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Record Group/Collection: George H. W. Bush Presidential Records
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Series: Sununu, John, Files
Subseries: Cabinet Agencies Files

OA/ID Number: 29190
Folder ID Number: 29190-002

Folder Title:
Skinner (Transportation - 1989)

Stack:	Row:	Section:	Shelf:	Position:
G	15	25	6	7

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01. Memo	From Sam Skinner to John Sununu Re: President's Commission on Aviation Security and Terrorism (2 pp.)	8/14/89	(b)(6)	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Cabinet Agencies Files
WHORM Cat.:
File Location: Skinner (Transportation - 1989)

Date Closed:	12/2/2004	OA/ID Number:	29190-002
FOIA/SYS Case #:	1998-0004-F[1]	Appeal Case #:	
Re-review Case #:	2005-0426-S	Appeal Disposition:	
P-2/P-5 Review Case #:		Disposition Date:	
AR Case #:		MR Case #:	
AR Disposition:		MR Disposition:	
AR Disposition Date:		MR Disposition Date:	

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-3 Release would violate a Federal statute [(a)(3) of the PRA]
P-4 Release would disclose trade secrets or confidential commercial or
financial information [(a)(4) of the PRA]
P-5 Release would disclose confidential advice between the President
and his advisors, or between such advisors [(a)(5) of the PRA]
P-6 Release would constitute a clearly unwarranted invasion of
personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of
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Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an
agency [(b)(2) of the FOIA]
(b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
(b)(4) Release would disclose trade secrets or confidential or financial
information [(b)(4) of the FOIA]
(b)(6) Release would constitute a clearly unwarranted invasion of
personal privacy [(b)(6) of the FOIA]
(b)(7) Release would disclose information compiled for law enforcement
purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of
financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

file

THE WHITE HOUSE
WASHINGTON

DATE: October 3, 1989

TO: Michael Boskin

FROM: GOVERNOR JOHN H. SUNUNU

For your review.

bcc: Richard Breeden -- FYI

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
02. Letter	From Sam Skinner to John Sununu Re: Department of Transportation Agreement w/Northwest Airlines (1 pp.)	9/29/89	P5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Cabinet Agencies Files
WHORM Cat.:
File Location: Skinner (Transportation - 1989)

Open on Expiration of PRA
(Document Follows)
 By JP (NLGB) on 5/12/05

Date Closed:	12/2/2004	OA/ID Number:	29190-002
FOIA/SYS Case #:	1998-0004-F[1]	Appeal Case #:	
Re-review Case #:	2005-0426-S	Appeal Disposition:	
P-2/P-5 Review Case #:		Disposition Date:	
AR Case #:		MR Case #:	
AR Disposition:		MR Disposition:	
AR Disposition Date:		MR Disposition Date:	

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 (b)(9) Release would disclose geological or geophysical information



THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

PERSONAL AND CONFIDENTIAL

September 29, 1989

Dear John:

Enclosed is a copy of the agreement with Northwest. I believe any knowledgeable person reading this material will conclude that this agreement merely represents an enforcement of existing government law and policy regarding fitness and foreign ownership. It does not create or establish a new government policy. Sixty-five percent of the debt and equity in this transaction is from foreign sources. This is a clear demonstration of the flow of foreign capital into this transaction.

I recognize some people are concerned about the fact that the details of this agreement have not been shared widely within the Administration, but I did discuss them with you last week, and the concepts have been discussed in general with Mr. Boskin and Mr. Darman as well as with others within the Administration. Due to the fact that premature release of this information could impact the marketplace, we have tightly held the details of our negotiations to a small working group within the Department and selected senior officials within the Administration.

If you have any questions, please do not hesitate to call me.

Sincerely,



Samuel K. Skinner

Enclosure

The Honorable John H. Sununu
Chief of Staff to the President
The White House
Washington, D.C. 20500

PERSONAL AND CONFIDENTIAL

UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.

SERVED SEP 29 1989

Issued by the Department of Transportation
on the 29 th day of September, 1989

In the matter of	:	
	:	
THE ACQUISITION OF NORTHWEST AIRLINES BY	:	Docket 46371
WINGS HOLDINGS, INC.	:	
	:	

CONSENT ORDER

I. BACKGROUND

On June 19, 1989, NWA, Inc., the parent company of Northwest Airlines, Inc., announced that it had entered into a definitive merger agreement with Wings Holdings, Inc. (Wings). Subsequently, Wings, through a wholly owned subsidiary, issued a tender offer for all of the outstanding stock of NWA. The tender offer was completed on July 26, 1989, and the merger was consummated on August 4, 1989.

Section 401(r) of the Federal Aviation Act imposes on air carriers the requirement that after having been initially found fit to provide service, they must continue to satisfy the Department's fitness requirements. Section 401(r) also imposes on air carriers the obligation to provide any information necessary to make a determination that they continue to be fit. In addition, pursuant to sections 401 and 101(3), all air carriers are required to be citizens of the United States as that term is defined in section 101(16) and interpreted in case precedent. Under section 204.4 of our Economic Regulations, 14 C.F.R. 204.4, carriers undergoing substantial changes in operations are required to provide the Department with information relevant to their continuing fitness and citizenship. In carrying out its continuing fitness responsibilities, the Department has considered substantial changes in operations to include significant changes in ownership and financial posture.

On June 28 and July 11, 1989, the Department wrote to Wings and Northwest requiring them to file specific information relating to the carrier's continuing fitness and citizenship.¹ This

¹ Follow up information requests were sent to Wings and Northwest on August 22, 1989, and September 12, 1989.

information has been submitted over the course of the last three months.²

Wings acquired Northwest with a total acquisition financing of 81.5 percent debt and 18.5 percent equity.³ Almost two-thirds of the voting stock of Wings is owned or controlled by two U.S. citizens, Alfred Checchi and Gary Wilson. Together they can appoint a majority of the Wings directors.

The total equity investment in Wings was \$705 million. Of this amount, \$500 million was in the form of preferred stock, which is nonvoting. The remaining \$205 million was in the form of common stock, only some of which is voting.

Messrs. Checchi, Wilson and Malek purchased approximately half of the common stock (voting and nonvoting) of Wings for approximately \$40 million. They hold no preferred stock.

Koninklijke Luchtvaart Maasschappij (KLM), a Dutch citizen and foreign air carrier, was the largest provider of equity, having purchased \$350 million in preferred stock and \$50 million in common stock. KLM also has an option to purchase additional voting common stock. A second foreign equity owner is Elders IXL Ltd. (Elders), an Australian citizen and investment company, which holds \$50 million in preferred Wings stock and, through an affiliate, Wings Acquisition Investor, Ltd. (WAI), \$30 million in common stock. All of the other equity holders are U.S. citizens.

² A significant amount of these submissions have been accompanied by motions requesting that the information be granted confidential treatment on the grounds that it constitutes "trade secrets and commercial information" which is "privileged or confidential" within the meaning of Exemption 4 of the Freedom of Information Act (FOIA), 5 U.S.C. 552(b)(4). Wings states that it and other entities would be prejudiced significantly in their business dealings if the information was made available to the public.

We have decided to grant the motions except for the information which is disclosed in this order. We have sought to minimize the information which must be disclosed so as only to release that information which is essential to an understanding of our decision in this case. We find that it is in the public interest for us to disclose this limited amount of information so that interested persons are provided a clearer picture of the Department's policies with respect to air carrier fitness and citizenship.

³ Taking into consideration the assumption of pre-existing debt and capital lease obligations, Wings' capitalization at merger consisted of 85 percent debt. This transaction increased NWA's debt-to-equity ratio from 0.42/1 to 5.85/1.

The debt component is \$3.1 billion and was provided through bank loans. Bankers Trust New York Corporation (Bankers Trust) served as agent bank for the syndicate of 37 banks that provided the loan commitment, as well as a revolving line of credit. Approximately two-thirds of the debt was provided by foreign banks. Japanese banks are providing about half of this foreign debt with Dutch banks providing a small portion of the debt financing.

