business is the flexibility it provides state and local officials.

Fifth, ISTEA elevates environmental considerations to a whole new level in transportation planning. As Tom Larson likes to say, mobility and air quality are not incompatible goals. And ISTEA provides the means to help get us there, although the task won't be easy. Finally, ISTEA takes a hard look at the future, and provides means for changing with the times. It makes management systems a major component of future transportation planning. And it advances research and testing into such pioneering transportation technologies as IVHS and maglev.

The good news in all this is that you have been preparing for your new role for several years. There's a definite continuity between the

National Transportation Policy begun in 1989, the surface transportation bill the President submitted in February 1991, and the final product of that long process -- ISTEA. And from beginning to end, the President's basic framework remained in place. Your leadership in Federal Highways, and the dedication and hard work of professionals throughout the agency, had a great deal to to with our success.

In the meantime, Federal Highways itself has been changing in preparation for its new role. FHWA 2000 provides a model for the entire Department about the process of refining an organization's vision and mission. As you meet here to complete next year's Strategic Business Plan, I congratulate you for once again being a pacesetter within DOT.

You've seen a reorganization of Washington headquarters and some reorganization of field offices. You've experienced a revitalized interest in safety and in research and development, as well as the implementation of R&D. Many of you have participated in experiments focusing on process reviews rather than project-by-project reviews. Others worked to transform some agency functions to computer-based links, and others crafted an Environmental Policy Statement in early 1990 that foreshadowed much that went into ISTEA. In these ways and more, you have made great strides in preparing for a new role in a new century of service.

1993 will be a very challenging year. You will be administering one of the largest single-year programs in the history of your agency. And Federal Highway's mandate will continue very much intact on two of its most important, but less "visible", priorities. Research and development, particularly that targeted for strategic needs, will remain a critical priority. And the agency's international program will expand its emphasis to include reaching out to Europe and Japan, and others, to share U.S. know-how and to learn from the experience of others.

Federal Highways has done a great deal to enhance the quality of life of all Americans. We look forward to an even greater contribution in its second century. Looking around this room, I know we're off to a good start. You are living proof that FHWA retains a highly-skilled, highlymotivated work force. And I know that you've accepted the challenge and opportunity of adapting that work force to reflect the diversity of today's society.

In the meantime, let's work together to ensure that America stays ahead of the pack with the best intermodal transportation system in the world.

Thank you very much.

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U.S. Department of Transportation

News:

Office of the Assistant Secretary for Public Affairs
Washington, D.C. 20590

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ARTHUR J. ROTHKOPF
DEPUTY SECRETARY OF TRANSPORTATION
AMERICAN ASSOCIATION OF STATE HIGHWAY
AND TRANSPORTATION OFFICIALS
OCTOBER 5, 1992
RAPID CITY, SOUTH DAKOTA

It's a pleasure to join you for your annual meeting. With the historic Black Hills as our backdrop, it's a particular pleasure to reflect on the unique historical relationship we at DOT and you in AASHTO have forged over the years. AASHTO is without question one of our most valued partners. In 1916, the Bureau of Public Roads got together with your pioneering founders to form a partnership that has since led America in assuring the growth, vitality, and effectiveness of our national transportation system.

On behalf of all of us at the Department of Transportation, I extend my warmest greetings and congratulations to Ray Chamberlain. He's had a remarkable year of accomplishment as your President -- a fitting capstone to his years of dedicated service to transportation and to AASHTO. Congratulations are due also to your President-elect, Wayne Muri, who's been such a tireless and effective advocate for our country's transportation future. It was particularly gratifying to see a recent member of our FHWA family -- Charlie Miller -- receive the Bartlett Award. So, Charlie, congratulations.

As you know, I'm up here today in place of our Secretary, Andy Card. I can tell you personally that he was looking forward to joining you for this conference, as he has previous meetings. He knows how important AASHTO and this conference are to DOT, and he deeply regrets having to miss this event.

It was just not possible for him to leave his on-site responsibilities as head of the President's relief effort for Hurricane Andrew in south Florida. Great progress is being made, and Americans from around the country have responded magnificently. Nevertheless, much remains to be done.

A Year of Accomplishment

Secretary Card would have liked to reminisce with you about all of our mutual accomplishments over the past year. Just think of where we were a year ago at this time. As you gathered in Milwaukee, the grave concern of the day was whether we would even get a new surface transportation act by the end of the year. There were a lot of questions hanging in the air at that time. If we do get a bill that the President can sign, what will it look like? Will it adequately address the nation's changing transportation needs? Will it authorize adequate funding?

Thank goodness, reason prevailed. You know, in Washington, you can't always take that for granted! It was nearly three months late, but a constructive compromise was achieved. And at AASHTO's December meeting, President Bush and leaders of Congress gathered to sign what is truly the historic Intermodal Surface Transportation Efficiency Act -- ISTEA.

Our great task since then, of course, has been to put that Act to work -- and as quickly as possible. And -- working together -- we've done that. Despite a late start and new programs with new rules, you used the entire obligation limitation for fiscal 1992. In fact, President Bush is so appreciative of your fine work that he sent along a special message that I would like to read to you.

[The President's Letter]

Charting a Course for the Future

Clearly, the President is a committed advocate for restoring and expanding the nation's transportation infrastructure. From the very beginning of his Administration, he realized how critical transportation is for America to compete -- and win -- in the highly competitive global marketplace of the 21st century. That's why the Department of Transportation set out to produce a comprehensive, strategic vision to secure America's transportation future. And that's why we, in turn, locked arms with many of you in this room to forge the Administration's National Transportation Policy.

It was that Policy that set the framework for renewing the nation's surface transportation programs last year. The policies and principles laid out in the NTP shaped the surface transportation bill the President submitted to Congress in February 1991. And that, of course, set the ball in motion for what became the final product -- ISTEA.

ISTEA

Together, we fought hard to win the many new provisions of ISTEA that chart the course for launching us into the 21st century -- what President Bush likes to call the Next American Century. For example, we now have increased funding levels spanning six years to address our infrastructure priorities. We now have the flexibility to direct resources toward those transportation modes that will best enable state and local officials to address local needs. ISTEA creates a number of management systems to ensure that critical surface transportation problems get fully addressed.

Our new surface transportation act provides unprecedented opportunities for innovative -- and much needed -- public/private partnerships. We have new and expanded programs to help us make progress on a host of "quality of life" issues. They include provisions to enhance safety, reduce congestion, improve mobility, and help attain national air quality standards. ISTEA also significantly bolsters research and development to create the transportation technologies of the future.

The crowning achievement of ISTEA, however, is the National Highway System. This 155,000-mile network of highways of national significance will span the country from north to south and east to west. Comprising only four percent of all U.S. highways, the NHS will carry 75 percent of all intercity truck traffic, and 40 percent of all traffic. The creation and maintenance of this system, therefore, will have a direct bearing on U.S. productivity and competitiveness in the global economy.

One thing is for certain. Everyone is in agreement -- all of us here today and President Bush and Secretary Card -- that the commitment to a National Highway System must be kept. I know you will be working diligently with Tom Larson and his staff during this conference to move the final NHS plan forward on a fast track.

The NHS is a prime example of how -- working together -- we've been able to accomplish so much for transportation in this country. In fact, I think it's fair to say that you could not have asked for more support than what you've received from this Administration.

As we begin a new fiscal year, it is appropriate to look at how we'll proceed with the implementation of ISTEA. The President had asked Congress for $19.2 billion for fiscal 1993 to fund the Federal-Aid Highway Program. Imagine, if you would, our surprise -- if not shock -- that Congress slashed that figure down to $18 billion. On top of that, the bill restricts the choices that responsible state officials -- including those of you in this room -- can make. Some $1.1 billion of Federal-aid highway spending will have to cover the cost of projects specifically identified by Congress in ISTEA.

What does all this mean for individual states? Well, compared with the President's 1993 budget, it means that California will get $141 million less than it should. Ohio comes up $48 million short. And South Dakota will get close to $14 million, and Texas $97 million, less than than the President's request.

We in the Administration are as frustrated by this latest development as all of you must be. It is particularly puzzling that it is happening at this time. There seems to be general agreement across the political spectrum on the need for infrastructure spending. So why is Congress backing down on its commitment in ISTEA?

If we do not continue to invest adequately in our transportation infrastructure, U.S. products will not get to market or to ports and terminals fast enough, interstate commerce will decline, and our competitiveness will suffer. As we have in the past, let us once again stand together to win this important fight.

Partners in Progress

Over the last ten years, we have accomplished so much together as active partners. From a spending level of $8.2 billion in 1982, we have seen the federal investment in highways rise to a record level of $18 billion this fiscal year -- even though it should have been higher. We have greatly increased our research and technology development -- from the Strategic Highway Research Program to our Intelligent Vehicle Highway Systems.

We have witnessed dramatic improvements in safety on our nation's highways. In 1981, the statistic on highway fatalities was 3.2 per 100 million vehicle miles travelled. By 1991, that figure had fallen to 1.9. That translates into thousands of precious human lives saved. But we can still do better -- and we will.

I mentioned "quality of life" issues under ISTEA. In this area, we've made considerable progress on other fronts, as well. This includes an extensive tree-planting program that combines the efforts of our Federal Highway Administration, the Interior Department's "America the Beautiful" program, your states, and private partners. Already, some 30,000 new trees have been planted as part of "America's Treeways" program.

We have established an Office of Intermodalism at DOT that reports directly to the Secretary. The fact that the Director of the office, Dr. Robert Martinez, also serves as Associate Deputy Secretary of Transportation demonstrates the importance we place on intermodal thinking and planning. One of Dr. Martinez's top assignments is to advance intermodalism at the state level. I'm sure that many of you will have ideas for him on how we at DOT can do a better in this area.

AASHTO's closest DOT partner -- the Federal Highway Administration -- just completed an agency-wide initiative called FHWA 2000. It's a new statement of vision, mission, values, and goals, and clearly reflects the handiwork of Tom Larson. I have no doubt that it will set the agency on a new course of strategic planning and management. With Tom, Gene McCormick, and Dean Carlson at the helm -- along with the rest of the leadership down the line -- it will make Federal Highways an even more effective and responsive partner.