KLM and Elders each have one representative on the twelve-person Wings board of directors. The KLM representative is Managing Director of KLM and also sits on KLM's Board of Managing Directors. In addition, KLM and Wings have stated that they contemplate entering into a host of cooperative agreements, described in more detail below. KLM also has the right to establish a three-person committee to advise Northwest management on its financial affairs.

On September 28, 1989, the Department received reports that a number of the key management officials of Northwest Airlines had resigned. The managerial competence and compliance disposition of their replacements will have to be shown in order for the carrier to demonstrate compliance with the Department's fitness requirements.

II. SUMMARY OF ORDER

We are continuing our review of the acquisition of Northwest by Wings, and set forth some of our conclusions below. Wings and Northwest disagree with a number of the Department's conclusions, but have agreed to take a number of steps to allay the Department's concerns and render unnecessary further Department action.

At present we have no reason to question Northwest's continuing fitness. We will, however, have to evaluate the managerial competence and compliance disposition of Northwest's new officers. In this regard, Northwest's new owners appear to be exceptionally well-qualified to expand Northwest's operations and improve its quality of service. In addition, we believe that Northwest currently continues to have access to sufficient financial resources adequately to perform its operations and to meet its public interest obligations. Finally, Wings has a satisfactory compliance disposition.

However, we have two significant concerns. The first relates to the degree of foreign participation in Wings. We believe that, absent the steps agreed to here, KLM could be in a position to exert actual control over Wings, and therefore over Northwest. In order to render unnecessary further action by the Department, Northwest and Wings have agreed that KLM's share of Wings' equity will be significantly reduced, KLM's right to appoint a financial advisory committee will be terminated, and KLM's representation on

Wings' board of directors will be significantly restricted with respect to access to information and involvement in competitively sensitive matters being considered by Northwest. They have also agreed to certain reporting conditions designed to ensure that Northwest remains a citizen, once these changes have been made.

The second issue relates to the significant amount of debt that Wings has taken on in order to complete the acquisition. While we have concluded that Northwest's current financial posture and operating plans meet our fitness criteria, we need to be able to monitor its future financial ability to service this new debt, carry out its plans, and continue to operate safely.

Wings and Northwest have agreed to comply with a set of data access and reporting provisions that will enable the Department to monitor Northwest's financial situation. The goal of these provisions is to obtain information that might indicate financial trouble in the future so that we will be in a position to carry out our duties relating to the carrier's continuing fitness and safety, quickly if necessary.

III. FOREIGN INTERESTS IN WINGS

Our belief that KLM is in a position to exercise actual control over Northwest derives from the multiplicity and importance of links between KLM and Wings. At the outset, we note that this case does not present a problem with the requirement in the Federal Aviation Act that the President and two-thirds of the board of directors and other managing officers be U.S. citizens and that 75 percent of the voting stock in the company be owned or controlled by U.S. citizens.⁴ Rather, this case raises our concern regarding the other half of our citizenship test: the requirement that a carrier (and its parent company) in fact be under the actual control of U.S. citizens.

This latter test has traditionally been a complex matter in past cases.⁵ Analysis in this area has always necessarily been on a

⁴ Federal Aviation Act of 1958, section 101(16), 49 U.S.C. App. 1301(16) (West Supp.).

⁵ *E.g., In the matter of Intera Arctic Services, Inc.*, Order 87-8-43, issued August 18, 1987; *Application of Premiere Airlines, Inc.*, 95 C.A.B. 101 (1982); *Willie Peter Daetwyler, d.b.a. Interamerican Airfreight Co., Foreign Permit*, 58 C.A.B. 118 (1971). Federal communications law also sets specific standards regarding ownership and management of broadcasters by aliens. 47 U.S.C. § 310(b) (West Supp. 1989). "[E]ven in instances in which the technical statutory requirements are met, the Commission may still find that aliens exercise an effective control over the operations of a station that is contrary to statutory policy." *Telemundo, Inc. v. F.C.C.*, 802 F.2d 513, 516 (D.C. Cir. 1986).

case-by-case basis, as there are myriad potential avenues of control. The control standard is a *de facto* one -- we seek to discover whether a foreign interest may be in a position to exercise actual control over the airline, *i.e.*, whether it will have a substantial ability to influence the carrier's activities.⁶

Several foreign entities have contributed capital to Wings. Based on our review, we do not believe that any of the various foreign banks participating in the debt package is currently in a position alone to exercise control over Wings, nor is there any indication that two or more of these banks together are currently in such a position. Although the debt agreements do contain covenants that restrict to some extent Northwest's activities, they are clearly aimed at protecting the debtholders' interests. For the most part, those covenants are of a standard variety, common in the industry, and do not involve the carrier's regular operations. In addition, several novel and important provisions allow U.S. banks a veto over decisions of their foreign counterparts.

The remaining foreign entities are Elders, WAI, and KLM. For purposes of this analysis, we treat Elders and WAI as a single entity, rather than as two distinct concerns with a common interest, because WAI is an affiliate of Elders apparently created to acquire an equity interest in Wings. However, we see no opportunity at this point for Elders/WAI acting alone to exert control over Wings. Elders/WAI has only 15.4 percent of Wings' voting stock, and a single director. More significant here, however, is the relatively modest proportion of Elders' investment in comparison to Wings' total equity -- approximately \$80 million of \$705 million, or 11.3 percent. In addition, there is no evidence that Elders presently has any but a pecuniary interest in the transaction, and that interest does not appear to be given weight disproportional to the scope of the interest. Accordingly, we do not believe that Elders/WAI alone is in a position to exercise control over Wings or Northwest.

⁶ We recently applied the U.S. citizen definition of section 101 in the context of Title XI of the Act:

[F]oreign influence may be concentrated or diffuse. It need not be identified with any particular nationality. It need not be shown to have sinister intent. It need not be continually exercisable on a day-to-day basis. If persons other than U.S. citizens, individually or collectively, can significantly influence the affairs of IAS, it is not a U.S. citizen.

In the matter of Intera Arctic Services, Inc., Order 87-8-43, issued August 18, 1987, at 5.

A. KLM

KLM's interest contrasts sharply with Elders'. First and most prominently, KLM's equity interest in Wings is significantly greater, both in absolute and proportional terms. Second, KLM can exert influence in a number of ways that offset the lack of voting rights of its preferred stock. Finally, KLM is an actual competitor in a number of markets⁷ and a potential competitor in others, and has stated an intention to become involved in the decisions of Wings and Northwest. We believe that these elements taken together would, if left unaltered, put KLM in a position to exercise control over Wings and Northwest within the meaning of the Act. We now examine each of these factors in turn.

1. Investment interest

KLM has contributed a substantial portion of the equity in Wings - \$400 million of \$705 million, or 56.74 percent. This interest alone would not void Northwest's citizenship under the numerical test of section 101(16) because the bulk of KLM's interest is in nonvoting stock. (KLM would hold less than 5 percent of Wings' voting stock. Together KLM and Elders would hold about 20 percent of the voting stock.) However, it is clear from our precedent that a large share in a carrier's equity poses citizenship problems, even where the interest does not take the form of voting stock, particularly if there are other ties to the foreign entity.⁸

KLM's nonvoting stock is equity, and as such represents a genuine ownership interest. The fortunes of KLM's investment will follow Northwest's more closely than those of creditors, will not be as secure as those of creditors, and will accordingly provide KLM with more incentive to participate in the airline's business decisions.

These characteristics are reflected in provisions calculated to protect holders of preferred stock. KLM may prevent the issuance by Wings of securities of equal or greater preference for purposes of liquidation, dissolution, or dividends. It can also block any amendments to the Certificates of Incorporation or Designation that would materially and adversely affect the specified

⁷ Northwest's has represented to us that its traffic in the markets where these carriers compete on a nonstop or one-stop basis amounts to less than five percent of Northwest's total revenues.

⁸ *In the Matter of Intera Arctic Services, Inc.*, Order 87-8-43, issued August 18, 1987, at 11-12, Order 87-3-32, served March 9, 1987, at 3; *In the Matter of Page Avjet Corporation*, 102 C.A.B. 488 (1983).

designations, preferences, or special rights of its preferred stock. In short, KLM's preferred stock, even though nonvoting, is genuinely an equity rather than debt interest. Even alone, this amount and kind of equity interest would raise very serious citizenship concerns. In conjunction with the other elements, it is unacceptable.

Although KLM's investment was in the form of equity and not debt, a conversion of a part of its investment to debt would not allay our citizenship concerns. Debt interests can raise many of the same control concerns as equity interests, and here, with the other indicia of control discussed below, a debt interest by KLM would also be a problem. It would also increase Wings/Northwest's debt level.

2. Other links

In addition to the right to name one of Wings' twelve directors, which in and of itself would not violate section 101(16), KLM has the right to name a three-person committee having the general responsibility of advising Wings on the management of Northwest's financial affairs. There are no restrictions on the KLM board member's participation in Northwest's decisionmaking. The record also indicates no limits on the scope of advice allowed from the financial advisory committee. Such advice and the opinions of KLM's director are likely to reflect KLM's financial interest, and it is reasonable to assume that they will be considered in proportion to the size of KLM's equity investment. KLM will thus be in a strong position to exert substantial influence over Northwest's affairs.

According to their filings and representations to the government, Northwest and KLM anticipate a variety of operational arrangements. These arrangements, while not clearly delineated or currently agreed to, anticipate cooperation in marketing, sales, scheduling, operations, and customer services. Moreover, they have agreed that "neither party will enter into other arrangements which are contrary to the purpose or spirit of the cooperative arrangements to be entered into between them."⁹ This aspect of the agreement is broad in nature, and some nonstandard arrangements entered into by Northwest and KLM would require close DOT scrutiny so as to ensure Northwest's ability to manage itself free from foreign control.

⁹ SEC Tender Offer Statement, Schedule 14D-1, filed July 12, 1989, at 34.

3. Implications of Foreign Carrier Investment

Given identical sets of operative facts, the Department will normally give stricter scrutiny to the case where the foreign investor is an air carrier. If that foreign carrier is also an actual or potential competitor, it may well have an interest in attempting to exercise control over the U.S. carrier that is or might become available. Northwest provides nonstop transatlantic service between (1) Boston and Amsterdam, Glasgow, Frankfurt and Copenhagen; (2) Detroit and Frankfurt and Paris; (3) Minneapolis and London and (4) New York and Glasgow. KLM provides nonstop service between Amsterdam and Atlanta, Chicago, Houston, Los Angeles, New York, Orlando and Anchorage. While there currently is no direct nonstop competition between KLM and Northwest, both carriers provide one-stop service between New York and Frankfurt, Paris, London, and Copenhagen. Moreover, KLM serves virtually every major European city beyond Amsterdam and both carriers compete for this pool of traffic.¹⁰ Because KLM is an actual and potential competitor of Northwest, those concerns are present here.

We must interpret the evidence in light of the above considerations and therefore believe that, absent the changes agreed to by Northwest, KLM would be in a position to exercise control over Northwest, and that the latter could thereby cease to be a U.S. citizen for purposes of the Federal Aviation Act.

B. Compliance

Although not agreeing with the Department that KLM has exercised or is in a position to exercise any actual control, Northwest and Wings have agreed to take a number of steps to eliminate any question that the carrier may be in violation of the citizenship requirements of the Act. They have decided to make these changes to avoid potentially costly litigation and the prolonged uncertainty that could result. In consideration of the changes, the Department has determined not to institute a continuing fitness or citizenship proceeding.

Northwest and Wings have agreed to reduce KLM's share of Wings' equity investment to a maximum of 25 percent of total equity without KLM's acquiring a debt interest. This change in KLM's interest will be completed over the next six months; however, if after six months Northwest demonstrates that it is making good faith efforts to achieve the equity interest goals, the Department may permit an extension of time up to an additional six months to achieve them. Until KLM's equity interest is changed, KLM's interest beyond 25 percent will be placed in a voting trust with a U.S. trustee that is free of KLM's control.

¹⁰ Worldwide Official Airline Guide, June 1989 edition.

Furthermore, Northwest and Wings have agreed to terminate KLM's right to appoint a financial advisory committee and that KLM's representative on the Board of Directors will be recused in specified circumstances. Finally, Northwest has agreed to take on a continuing obligation to file two types of reports regarding its citizenship: it will report to the Department any change in ownership of any class of stock in Wings within 30 days of such change, and it will file with the Department any agreement between Northwest and KLM other than standard interline agreements and other standard industry agreements.

Our analysis indicates that these steps represent the most effective way to preserve Northwest's citizenship. KLM's large equity investment is the principal force behind its ability to exercise control over Wings; its stock represents 56.7 percent of that investment. Even with the other links in place, KLM's ability to influence Northwest would be significantly reduced by shrinking its relative interest.

While reducing KLM's proportionate stake in Wings alone would go far to allay our concerns, we remain concerned about the avenues of access provided by the three-person financial advisory committee and a representative on the Wings' board of directors. The committee would have access, presumably on a broad basis, to the senior management of Northwest on matters concerning the airline's financial affairs. These, in turn, would be likely to include most phases of corporate activity. The representative on the board would provide KLM with the ability to participate at the highest level of decisionmaking in the company with respect to sensitive competitive and international aviation matters. The dissolution of the advisory committee and the recusal of KLM's representative on the Wings' board of directors in specified circumstances will alleviate these other concerns regarding Northwest's citizenship.

Northwest and Wings have also agreed to file certain reports regarding their foreign equity holders and cooperative agreements. This information will enable the Department to monitor the total amount of Wings' equity that may come to rest in foreign hands¹¹ and the degree and type of cooperation which the two carriers seek to engage in so as to assure that foreign control does not result.

IV. FITNESS RELATED DATA PROVISIONS

In order to determine whether a carrier continues to be fit after undergoing a substantial change in an area such as ownership, management or financial structure, the Department looks to see whether the carrier continues to (1) have a management team with

¹¹ Foreign interests already hold 20.27 percent of the voting common stock of Wings.

sufficient experience and expertise properly to oversee its operations; (2) demonstrate a positive disposition to comply with the Act and other laws and regulations imposed by Federal and state authorities; and (3) have available to it sufficient financial resources to perform its operations without posing any undue risks to consumers. We have examined Northwest with respect to each of these broad standards, and we found no reason to question the carrier's management team, compliance disposition, or current financial fitness. However, as discussed above, we will have to review the managerial competence and compliance disposition of Northwest's new officers.

Wings has been fully cooperative in the Department's review of its acquisition of Northwest. It has filed large volumes of pertinent data and information in a timely fashion. Moreover, it has made its owners, managers and technical experts available to meet with Department staff to elaborate on the material and answer any questions that the Department had. The owners have extensive successful experience in service industries that should enable them to make a significant contribution to the ongoing success of the airline. Furthermore, those owners have an excellent reputation in the business community in terms of both integrity and business acumen.

Notwithstanding the foregoing, the acquisition involved considerable additional debt and the Department must have the ability to monitor Northwest's future performance to ensure the significantly increased debt service does not adversely affect the carrier's margin of safety or otherwise place consumers at risk. Although we have seen no indication that Northwest has reduced its maintenance, training, security or other safety related programs, we intend to increase our monitoring of the carrier in these areas.

Northwest has agreed to make available to the Department the data and other financial information we need to maintain this increased level of monitoring. The specific information which will be made available is set forth in Appendix A. In part, this information is needed because the company is privately held, and thus not required to file certain reports with the Securities and Exchange Commission. The information we receive will allow us to detect potential problems before they create serious concerns.