Conclusion

These are but some of the many ways that we have made strides together. As we look to the future, AASHTO and DOT share a common commitment to the initiatives embodied in ISTEA. Let us not waver in our efforts to reap the full measure of benefits ISTEA was intended to produce.

Let us continuously challenge Congress to remain faithful to its commitment to fully fund America's infrastructure needs. If our energies do not flag -- and I'm certain they won't -- America will get the transportation system it needs to grow and prosper into the Next American Century.

We look forward to many more productive years to come. Thank you very much.

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News:

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EMBARGOED UNTIL 1:00 P.M.

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ARTHUR J. ROTHKOPF
DEPUTY SECRETARY OF TRANSPORTATION
PROPELLER CLUB OF THE UNITED STATES AND
AMERICAN MERCHANT MARINE AND MARITIME INDUSTRIES
OCTOBER 8, 1992
SAN JUAN, PUERTO RICO

It is a particular pleasure to be with you for this joint convention and conference because it brings together so many champions of America's maritime industry. Together, we made 1992 a year of promise and hope for the U.S.-flag fleet unlike any other in recent memory.

Unfortunately, our expectations will not be realized this year. The 102nd Congress will adjourn for the year without bringing to a vote in either house the comprehensive maritime reform legislation this industry so desperately needs. In fact, I'm distressed that our maritime bill was not even considered important enough to get a committee mark-up. This profound disappointment did not occur for lack of action on the Administration's part.

Secretary Card's Commitment

When Andy Card took the helm at the Department of Transportation earlier this year, he promised to address the decades-old stalemate in Washington on maritime reform. And in six months he made more progress on this front than we have witnessed in the past twenty years.

Secretary Card has been acquainted with the industry's problems since his days as a student at the U.S. Merchant Marine Academy. He was also personally aware of President Bush's commitment to maritime. It was not surprising, therefore, that when President Bush chose him to be Secretary of Transportation, one of Andy Card's top priorities was to revive the U.S. merchant marine.

He got to work as soon as he was confirmed by the Senate. He pulled together the heads of 17 diverse federal departments and agencies all having some kind of stake in maritime policy. With these, he created a Working Group on Maritime Policy with the goal of hammering out a consensus for an Administration proposal.

I doubt if there's anyone here who wouldn't have an appreciation for the enormity of that kind of task. There's just no way one can negotiate among 17 government agencies -- many with sharply diverging views about maritime policy -- and not break a lot of china. Nevertheless, Secretary Card exercised his considerable talents and obtained Administration approval for the boldest, most comprehensive maritime initiative in decades. He knew that the stakes were nothing less than the survival of our foreign ~~trade~~ merchant marine.

Industry at a Crossroads

The United States has already reached the point where American shipyards no longer build ships for the foreign trades. We now rely on foreign ships manned by foreign crews to carry the vast majority of our import and export cargoes. We may have the world's largest economy, but our maritime fleet now ranks sixteenth in number of ships.

This state of affairs seriously jeopardizes the nation's ability to respond adequately to potential wars or other national emergencies overseas. Operations Desert Shield and Desert Storm sent the message loud and clear that our country's sealift capability is an indispensable component of national security.

The U.S. maritime industry is just too important to our national security, to our economy, and to our international competitiveness to stick with the status quo. In fact, there really is no status quo. The U.S.-flag fleet continues to decline -- and <u>will continue</u> to decline unless decisive action is taken.

Maritime Integral to Transportation Agenda

That's why the maritime reform initiative we submitted to Congress last July was not an isolated accomplishment. It was an integral part of the broader framework of what this Administration has been doing for transportation in the United States.

It goes back to the President's National Transportation Policy, which was released early in his second year in office. Not only did he call for maritime reform in that policy, but he called on the country to take a new approach -- a strategic approach -- to its transportation challenges. The President knows that for the United States to compete successfully in a highly competitive global economy requires healthy U.S. transportation industries in all modes -- including maritime. And that's why he laid out the comprehensive proposal that he did.

Key Elements of Administration's Reform

I'm sure that most of you are familiar with the key elements of the maritime reform package we submitted to Congress.

Its cornerstone, of course, is the Contingency Retainer Program for the international liner trade. It would replace the outdated operating-differential subsidy program, which would be allowed to expire. Instead, we would pay operators to keep ships sailing under the American flag in return for making them available during war or a national emergency.

Our concern has been to ease up on the heavy hand of government that weighs down operators in the ODS program. That's why we would allow operators to acquire vessels worldwide and operate them anywhere in the foreign trade and with foreign-flag feeder vessels. As a result, U.S. carriers in the federal program would be free to compete efficiently and with flexibility for international cargoes.

Frankly, the present system is a disincentive toward greater efforts to control costs and enhance efficiency. It is simply not working in a global market distorted by a wide range of foreign government subsidies and other unfair practices. Our approach provides incentives to bring costs more in line with market realities.

While it was the centerpiece of our initiative, the contingency retainer program was just one of our 16 proposals, the majority of which require congressional action.

To help U.S.-flag operators obtain modern ships, we would broaden the use of the Capital Construction Fund. We would do that be allowing the use of private capital to acquire vessels in the world market for the U.S. flag. We would continue the Title XI ship financing program to aid the building of ships in American yards. And we would reduce, then eliminate, the 50 percent duty that operators must pay when they use foreign shipyards for routine repairs.