ACCORDINGLY, pursuant to sections 204, 401, and 407 of the Federal Aviation Act of 1958, as amended, and Part 204 of our Economic Regulations:

1. Wings Holdings, Inc., NWA, Inc., and Northwest Airlines are ordered as follows:

(a) To make the information set forth in Appendix A available to the Department as set forth therein;

(b) To report to the Department of Transportation: (i) for purposes of monitoring foreign equity ownership, any increase in ownership by any foreign person or entity of any class of stock in Wings Holdings or Northwest; and (ii) for purposes of monitoring continuing fitness, any substantial change in the equity ownership in Wings Holdings or Northwest. These reports shall be made within 30 days after any such change;

(c) To file with the Department of Transportation any agreements between Northwest and KLM, other than standard interline and other standard industry agreements within 30 days after entering into the agreement; In reviewing these agreements, the Department will not apply policies that are different from those applicable to other carriers;

(d) To assure that, within six months of the service date of this order, KLM does not hold more than one-quarter of the total equity of, or acquire any debt in, Wings Holdings; provided, however, that the Department may, upon a showing of good faith efforts to achieve this goal, permit an extension of this requirement for up to an additional six months;

(e) To place KLM's interest beyond 25 percent in a voting trust satisfactory to the Department pending full compliance with ordering paragraph 1.(d); this trust shall have a U.S. citizen trustee that is free of KLM's control;

(f) To assure that (A) KLM's representative on the board of directors of Wings Holdings, NWA, Inc., or Northwest or (B) any other person having a fiduciary duty to or employment relationship with KLM serving on the board of directors of Wings Holdings, NWA, Inc., or Northwest does not participate in, or receive any information relating to, any matter which may have a direct and predictable effect on (i) the financial interest of KLM's operations, (ii) actual or potential competition with KLM in any market or markets, or (iii) bilateral or multilateral aviation negotiations to which KLM or the Government of the Netherlands is a party. To carry out this obligation, Northwest shall, within 30 days of the service of this order, submit to the Department for approval a plan for recusal of the KLM representative in the circumstances covered by subsections (i), (ii) and (iii); and

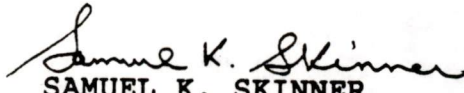
(g) To assure that KLM has dissolved its three-member financial advisory committee.

2. If the Federal Aviation Act of 1958 is amended or modified in a manner that would preclude the policies set forth therein; or if legislation is enacted into law which precluded DOT from enforcing the terms of this consent order or mandates DOT to enforce policies inconsistent with this order; the Secretary will conduct a review to determine whether any provision(s) of this order should be revised or eliminated;

3. Except to the extent that information is disclosed in this order, we grant the various motions for confidential treatment of information filed in this docket; and

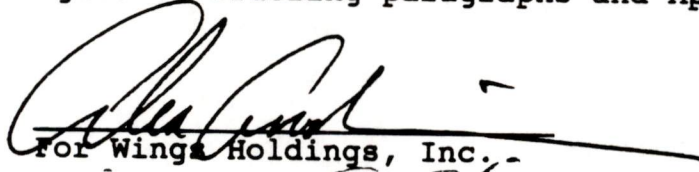
4. This order shall become effective ten days after service.

By:


SAMUEL K. SKINNER
Secretary

(SEAL)

Agree to ordering paragraphs and Appendix A:


For Wings Holdings, Inc.


For Northwest Airlines, Inc.

FINANCIAL FITNESS FILING REQUIREMENTS

A. Forecasts and Budgets

1. Annual budgets of NWA, Inc., and Northwest by month for the upcoming fiscal year setting forth the principal assumptions upon which the budget is based, and a comparison of the current year-to-date financial results against previous budget projections. This material, which is to be filed with the lenders pursuant to Section 8.01(e) of the credit agreement shall be supplied within 75 days of the beginning of each fiscal year.
2. A consolidated plan updated annually for each of the next five fiscal years for NWA, Inc., and Northwest which includes forecast consolidated balance sheets, income statements, retained earnings statements, and cash flow statements for such periods and the amount of forecast capital expenditures for such years. Such information shall be shown with respect to each quarter of the first fiscal year covered by such plan. This material which is required to be supplied to lenders pursuant to section 8.01(m) of the credit agreement shall be supplied within 120 days after the close of each fiscal year or when supplied to lenders, whichever occurs first.
3. The annual forecasts/budgets described in III. A.1 and 2 above shall include or be accompanied by:
 - a. An overview of Northwest's present markets and traffic results (for Domestic/Transborder, Atlantic, and Pacific operations) and a summary projection of future markets and traffic results, including a comparison of forecast traffic results for the previous year against actual results.
 - b. A description of Northwest's expansion and contraction plans, identifying target markets (stations, gateways, etc.), and expected service suspension/termination dates.
 - c. A description of Northwest's strategies to achieve the results and fulfill the plans covered in paragraphs 3.a. and 3.b.
 - d. An estimate of maintenance expenditures by aircraft type for aircraft, spares, and rotables, including expenses to comply with the FAA's airworthiness requirements for aged aircraft.
 - e. An estimate of airport security, noise abatement, aircraft maintenance and aircraft modifications and related employee training. To the extent that significant new safety related costs arise, Northwest and the Department will work together to reach a mutually agreeable reporting provision.

- 2 -

f. A certification that the budgets and plans have been reviewed and approved by the boards of directors of Wings and NWA.

4. To the extent not already reflected in the filed annual forecast or budget, a list of major asset transactions (unforecast asset acquisitions or sales which during any 30-day period aggregate to \$50 million or more). Northwest shall notify the Assistant Secretary for Policy and International Affairs or his/her designee at least 10 days before the transaction occurs.

B. Financial Statements

1. Quarterly and year-end [consolidating and] consolidated balance sheets, income statements, retained earnings statements, and cash flow statements for Wings Holdings (and its subsidiaries), NWA, Inc. (and its subsidiaries), and Northwest (and its subsidiaries). The year-end statements shall be audited and accompanied by a written statement by the independent public accountants giving the report thereon. The quarterly statements are to be filed within 60 days after the end of the first three quarters of the fiscal year and the year-end statements are to be filed within 120 days after the end of the fiscal year. The required reports must also be filed with lenders pursuant to Sections 8.01(a) and (b) of the credit agreement.

2. The following items should be specifically broken out in the financial statements or identified separately to the extent they do not otherwise appear:

a. Long-term debt payment activity, with emphasis on payments on LBO debt, showing cumulative interest and principal paid-to-date.

b. A summary of capital expenditures (or receipts from divestitures) for equipment, service expansion, airport construction, etc.

c. Actual maintenance expenditures for aircraft, spares, and rotables, by aircraft type, including expenses to comply with the FAA's airworthiness requirements for aged aircraft. Such expenditures should be compared to the projected expenses for these items, and any differences should be explained.

d. Actual expenditures for the items covered by paragraph A.3.d. of this Appendix. Such expenditures should be compared to the projected expenses for these items, and any differences should be explained.

3. Copies of "NWA, Inc. Financial and Statistical Report" as at the end of each monthly accounting period shall be provided no later than 45 days after the end of such period.

4. A quarterly list of the number of current employees by category (including pilots, flight attendants, mechanics, other ground crew, management, etc.) compared to pre-acquisition numbers.

5. A description of any default of any covenant requirement imposed by lenders and a description of what steps are being taken to resolve the default. The description requested here shall be provided within 5 days of any lender notification of default made pursuant to the credit agreement.

C. Method of Providing Information

1. The information required by the following paragraphs of this Appendix shall be made available to DOT staff at Northwest's or its attorneys' offices in Washington, D.C.: A.1., A.2., 3.a., 3.b., 3.c., B.2.b., and B.3.

2. The information required by the following paragraphs of this Appendix shall be provided to the Assistant Secretary for Policy and International Affairs, or his/her designee, and the rules in 14 C.F.R. 302.39 relating to confidential treatment shall be applicable: A.3.d., A.3.e, A.3.f, B.1., B.2.a., B.2.c., B.2.d., B.4. and B.5.

3. The information required by paragraph A.4. of this Appendix shall be provided as specified in that paragraph.

D. Reporting Formats and Details

Northwest's and the Department's staffs will work together and, within 60 days, will develop a reporting format that spells out the details of the provisions above. They will cooperate with each other so that the needs of the Department are fully met without imposing unreasonable burdens on Northwest.

E. Review and Sunset

1. The Secretary of Transportation will periodically review this Appendix to ensure that all of its provisions remain necessary for the Department to fulfill its responsibilities and may waive or eliminate any provision(s) as appropriate.

2. The provisions of this Appendix shall terminate six years after the service date of this order unless the Secretary of Transportation determines that continued reporting is necessary and orders such reporting.

THE WHITE HOUSE
WASHINGTON

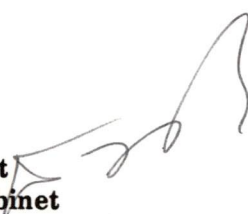
DATE: 10/2/89

TO:

GOVERNOR SUNUNU

FROM:

DAVID Q. BATES
Assistant to the President
and Secretary to the Cabinet



FYI - Sam was quite careful
at his news conference. We
will keep you posted on the
small interagency review
of the Airline LBO matter.



U.S. Department of
Transportation
Office of the Secretary
of Transportation

GENERAL COUNSEL

400 Seventh St., S.W.
Washington, D.C. 20590

file

SEP 29 1989

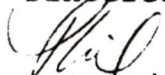
Mr. Michael J. Boskin
Chairman
Council of Economic Advisors
Old Executive Office Building
Washington, D.C. 20500

Dear Michael:

Thought you might find the attached of interest as a follow-up to this morning's meeting. This is being forwarded to you without the benefit of knowing how the financial community or the media will react but it may be of interest to note how closely the Secretary's answers to the questions posed track the themes we discussed in your office.

Hope this is helpful and thank you for the opportunity to engage in our 11th hour dialogue.

Sincerely,


Phillip D. Brady

DEPARTMENT OF TRANSPORTATION PRESS CONFERENCE CONCERNING THE ACQUISITION
OF NORTHWEST AIRLINES BY WINGS HOLDINGS, INC., DEPARTMENT OF
TRANSPORTATION, WASHINGTON, DC, FRIDAY, SEPTEMBER 29, 1989

X-5-1 page# 1

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PARTICIPANTS: SAMUEL SKINNER, SECRETARY OF TRANSPORTATION; ALFRED CHECCI,
PRESIDENT WINGS HOLDINGS, INC,

SEC. SKINNER: Good morning. I'm here with Mr. Checchi, who I'm
sure is familiar to many of you. And I have a brief statement, then
we'll -- Mr. Checchi may want to say a word or two. And then we'll
entertain a few questions.

Ever since Wings Holding and Northwest Airlines announced their
merger agreement, the Department of Transportation has been required
by law to determine whether the acquisition and after the
acquisition in recapitalization Northwest would remain fit to
provide safe, reliable service and would continue to be controlled
by US citizens. This is a common procedure that the Department goes
through in transactions of this magnitude on a regular basis.

Throughout this entire process, the representatives of Wings
and Northwest have been extremely cooperative in responding to the
Department's many detailed requests for information. And they have
made their experts and owners available to us on numerous occasions.
I would like to personally thank Mr. Checchi, who stands at my side,
and his associates for their cooperation.

As you know, I believe the marketplace knows more about the
proper capitalization of business than do government regulators. In
fact, I am a strong proponent of deregulation, and continue to be
so. I also believe that healthy airlines promote healthy
competition. Yet the questions raised by very significant increases
in debt in transactions such as this require the Department to
conduct an inquiry such as the one that we have made.

Although we intend to review several recently announced
management changes at Northwest, our inquiry is now, for the most
part, over. After an exhaustive review, the Department is satisfied
that Northwest continues to be fit to serve the traveling public.
In fact, Northwest's new owners appear to be exceptionally well
qualified to expand Northwest's operations and improve its quality
of service.

I might say that, in addition to the inquiry made by the
professionals within the Department, I have personally inquired of a
number of people concerning Mr. Checchi and his team in all aspects
of the labor movement, as well as people familiar with the industry,
and Mr. Checchi receives outstanding comments from everybody I've
talked to, not only about his past performance, but about the way he
has approached this new transaction and the type of service and the
way he's going to relate to and treat not only his customers, but
his employees, and the people that provide him gates and facilities
throughout this country and throughout the world.

DEPARTMENT OF TRANSPORTATION PRESS CONFERENCE CONCERNING THE ACQUISITION
OF NORTHWEST AIRLINES BY WINGS HOLDINGS, INC., DEPARTMENT OF
TRANSPORTATION, WASHINGTON, DC, FRIDAY, SEPTEMBER 29, 1989
X-5-1 page# 2

With that in mind, however, because we are required to make sure that additional debt does not adversely affect Northwest's ability to maintain high safety standards in the future, Northwest has agreed to make available to the Department certain financial information bearing on its financial fitness. With this information, I believe the Department will be in an excellent position to closely monitor Northwest's continued commitment to safety and their future financial viability.

After hearing certain citizenship concerns of the Department, Wings and Northwest have also agreed to take a number of steps to allay our concerns about possible violations of existing law as it relates to foreign control. They have agreed to reduce KLM's share of Northwest's total equity from approximately 57 percent to 25 percent. They've agreed that KLM will recuse its representative on Northwest's board of directors in certain specified competitively sensitive circumstances. They have also agreed that KLM's financial advisory committee will be dissolved.

Northwest has also agreed to a number of reporting requirements designated to alert the Department of any future foreign-control problems.

With these adjustments, we do not believe there is any foreign-control problem, that existing law is being complied with. I believe the Department's order which details these provisions and explains our reasoning has been, or will be, made available to you shortly.

Our airlines are our national treasure. The Department of Transportation and the **Federal Aviation Administration** has to make sure that our airlines are not only financially fit, but are maintaining the high standards of safety and maintenance that are performed. After a review of these transactions, and this one in particular, I am convinced that Mr. Checchi and his group will, in fact, make the kind of commitment necessary to maintain this high quality. In fact, they're doing so now.

As we review these transactions, we must remember we are exploring new areas where we must tread very carefully. The flow of capital between nations is important to the United States and to this Department, and we recognize that fact and will continue to encourage such foreign investment. In fact, 65 percent of the debt and equity in this transaction is from foreign sources. At the same time, we must enforce existing policies, law, and regulations to ensure that US-flag carriers remain safe and competitive within both our domestic and foreign markets. I believe our decision here accomplishes both of these objectives.

Al, you might have a word or two, and then I'll entertain some questions. I will only ask, before I ask Mr. Checchi to say anything, that each of these transactions must be considered on an individual basis. We will not entertain any questions regarding this specific transaction other than the Northwest transaction,

DEPARTMENT OF TRANSPORTATION PRESS CONFERENCE CONCERNING THE ACQUISITION
OF NORTHWEST AIRLINES BY WINGS HOLDINGS, INC., DEPARTMENT OF
TRANSPORTATION, WASHINGTON, DC, FRIDAY, SEPTEMBER 29, 1989
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because that would also violate Department policy which we are
required to adhere to.

MR. CHECCHI: I'd just like to take a few words to thank the
Secretary and his staff for the courtesy and consideration they
showed to all of us the last few months, and also to commend them on
their thoroughness. Not only did we provide every document even
remotely related to Wings, but I think a few of my high school term
papers also. (Scattered laughter.)

We were pleased to have the opportunity to exchange our views
with the Secretary and his staff. We were also pleased to receive
some clarification of certain regulations, and once we had received
those clarification, obviously, as American citizens, we are happy
to comply.

Thank you.

Q Mr. Checchi, how do you intend to raise the additional
domestic equity, and to what extent might a public stock offering be
presented?

MR. CHECCHI: Well, first of all, the phones have been ringing
off the hook with people with all kinds of ideas to provide us with
money. And second of all, I would submit that we've been pretty
good at raising money in the past, and that there are probably a
great many alternatives, and we'll just wait till the one that's
best for Northwest.