To help American shipyards, the Administration would like to eliminate, through bilateral and multilateral negotiations, subsidies that foreign governments pay their shipyards. We've also explored means of disciplining countries that subsidize their shipyards. The Administration also proposed starting a research and development program and an export promotion program for U.S. shipyards.

Through other proposals -- such as relaxing citizen ownership requirements and regulations that affect the changing of registries -- we sought to encourage new investment in U.S.-flag ships. Critical to this end, our reform package also preserved such longstanding maritime programs as the Jones Act, cargo preference requirements, and the 1984 Shipping Act.

In large measure, it was this comprehensive, prudent approach that led to the broad-based support our initiative received. For example, APL and Sea-Land -- the country's two largest shipping lines -- said they were "impressed and pleased by the scope and vision" of our program. The presidents of eight shipboard and two longshore unions "fully support[ed] the thrust of the initiative." And the *Journal of Commerce* said that "after years of gridlock in Washington, it is a welcome start on the road to reform."

What Went Wrong?

So why didn't our proposal become law? Why didn't even a semblance of our package -- which has broad industry and labor support -- get out of committee and onto either the Senate or House floor for consideration? Those are $64,000 questions. After a good deal of soul-searching and analysis, we can come up with only one conclusion: Congress decided to play politics with the fate of the U.S. maritime industry. Certainly there were some on the Hill who showed genuine concern for the industry. But the "technicalities" that kept cropping up betrayed the true intentions of the leadership. The bottom line is this: Had Congress been serious about maritime reform, we would have a widely supported package signed into law today. Or to put it another way, were this not an election year, genuine maritime reform would now be a reality.

The Administration demonstrated its seriousness in a number of ways. First of all, as I mentioned earlier, Secretary Card's commitment speaks for itself.

Second, the President proposed to authorize the program now and provide funding in his fiscal '94 budget. But with industry responding so favorably and wanting early action, we accelerated the funding time line and worked to secure a significant level of funding in fiscal '93.

With this commitment, the Administration identified 54 percent of the $1.1 billion needed for the new package. We looked to Congress to help us realize that goal. But even after we identified over half the necessary funds, Congress failed to use them. There is simply no reason whatsoever that Congress could not have at least authorized the new maritime reform legislation and left the appropriation process to run its normal course. Hardly ever does Congress require appropriation issues to be resolved before a program is even authorized. So why the exception for maritime reform?

On a positive note, I'm pleased to report that the President signed into law a bill providing $52 million for the subsidy and administrative costs of the Title XI loan guarantee program for fiscal 1993. This action should stimulate the construction of Jones Act vessels in U.S. shipyards. The fiscal 1993 appropriations bill makes $440 million -- including $200 million for fleet acquisitions -- available for our Ready Reserve Force, which proved its worth in Operations Desert Shield and Desert Storm. These funds will generate considerable work for our shipyards and repair facilities.

That's not the only good news that I'd like to leave you with today. There are a host of developments on the international front that bode well for the future of our maritime industry.

International Negotiations

The fall of the Soviet Union put in question our maritime relations with several of its former republics. That's why we signed a new maritime agreement with the Federated Republic of Russia in April. We also concluded our first bilateral maritime negotiations with the Ukraine, and hope to sign an agreement shortly. Our current agreement with China was due to expire in December, but we have agreed to extend it for another year.

Yesterday, the President signed an agreement with Canada and Mexico to establish a free trade zone in North America. The North American Free Trade Agreement holds great promise for economic growth on this continent. It will create the largest and richest integrated market in the world -- more than 360 million people with more than $6 trillion in yearly output.

Under NAFTA, exports to Mexico will create a half million more U.S. jobs by 1995. The U.S. port industry in particular can expect to benefit from the increased business that will come with increased trade. Likewise, we see opportunities for smaller U.S.-flag vessels in this trade. In a forward-looking move, we negotiated the liberalization of landside port services in Mexico as part of NAFTA.

As Mexico privatizes its government-owned and controlled ports, NAFTA ensures that U.S. and Canadian companies can take advantage of new opportunities just as Mexican companies can. In ports that are privatized, Mexico will immediately allow 100 percent Canadian and U.S. investment in, and operation of, port facilities for companies handling their own cargo. For those handling the cargo of other companies, Mexico will allow 100 percent foreign ownership after approval by the Foreign Investment Commission. This will, no doubt, open up numerous opportunities for U.S.-owned terminals, stevedoring companies, and various types of landside port enterprises in Mexico.

In addition to NAFTA, the Uruguay Round of the GATT could well spur a booming business for worldwide export trade in the years ahead. Again, the maritime industry will be poised to benefit as U.S. manufacturers sell more goods and services to our trading partners.

Although we fully support the goals and outcome of the Uruguay Round, there are several areas which have proved troublesome for the Department of Transportation. For example, we remain opposed to including maritime industries in the GATT services negotiations. We believe we could lose much of our ability to resolve bilateral disputes under U.S. law and to take prompt and appropriate action to address foreign barriers in shipping.

As matters stand now, maritime services will be included, in a minor fashion, in the GATT services agreement. Nevertheless, we are trying to ensure that the final agreement does not weaken our ability to liberalize world shipping markets.