Q Mr. Skinner, you said two days ago that you would be able
to give us an explanation of the Department's policy and tell us how
it would apply to this case and to others --

SEC. SKINNER: Right. Let me say --

Q -- (inaudible) --

SEC. SKINNER: -- let me say that, first of all, we are
enforcing existing Department policies. We are doing exactly what
this Department has done for an extended period of years.
Unfortunately, because of the nature of the transaction and the
size, and because of the interest in the media, there is a
perspective being left that we are doing something new, different,
creating and making all kind of new law and policy. We are
basically enforcing existing policy that's been enforced by this
agency and the Civil Aeronautics Board before us.

As it relates to the Department's policy, as you know, the
Department's policy is -- has developed over the years.

CONTNUED

DEPARTMENT OF TRANSPORTATION PRESS CONFERENCE CONCERNING THE ACQUISITION
OF NORTHWEST AIRLINES BY WINGS HOLDINGS, INC., DEPARTMENT OF
TRANSPORTATION, WASHINGTON, DC, FRIDAY, SEPTEMBER 29, 1989
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PARTICIPANTS: SAMUEL SKINNER, SECRETARY OF TRANSPORTATION; ALFRED CHECCHI,
PRESIDENT WINGS HOLDINGS, INC,

I will be testifying next week before the House and the Senate
committees. At that time, and prior to that time, I will be
preparing and reviewing with the White House and other interested
departments in the interagency process, what the Department's
current policy is, and we will release that policy hopefully as soon
as we've gone through all of that approval process. Deputy
Secretary Chao will be in charge of making sure we have done that.

But what we will be doing is restating the Department's policy
in these areas, and I think there is then some misunderstanding
concerning the Department's policy or some lack of knowledge because
you've never had to focus on it before. I think once the American
people and the investment community focus on our policy -- which is,
number one, safety; number two, enforce current federal law
regarding foreign ownership and control; and number three, do
everything we can to encourage the free flow of capital between this
country and other countries throughout the world -- you will see,
once you've looked at that policy, that it is merely a reaffirmation
of existing policy.

Q Well, Mr. Skinner, aren't you -- did you have -- is this
another or -- is another kind of precedence that people can look to
that has some -- (inaudible)?

SEC. SKINNER: I think if you look at the action today, and you
look at prior precedent in the Department, you will see they were
totally consistent.

Yes, ma'am.

Q Mr. Secretary, could you expand on your concerns about
the acquisitions in the airlines where so much money --

SEC. SKINNER: Well, again, as I would only indicate, that
recapitalization of an airline with an influx of capital, but more
importantly, of new management, is not bad, and in many cases -- in
fact, I would suggest, most cases -- it is good. It brings a new
management team in; it brings the ability to, for investors, to
recapitalize their investment; and it allows a fresh brush. At the
same time, we have to make sure that there's no compromise on
maintenance or safety or nor any violations of federal law.

Mr. Checchi is probably in a better position than I am to talk
about the advantages of capitalization and recapitalization in an
airline because he is a very successful, from what I've learned, very
successful businessman, who's now part of an airline team and has a
lot of experience in two other industries, I think some of which

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were involved in recapitalization. So, Al, you might want to comment on that.

MR. CHEDOMI: Well, I certainly don't hold myself up as an industry expert. I think, though, for any financial officer has to realize that -- and has to manage the cost of capital. And equity capital is substantially more expensive than debt. And so that the -- to the point that is prudent, it is imperative that a company finance itself with as much low-cost debt relative to equity and in setting a capitalization policy for Northwest, basically use the same kinds of techniques that we did at -- I was at three places, Marriott, Bass Brothers, and Walt Disney -- which is to make a reasonable projection of expected cash flows. Then to put in a huge downside. In the case of Northwest, we assumed a recession on the order of the one that occurred in 1981-82, and we assumed that that recession occurred in 1990, which was about the time as it could occur.

Then we layered together our capitalization. As you can see, particularly compared with other acquisitions that have occurred in this decade, ours was very heavily equity-laden. Second of all, it had no what we call high-yield or junk bonds, which are extremely expensive. Third, it contained only senior bank financing, which I consider to be the most conservative; and I guess, as a last part of that, because of the peculiarities of the revenue stream of Northwest, where there are a lot of foreign currencies, we were able to do our borrowings at a weighted cost of somewhat less than 10 percent. This permitted us, going in, to start out with cash coverage of all fixed costs of almost two times, which we felt was quite conservative.

And it is very difficult, however, to take ratios like this and apply them to all industries or to apply them to all companies within industries. In the case of Northwest, it had a profile that it was going to grow very quickly and had a commanding position in the Pacific. It was completing a consolidation in the domestic, which will allow it to expand rather aggressively. In other words, they're completing the three-year merger of Republic and the old Northwest-Orient.

Thirdly, this was a company that had a great deal of equity hidden in its airplane orders -- almost a billion and a half dollars. So that this whole field of what is the proper capitalization of an airline is not one that I think -- I approve or agree with the Secretary's approach, which is that he has to look at each company on a single basis. You just can't look across the board at a bunch of ratios. And I like to think that we were intelligent in the way that we approached it at Northwest.

STAFF: We have time for one more.

SEC. SKINNER: One more question. Yeah?

Q Mr. Secretary, the 25 percent figure, which will be the amount of KLM's participation and total equity, what is so magic

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X-5-2-E page# 3

about that figure? Do you want that to stand as a precedent, as a message to others that are out there? Or is it peculiar to this case?

SEN. SKINNER: Well, as I said, each case has to be analyzed on its individual merits. Mr. Cherchi has just indicated that such capitalization by the investment bankers is analyzed on an individual case. We had issues that we believe in the area of foreign ownership and control that we had to address. We think we've addressed those in a professional way. We think this transaction has been dealt with in a professional way. We are -- it is like saying, you know, debt equity, ratios and saying a debt equity ratio of over 9.9 is wrong, and if you go the other way it's right. Every company is individual. Every one of these transactions will be analyzed on an individual basis. This is the result of this transaction. It's consistent with Department policies. To the degree that this consent order is a precedent, which it traditionally is in Department, what is contained in there for these facts is precedent, but every situation must be considered on its own merits. Thank you very much.

END

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THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

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November 16, 1989

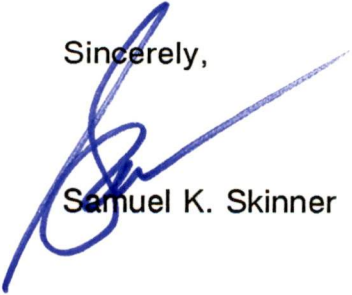
The Honorable John Sununu
Chief of Staff
The White House
Washington, D.C. 20500

Dear John:

Pursuant to our discussion the other day, I wanted to get you a copy of the current draft of the National Transportation Policy. We are still working with Dick's people and the other agencies to address their concerns. It's not final -- but it's not bad.

I've also enclosed a couple of articles on what some of our trading partners are doing to rebuild their infrastructure; thought you might find them interesting.

Sincerely,


Samuel K. Skinner

Enclosures

DRAFT

November 3, 1989

DO NOT RELEASE

MOVING AMERICA:

New Directions, New Opportunities

Volume 3:

A Statement of National Transportation Policy

CAVEATS

1. This is a preliminary final draft. It reflects comments of the core group on Draft 2.
2. This report will be edited and appropriate photos and charts will be integrated with the text.
3. This draft is for internal governmental review only. *It is very important that this document not be released.*

THE WHITE HOUSE
Washington, D.C.

January 7, 1990

Dear Reader:

It is the responsibility of each generation to renew the foundations of society--to take all that we have learned, the mistakes we have made, our progress, and our potential, and apply this experience to shaping tomorrow.

Our fathers and mothers made an investment in the future that has paid us a handsome return and provided us with a higher quality of life than they enjoyed. The institutions they created, the new technologies they developed, and the transportation systems they built formed the foundations for a society far different from the one they inherited. The time has come to ensure that the legacy we inherited is passed on to future generations, along with the foundations for a better tomorrow.