Intermodalism

Our most immediate priority, however, remains focused on how best to advance a competitive and efficient intermodal transportation system that will serve U.S. needs domestically as well as internationally. The key word here is "intermodal."

The concept of intermodalism has gained renewed impetus throughout the transportation industry in recent years. And you in the maritime industry have been at the forefront of that movement. The most striking example, is the passage late last year of the Intermodal Surface Transportation Efficiency Act. It calls for the creation of an Office of Intermodalism that reports directly to the Secretary of Transportation.

Of great significance to this industry is the fact that Secretary Card chose Dr. Robert Martinez as his new director of that office. Two months ago, Rob was Deputy Administrator of the Maritime Administration, and was one of the principal architects of our maritime reform initiative. He will be an effective voice for the role of maritime in the intermodal scheme of things.

Conclusion

There's no question about it: America's prospects for economic growth depend on our ability to compete in an integrated, vibrant global marketplace. And a strong, healthy U.S. merchant marine is a vital part of our formula for success.

That, in a word, is why we are so deeply disappointed with the Congress. It not only let this industry down, it let the country down. Politics triumphed over policy. And you were the victim. Failure to act will spell the death knell of the U.S.-flag fleet.

That's why this Administration will not relent. We intend to resubmit our maritime reform initiative to the 103rd Congress. Our reform will turn back the clock and set our merchant marine on a steady course of renewal. So the ball will once again be squarely in Congress's court.

For our part, we will not rest until we achieve a sound policy to ensure the survival of the U.S. maritime industry. We consider you in this industry as full partners in America's progress. And we're determined to see your industry again compete on an equal footing in a very complex and challenging global marketplace.

Thank you very much.

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ARTHUR J. ROTHKOPF
DEPUTY SECRETARY OF TRANSPORTATION
TRANSPORTATION TABLE
OCTOBER 23, 1992
WASHINGTON, D.C.

- Would like to review Administration's transportation record -- outstanding record of achievement of which we are quite proud -- and then look ahead to the future.

National Transportation Policy

- President's NTP marked a new approach for a new era of global competition.

- NTP emphasizes basic principles to stimulate sound transportation investment and development.

  -- relies on free market to maximum extent possible.

  -- loosens up regulatory grip on industry.

  -- provides increased flexibility in use of federal funds.

  -- decentralizes transportation planning.

  -- strengthens government/industry partnerships, and Washington/state and local partnerships.

- In short, NTP is a strategic plan to guide legislative agenda -- and it has been followed.

Domestic Aviation

- First applied NTP to major legislation for 1990 aviation reauthorization.

  -- considered most significant aviation legislation since deregulation.

- PFC is key to expand capacity. Approved 53 so far for $5.6 billion. 37 more being considered for $386 million.

  -- when finished, PFCs should create 40,000 jobs.

- National noise policy will reduce number of citizens exposed to excessive noise 85 percent over next 8 years.

- Have eliminated several excessive and unnecessary aviation regulations.

- All told, over last four years, we've increased FAA budget 39%, or $2.5 billion.

  -- made $6.5 billion available for AIP.

  -- $56 million to convert 8 military air fields.

  -- over $700 million for noise relief.

- No regulatory burden can compare to damage inflicted by product liability lawsuits.

  -- virtually destroyed light aircraft industry in U.S.

  -- like so many Administration reforms, Congress has thwarted our legislative initiatives in this area.

  -- S.G.'s Piper brief is a promising pre-emption move.

International Aviation

- Internationally, efforts have centered on liberalization of rules governing international air services.

  -- envision new world order in aviation to replace archaic, protectionist, bilateral system of today.

- Cities Program expanded service for 7 cities.

- Offering "open skies" to any European country willing to permit our carriers free access to their markets.

- Believe Dutch agreement is harbinger of future air service between U.S. and Europe; effect on EC.

- Negotiating with U.K. and Canada on open skies.

ISTEA

- In 1991, we used NTP as road map for surface transportation as we did for aviation the year before.

- Administration's bill led to the historic ISTEA that will launch America into a new post-Interstate era.

- Funding now spans six years to address infrastructure priorities.

- From $8.2 billion in 1982, federal investment in highways has risen to record level of $18 billion this fiscal year. President asked for $19.2 billion.

- Strengthens highway safety initiatives. Fatality rate cut nearly in half from 1981-1991.

- ISTEA's hallmark is its stress on intermodalism.

- Provides flexibility to direct resources toward modes state and local officials believe best address local needs.

- Provides unprecedented opportunities for innovative -- and much needed -- public/private partnerships.

- Host of "quality of life" issues will enhance safety, reduce congestion, improve mobility, and help attain national air quality standards.

- Bolsters research and development to create transportation technologies of the future, like IVHS.

- ISTEA's crowning achievement is 155,000-mile NHS.

  -- comprising only 4% of all U.S. highways, will carry 75% of intercity truck traffic, and 40% of all traffic.

  -- NHS will have direct bearing on U.S. productivity and competitiveness in the global economy.