In the next 30 years, it must be said that America rebuilt its economic machinery and balanced its budget and trade deficits. In 30 years, history must record that we took charge of our destiny and left a new generation with a better environment, a higher quality of life, and greater opportunities. Transportation can be--must be--a vital change agent to build this legacy. It must be an integral part of our investment in America's future.

To set the stage today for meeting our responsibilities and our obligations to future generations, the Department of Transportation, with the help of thousands of Americans who participated in the Department's outreach efforts, has given considerable time and attention to rethinking our transportation programs and policies. The result, this Statement of National Transportation Policy is an ambitious, action-oriented plan for transforming our Nation's transportation system to meet the needs of the 21st Century.

Thirty years ago, President Eisenhower's goal in establishing the Interstate Highway System was to "Unite the Nation" in the way that only effective interchange of people and goods can provide. The Interstate Highway System is now virtually complete, and we have fine transportation facilities in place in other modes. On the ground, over the waterways, in air and space, our mission for the next decade and the next century is to build on those achievements, to ensure connections between all parts of the United States and the world. Our success in competing in a global economy depends on it.

Sincerely,

George Bush

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STATEMENT OF THE SECRETARY OF TRANSPORTATION

As we enter a new decade and prepare for the 21st century, the United States must renew its commitment to maintaining our transportation system as the finest in the world. Our economic vitality and quality of life depend on safe, efficient transportation for all people and communities, to carry passengers where they need to go and move the vast quantities of goods we produce and consume. Clearly, an investment in transportation is an investment in America's future.

Ultimately, we must find additional resources to rebuild, improve, and expand the transportation system, not just relying on the Federal government but working also with state and local governments and the private sector. Before devoting those additional resources, the American people must be convinced that existing resources are being used wisely and well. This means above all that the Federal government must fully and effectively use those transportation revenues already in hand--the transportation trust funds.

And there are other ways we can use existing transportation resources more wisely--by better managing the transportation facilities we have, by giving state and local governments greater flexibility in using Federal transportation funding, by freeing up the private sector to compete and to make productive investments, and by using innovative new private and public sector financing techniques.

These are significant changes and they will not come easily. They can only be carried out by renewing and reinvigorating the partnership in transportation among all levels of government and the private sector. Local, state, and Federal governments, together with transportation providers and users, must surmount past differences and work together to ensure that we have in place the transportation system the Nation will require in the future. The main objective of this National Transportation Policy Statement is to set out the Policy Agenda that can accomplish these goals.

The challenges we face as a Nation are not easy ones. They call for economic, financial, technological, institutional, and behavioral changes that may be hard to accomplish. We must anticipate and respond to the increasing demands for improved transportation and an improved quality of life. Concerns such as congestion, deteriorating infrastructure, and inadequate transportation capacity reflect complex factors that reach well beyond transportation, and actions to address them will also have effects beyond transportation. Developing faster, more efficient and convenient transportation service can conflict with preserving the quality of the environment, the character of our communities, and wise use of scarce natural resources.

We cannot take a narrow approach to transportation issues; we must balance transportation and broader national goals.

Our focus must be on moving people and goods--not vehicles and modes. We must ensure that the transportation system can fulfill its essential role in supporting U.S. economic growth and competitiveness, and maintaining national security. In serving that objective, transportation policy should emphasize transportation performance and productivity, rather than construction and spending. We will have to devote time, energy, and resources to the most effective means of reaching those objectives. Flexible, innovative approaches to both public and private financing and management will be the key.

The next decade will be a watershed in the history of transportation in America. This is a time to face the challenges of a changing society, a changing economy, new technology, and new roles and opportunities for all the members of the transportation community. In the near future, the Congress will be considering reauthorization of the Federal aviation, mass transit, highway and highway safety programs. Those reauthorizations provide a chance to renew the transportation partnership, recognizing the increased responsibilities and capabilities of the state and local and private sector partners. The legislation must restructure that partnership, and give other levels of government the flexibility, the responsibility, and the tools they need to address critical requirements in transportation. Those principles of mutual interests and mutual responsibility for transportation extend well beyond the Federal-aid programs the Congress will take up in the coming years. The need to join in partnership with other levels of government and private industry extends to all modes and all aspects of the transportation system.

This document is the culmination of almost a year of effort by many groups and individuals inside and outside the Department of Transportation who are concerned about the future of transportation. At hearings and seminars throughout the country, representatives from state and local governments, the transportation industry, manufacturers and suppliers, labor, public interest groups, and the academic community, as well as private citizens, discussed their views of the Nation's transportation problems and possible solutions. I deeply appreciate their contributions, and they have served a critical role in developing this policy statement. I look forward to working cooperatively with the Congress, with all levels of government, with citizens and industry, to put a sound, balanced multimodal transportation policy into effect.

The Policy Agenda presented in this document is built on six key themes. I am confident that this Agenda can lay the foundation for moving together to meet the challenges of the future. In partnership, we must work toward that goal.

Samuel K. Skinner

POLICY AGENDA

WE WILL REBUILD AND EXPAND THE NATION'S TRANSPORTATION SYSTEM.

The transportation infrastructure is the foundation of the Nation's transportation system, and it must serve the needs of the American people, including citizens and businesses, urban and rural communities, young and old, minorities, disadvantaged and disabled individuals.

We must maintain existing transportation facilities and equipment, improve connections between modes and within each mode, and expand and build facilities where needed. The Department is particularly committed to reducing congestion in the aviation and highway systems, both through improved management and use of the systems and through enhanced capacity. The Department is committed to completing implementation of the National Airspace System Plan and a new generation of air traffic control, as well as encouraging system management improvements, peak-period pricing, and other initiatives to address congestion in urban and intercity travel.

The Nation must also make the best advantage of underutilized capacity in the overall transportation system, including the railroad system as well as public transportation services, to reduce congestion and improve the use of transportation resources. The Department will promote improved connections between modes and parts of the transportation system within Federal-aid programs, greater flexibility in the use of trust funds by Federal-aid recipients, and a stronger role for metropolitan planning organizations in programming and prioritizing projects.

WE WILL PROVIDE A SOUND FINANCIAL BASE FOR TRANSPORTATION.

We must ensure that the necessary funds will be available to support our transportation system, and that will require funding from a variety of sources. The Federal government is prepared to provide the leadership, in partnership with state and local governments and the private sector, to assure an adequate financial base for transportation. The Department supports

increased reliance on user fees to fund transportation programs, and will continuously review the level and structure of user charges to provide fair and adequate recovery of transportation system costs. The Department will also support higher levels of government spending for essential transportation needs, including spending down the balances in the transportation trust funds.

We must also stimulate increased investment in transportation by state and local governments and the private sector. Federal policies should provide greater incentives and increased flexibility in financing for other levels of government and private industry. For example, passenger facility charges at airports and tolls on highways offer significant potential as financing mechanisms where there is heavy travel demand. In addition, state and local governments and the private sector need greater flexibility to employ innovative financing options such as benefit assessments, joint development rights, and other means of capturing the value of transportation investments in fees assessed on the private firms that benefit from the services or facilities. The Nation must take maximum advantage of market principles and private sector initiatives if we are to see adequate capital investment in transportation, and a system capable of playing a productive role in the national, regional and local economies.

WE WILL KEEP THE TRANSPORTATION INDUSTRY STRONG AND COMPETITIVE.

The transportation system depends on carriers and other providers that are efficient, competitive, and capable of adjusting to changing national transportation needs. We must remove the barriers that impede productivity, and a free flow of interstate commerce. We must build on the successes of transportation deregulation, and eliminate remaining economic regulation of trucking. Federal requirements that place unique and burdensome costs on carriers should be repealed, including the Federal Employers' Liability Act and the Railway Labor Act provisions allowing secondary boycotts. We must develop a balanced national noise policy for aviation that reduces aircraft noise and limits airport use restrictions.