Trucking Deregulation

- More than first rate highway network will be needed to compete in the 21st century. Trucking industry must be freed from shackles of government regulation.
- That's why Administration introduced comprehensive trucking deregulation bill following passage of ISTEA.
  -- estimate that partial deregulation since 1980 cut truck transportation costs $15 billion a year.
  -- add in warehousing costs, and economy has saved $38 billion a year.
  -- estimate that state regulation alone costs U.S. between $3 and $8 billion a year.
- Horror stories from 42 states that regulate trucking are seemingly endless. Texas is one of the worst.
  -- Procter & Gamble has one plant in Dallas and another in Louisiana -- each to serve the <u>other</u> state.
  -- Procter & Gamble finds it cheaper to ship Crisco 600 miles from Tennessee to customers in Tyler, Texas than to ship Crisco from Dallas, only 80 miles away.
- Entering trucking industry or expanding services can be burdensome adversarial procedure in some states.
- Each year, motor carriers file over a million tariffs with ICC, and countless more with state regulatory agencies -- all at tremendous cost to industry.
  -- costs are ultimately passed on to consumers, and constitute a "hidden tax."

- Hidden taxes of trucking regulation threaten America's standing in a competitive global economy.
  - -- Canada and Mexico are moving ahead to deregulate their trucking industries.
  - -- EEC and European Free Trade Association plan to deregulate by the end of this year.
  - -- U.S. cannot afford to allow transport costs to fall abroad without corresponding action here at home.
- Congress should resolve shipper undercharge problem as an element of trucking deregulation.
- No link between economic regulation and safety. Since partial deregulation in 1980, rate of fatal trucking accidents has fallen 40%.

Maritime Reform

- The same kind of bold, decisive action needed to move trucking forward is needed to save maritime industry.
- Our foreign trade merchant fleet could well be on its way to extinction by the end of the decade.
- Andy Card's comprehensive reform initiative will put U.S. merchant marine on road to long term recovery.
  - -- born of the same spirit that produced successful deregulated markets in aviation, rail, and trucking.
  - -- applies same principles to maritime -- in a way tailored to its unique problems.
- Global market distorted by range of foreign subsidies.
- Contingency Retainer Program would pay operators to keep ships sailing under U.S. flag in return for making them available during war or national emergency.

- Present system provides few incentives to control costs and enhance efficiency. New system will bring costs more in line with market realities.

- Want industry to compete again on equal footing in complex and challenging global maritime market.

Regulatory Approach

- "Hands off unless necessary" regulatory policy. CAFE is a prime example.

Looking Ahead

- New realities of global competition shape President's approach across all modes of transportation.

- Congress blocked our maritime initiative, but we'll submit it in second term.

- No administration has been more supportive of -- and friendly to -- the aviation community. That support will continue as we expand into global markets.

- Fair to say the same about restoring nation's highways.

  -- we've more than doubled spending on infrastructure from ten years ago. We are committed to further improvement.

- Also will continue to enhance role of rail and transit in integrated national intermodal transportation system.

  -- high speed rail, tilt trains show great promise.

- At stake is nothing less than beating the competition in the global economy of the 21st century.

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ARTHUR J. ROTHKOPF
DEPUTY SECRETARY OF TRANSPORTATION
DOT MINORITY ENTERPRISE DEVELOPMENT WEEK
OCTOBER 23, 1992
WASHINGTON, D.C.

It is a great pleasure to welcome all of you to our Minority Enterprise Development Week Awards Ceremony. To all our award recipients, I extend congratulations on behalf of Secretary Andy Card and the rest of the Department.

Over the years, the Department of Transportation has worked diligently to foster and promote the development of small and small disadvantaged businesses. We have worked hard to help disadvantaged businesses become a vital, integral part of the DOT procurement process.

I am glad to report that the results of our efforts have been encouraging. The Department has consistently been able to establish and achieve impressive goals for the participation of small and small disadvantaged business goals in its procurement programs. That's because we've had the support of highly qualified minority and women entrepreneurs -- such as today's awardees.

For this fiscal year -- 1993 -- our small business goal is 30.5 percent. Our small disadvantaged business goal, including women, is 14 percent. These goals exceed the President's government-wide goals of 20 percent and five percent, respectively.

Under the able leadership of Alicia Casanova, our Office of Small and Disadvantaged Business Utilization has provided the necessary assistance for this important business sector. During times of tight budgetary constraints, Alicia and her staff have consistently responded to the growing needs of transportation's small and small disadvantaged businesses. Expanding opportunities for these firms -- and for the entrepreneurs who run them -- will continue to be an important priority for the Department.

Secretary Card and I are proud of your significant achievements and contributions to the transportation industry. It is entrepreneurs like you who create and sustain the jobs that keep our economy moving. Thank you, and keep up the good work!

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ARTHUR J. ROTHKOPF
DEPUTY SECRETARY OF TRANSPORTATION
TRANSPORTATION CLUB OF DETROIT
OCTOBER 27, 1992
DETROIT, MICHIGAN

It is a great pleasure to join you this evening for your annual meeting. I'm especially pleased to be here in Detroit, one of the great transportation centers of the world.

What I would like to do this evening is to review the highlights of the Bush Administration's transportation record, and point the way to the future. It is an outstanding record of achievement, and one of which we are quite proud. It is also a record that has benefited Michigan in many important ways and will continue to do so.

National Transportation Policy

Our transportation agenda goes back to the President's National Transportation Policy, which he released early in his second year in office. It marked a new approach for a new era of global competition. In that policy, the President calls on the country to take a strategic approach to its transportation challenges.

Our policy stresses reliance on some basic principles, such as counting on a free market to the maximum extent possible and loosening up Washington's regulatory grip on industry. It also advocates the decentralizing of decision making by providing increased flexibility in the use of federal funds. And it seeks to strengthen partnerships between government and industry, and between Washington and state and local governments.

Domestic Aviation

We first applied the NTP to major legislation in 1990 when it was time to renew the programs of the Federal Aviation Administration. The bill that was ultimately enacted into law has been hailed as the most significant aviation legislation since airline deregulation. That's because it contained critically important provisions in two key areas.

First, it produced a policy on aircraft noise that will reduce the number of citizens exposed to excessive aircraft noise by 85 percent over the next eight years. Second, our 1990 aviation legislation adopted an innovative tool to expand airport capacity across the country. It is called the passenger facility charge, and allows airports to charge up to $3 per passenger per enplanement. The PFC cannot be assessed more than twice a trip, and must be used for essential airport development as approved by the FAA.

The FAA has approved 53 PFC applications so far for $5.6 billion. In doing so, the FAA has done an outstanding job in navigating through the often conflicting interests of airports and airlines. A month ago, the FAA approved Detroit's application for close to $641 million. That money will be used to build an access road south of the airport, to construct new drainage facilities, expand the noise mitigation program, build new terminal facilities, buy more land for a fourth runway, resurface existing runway, and purchase snow removal equipment along with a building to store it. And that's just a partial listing!

When the PFC is fully in place around the country, we expect airports to be collecting $1 billion a year for improvements. This money should create up to 40,000 jobs nationwide, thus stimulating the economy and significantly boosting the country's aviation capacity.

Under our Airport Improvement Program in fiscal 1993, Michigan will get almost $7 million for general aviation airports and close to $15 million for primary commercial service airports. That includes $5 million for Detroit Metropolitan Airport. In addition, your airport will receive $185 million in A.I.P. funds through 1998 to increase capacity and reduce delays.

International Aviation

Equally important in our agenda to revitalize aviation is our effort to liberalize the rules governing international air services. The goal is to achieve deregulation at home, liberalization abroad. What we have in mind at DOT is nothing short of a new world order for global aviation.

This has significant ramifications for local communities and airports around the country.

Unlike the archaic, protectionist, bilateral system we have today, we envision a world order in aviation characterized by genuine airline competition around the globe. We don't have any illusions about the difficulties inherent in that quest. But that is not preventing us from trying.

For example, we succeeded in gaining new air service for seven U.S. cities, including Detroit. Beginning in January 1992, the Cities Program initiated by this Administration gave residents of this region direct, non-stop service between Detroit and Amsterdam, which this city would not have had otherwise.

In the past, we offered "open skies" to only our largest aviation partners. Earlier this year, Secretary Card expanded this policy to include any European country willing to permit our carriers essentially free access to their markets. A few weeks ago, we signed our first such agreement with the Netherlands. It is a good deal for both countries; and we believe it is a harbinger of things to come in air service between the United States and Europe. The E.C. will now have to rethink its policies. In this same spirit, we are actively pursuing open skies agreements with Canada and Britain.

While there's still a great deal more that we want to accomplish, we are proud of our record in aviation.

Surface Transportation

I believe our record in surface transportation is just as impressive. Once again, with the National Transportation Policy as our guide, we crafted and guided through Congress a truly historic Act to launch America into a new post-Interstate era in transportation. It's called the Intermodal Surface Transportation Efficiency Act -- ISTEA, for short. And it's a six-year, $155 billion plan to restore and expand this nation's surface transportation infrastructure.

The crowning achievement of ISTEA is the National Highway System. This 130 to 180,000-mile network of highways of national significance will span the country from north to south and east to west. Comprising only four percent of all U.S. highways, the NHS will carry 75 percent of all intercity truck traffic, and 40 percent of all traffic. It will tie together major ports, airports, railheads, and border crossings. The creation and maintenance of this system, therefore, will have a direct bearing on U.S. productivity and competitiveness in the global economy.

One thing is for certain. President Bush and Secretary Card are adamant that the commitment to a National Highway System must be kept -- by the federal government and the states. The Federal Highway Administration is now moving the final NHS plan forward on a fast track.

As its name indicates, a hallmark of ISTEA is its stress on intermodalism. That means that we can no longer simply look at one "mode" of transportation in isolation from other modes. One way that ISTEA fosters intermodalism is by providing state and local officials with the flexibility to direct resources toward modes they believe best address local needs. Another way is by funding advanced technologies such as high speed rail service, which we are doing in five rail corridors around the country. And that includes one right here in Detroit.

The Department of Transportation has allocated almost $3 million toward a 647-mile high speed rail corridor linking Detroit with Chicago, St. Louis, and Milwaukee. High speed rail service -- with speeds of 100 to 150 miles per hour -- will relieve congested airports and highways, improve air quality, and expand travel opportunities for the citizens of Michigan. And it will provide a significant boost to the area's economy.

We have also allocated $160,000 toward a study for an intermodal terminal to anchor the east end of the high speed rail corridor in this city. It will be located at the junction of the heavily travelled Woodward Avenue and a major rail corridor. The terminal will blend Amtrak, local and regional transit, intercity bus, taxi, airport shuttle and personal vehicles together at one centralized hub.

ISTEA assures continued funding for various "smart" car and "smart" highway projects around the country. Right here in Michigan, we are in partnership with GM, Ford, Chrysler, the Michigan DOT, and others on a project called FAST-TRAC. It is an Oakland County project that promotes safer travel through electronic traffic routing and advanced control systems.

All told, the past decade is a definite success story for our nation's highways. From a spending level of $8.2 billion in 1982, the federal investment in highways has been boosted to a record level of $18 billion this fiscal year -- and this, despite the fact that the President had pushed Congress to make available $19.2 billion.

Trucking Deregulation

The level of highway funding was not our only source of disappointment with Congress this year. Congress failed to act on the Administration's comprehensive trucking deregulation bill. It was our attempt to eliminate the last vestiges of trucking regulation at both the federal and state levels. The trucking deregulation begun in 1980 has been a huge success, but the remaining regulatory requirements cost U.S. industry and consumers up to $8 billion a year.

That's why the President is committed to eliminating <u>all</u> state economic regulation of interstate trucking. You should be, too, since Michigan is paying a high price in unnecessary transportation costs. The 41 states that continue to regulate trucking cost the U.S. motor vehicles and parts industry an extra $565 million a year -- all for nothing! With all the talk about getting an edge on our foreign competition, this is as a good place to start as any.

Michigan, through its Public Service Commission, is moving in the right direction. It is removing some of the motor carrier industry's antitrust immunity and liberalizing entry into the industry. The Administration would prefer that Michigan, along with the other 40 states, deregulate its trucking industry on its own. If not, we are committed to taking action in the next Congress.

Maritime Reform

Just as our trucking deregulation bill disappeared into some black hole in Congress, so did our maritime reform initiative. The same kind of decisive action needed to move trucking forward is needed to save the U.S. merchant marine. Our foreign trade merchant fleet has long been diminishing at the expense of competitors abroad. We are now at the point where it could well be on its way to extinction by the end of the decade. APL and Sealand, our two largest carriers, have stated that they will sail under a foreign flag if reform is not enacted.

Secretary Card's reform bill -- the boldest, most comprehensive maritime initiative in decades -- would put the U.S. merchant marine on the road to long term recovery. It has received very broad support from both industry and labor, and preserves such longstanding maritime programs as the Jones Act, cargo preference requirements, and the 1984 Shipping Act.

It addresses the problem of a global market distorted by a range of foreign subsidies. It does this primarily by establishing a Contingency Retainer Program that would pay operators to keep their ships under the U.S. flag in return for making them available during war or another national emergency. In a nutshell, the present system provides few incentives to control costs and enhance efficiency. Our new system would bring costs more in line with market realities.

In light of wide-ranging support, we are at a loss as to why our proposal did not become law. Since failure to act will spell the death knell of the U.S.-flag fleet, the Administration intends to resubmit our maritime reform initiative to the 103rd Congress.

CAFE Policy

The Administration and Congress have locked horns on another issue that strikes very close to home for many of you in this room. I'm referring to CAFE standards.

The recent report by the National Academy of Sciences independently confirms what Detroit and the Administration have been saying for years: The CAFE program is seriously flawed. The study backs up our belief that achievement of energy conservation in the transportation sector cannot rely on fuel economy standards alone. And it also confirms our findings -- and the simple laws of physics -- that large cars are safer than small ones.

The N.A.S. exposed the problems of applying a <u>single</u> fuel economy standard to all manufacturers. We all know there are efficient big cars as well as efficient small cars. And U.S. consumers have a wide range of legitimate uses for their vehicles, requiring choices from full-sized trucks to station wagons to compact cars. The government would jeopardize all this if it imposed the 40 mile per hour CAFE standard, which was pushed in the last Congress, and about which we hear so much today. And that's not to mention that it would cripple the U.S. auto industry by costing at least 150,000 jobs.

Regulatory Policy

While vigilant on safety, the Administration is committed at the same time to rule making that makes sense. Too often in the past, the federal government has added to industry's regulatory burden for the sake of making a political point or to appease some special interest. Those days are over -- benefits must justify costs. That means that reasonable solutions with reasonable costs must be found for real problems. We simply cannot allow <u>unnecessary</u> federal regulations to hold industry back.

Of course, that's why President Bush in January ordered a freeze on new federal regulations and a paring down of existing rules. That effort will save American consumers and workers between $15 and $20 billion on a yearly basis. He's bound and determined to slash the red tape of excessive and unnecessary regulation that is choking economic growth. The Administration's approach to regulation is essentially a "hands off unless necessary" policy that focuses primarily on safety.

Looking Ahead

Whether over the land, in the air, or on the sea, the Bush Administration has set our transportation industry on the right course to meet the challenges of a highly competitive global economy.

Much remains to be done; there's no question about that. While we're hearing a great deal in this political season about the need for infrastructure improvement, one thing is for certain: A well-conceived plan is being implemented; improvement is well under way; and a program is in place to set the course for U.S. transportation into the 21st century.

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