The competitiveness of the U.S. merchant marine must be strengthened if it is to survive and support national economic and defense needs. That effort must begin with a reexamination of Federal maritime programs, including reform of the Operational Differential Subsidy program. And in the newest segment of the transportation system, further actions are needed to foster the development of a vigorous commercial space transportation industry.

The fundamental goal must be to provide a "level playing field" for all transportation modes, by eliminating inequitable subsidies, misallocations of costs among classes of users, and other distortions that unfairly disadvantage groups of carriers or modes.

A well-qualified workforce is also critical to building, managing, maintaining and operating the transportation system, and the Federal, state and local governments must work with private industry to assure effective recruitment and training for the transportation workforce, especially minorities and women, disabled citizens, and economically disadvantaged individuals.

WE WILL ENSURE THAT THE TRANSPORTATION SYSTEM SUPPORTS PUBLIC SAFETY AND NATIONAL SECURITY.

Beyond providing for the efficient movement of persons and goods, the transportation system must also be safe and secure. Across all modes, the Department will expand efforts to improve public safety and security--better driver and operator training in all modes, increased public awareness of transportation safety matters, more effective anti-drug and alcohol programs, improved vehicle designs, and effective regulation of hazardous materials movements. The Federal government is particularly committed to a broad, cooperative, and multifaceted campaign to reduce the annual death toll on our Nation's roads and highways, to meet the President's safety improvement goals.

We must also ensure that the transportation system is prepared to meet natural disasters, such as hurricanes and earthquakes. In addition, we must maintain vigilance throughout the transportation industry to detect and interdict movements of illicit drugs, and prevent acts of terrorism against transportation at home and abroad.

In both peacetime and wartime, the Nation's civilian transportation system has a key role in supporting national defense. The Department is committed to working with the Department of Defense to identify national defense transportation needs and assure that they are met. In particular, a viable and competitive merchant marine is a major element in meeting the Nation's military sealift requirements, and the Departments of Transportation and Defense must work together to implement the President's new national sealift policy.

WE WILL PROTECT THE ENVIRONMENT AND THE QUALITY OF LIFE.

Most transportation activities have some adverse effects on the environment, but Federal transportation policy can and should

make a contribution to the national efforts for environmental protection. Catastrophic oil spills like the Exxon Valdez disaster must be prevented, and quick and effective response must be assured for those spills that do occur. The Department will implement a "no net loss" policy toward wetlands in transportation projects, and work to reduce aviation noise. To protect the atmosphere and the long-term health and well-being of citizens in the United States and throughout the world, the Nation must also take stronger steps toward improving transportation fuel efficiency and reducing motor vehicle emissions, particularly in nonattainment areas where air pollution exceeds Federal standards.

An improved quality of life also requires increased mobility and access--for the transportation disadvantaged, and those who are elderly and disabled. All Americans have the right to enjoy the full benefits of transportation, and we must assure that transportation services and facilities accommodate their needs.

WE WILL ADVANCE U.S. TRANSPORTATION TECHNOLOGY AND EXPERTISE FOR THE 21ST CENTURY.

Innovation and new technology are central to public and private efforts to prepare for tomorrow's transportation requirements. Although technological advances alone cannot solve our transportation problems, new systems combined with improved data, communications, and information technology, innovative management and financing techniques can make a significant contribution to the efficiency and performance of the transportation system. The United States has a long and proud history of breakthroughs in transportation technology, as well as innovations in management and operations. We must place a renewed focus on technology and innovation if we are to meet our transportation needs and maintain U.S. technological leadership in the world.

In cooperation with state, local, and private groups, the Department will take a lead in research and evaluation of the feasibility of promising new technologies to carry travelers in high-density intercity corridors, including such options as high-speed rail, magnetically levitated trains, and tiltrotor aircraft. The Department will also lead a cooperative effort with state and local governments and private industry to develop "intelligent vehicle/highway systems" to integrate the latest computer and communication technology and improve safety and efficiency of our Nation's highways. Many other initiatives are underway in the Federal government affecting motor vehicles, as the predominant means of transportation in the country. DOT will bring together all Federal agencies involved in research on automobiles and other motor vehicles, to improve fuel efficiency, reduce vehicle

emissions, promote alternative fuels, and increase design safety, occupant protection, and crashworthiness of vehicles.

Transportation innovation relies upon effective dissemination of information and research results. The Department is committed to enhancing and increasing availability of transportation data and research, and reinforcing the program of transportation research in the Nation's academic and business communities. Greater awareness of the opportunities and challenges in transportation and improved transportation education are both vital to the effort to build transportation expertise in the 21st century.

For the longer term, the Federal government must maintain the mechanisms for bringing together the broad perspectives of all the parts of the transportation community that has worked so well to support development of this policy document. The Department will also establish a continuing strategic planning capability, to carry on the kind of forward-looking, multidisciplinary, multimodal approach to transportation that this process has fostered.

I.

AMERICA'S TRANSPORTATION CONCERNS Highlights of the Outreach Effort

"I want to develop a transportation policy statement that responds to the needs and desires and hopes of Americans all across the spectrum. One thing I feel very strongly about is that we're all in this together. We can have a great transportation system if we work together--and only if we work together."

— Samuel K. Skinner
Secretary of Transportation

In July 1989, Secretary of Transportation Samuel K. Skinner launched a nationwide effort to develop a statement of national transportation policy. In public hearings, focus group sessions, outreach meetings, seminars with transportation experts, and numerous informal discussions, telephone calls, and letters and reports, Americans across the country voiced their concerns about our national transportation system.

Just as transportation touches the lives of every American, so the Department heard from every segment of American society--from those who live in cities, suburbs, small towns, and Indian reservations; from bicyclists, transit riders, railroad travelers, auto users, and frequent flyers; from those who labor in transportation and those who invest in it; from transportation providers and their customers; from industry groups and associations of all kinds; from retirees, disabled citizens, university professors, scientists, and transportation planners; and from public officials who face transportation issues in local, State, and Federal government.

The views that were expressed are as diverse as the people who expressed them. These views cut across markets and modes and occasionally generated strong disagreement among those who spoke at hearings. In November 1989, the Department issued a detailed summary of comments, by transportation market, in Volume 2 of the National Transportation Policy Statement, *America Speaks Out on Transportation*. This chapter presents highlights of the outreach process by presenting the views within the six policy themes set forth in Chapter III:

- o Maintain and improve America's transportation system.
- o Provide adequate financing for transportation.
- o Improve competitiveness and efficiency in our transportation industries.
- o Enhance public safety and strengthen our national security.
- o Contribute more to the quality of life for all Americans.
- o Foster transportation technology, innovation, and expertise.

MAINTAIN AND IMPROVE AMERICA'S TRANSPORTATION SYSTEM.

"Transportation is suffering from longstanding underinvestment, giving rise to a national infrastructure crisis. Nearly \$535 billion has been invested in national transit and highway systems that now must be maintained."

— Franklin White,
Commissioner
New York State Department
of Transportation

"Does the government want to cut congestion? Then ... synchronize traffic signals, provide for staggered work hours, and create incentives for commercial vehicles to deliver during non-rush hours."

— John Archer
American Automobile
Association

Across all markets and all parts of the country, the most frequent comment was that the nation needs to restore the condition of the transportation infrastructure and provide adequate capacity to meet transportation needs.

Preserving the Infrastructure

Many participants in the outreach process expressed concern about deteriorating highways, bridges, and other facilities in the transportation system. Transportation planners and engineers observed that much of the nation's infrastructure is nearing the end of its useful service life and needs major rehabilitation and replacement. They pointed out that as Americans have increased their reliance on the highways for both passenger and goods movements the highway infrastructure has deteriorated faster than originally anticipated.

Using What We Have

Throughout America, individuals suggested ways to make better use of the existing transportation system: to use shopping center parking lots for park-and-ride commuting, open more military airfields to civil use, allow flexible work-hour schedules, encourage greater transit ridership, give preference to high-occupancy vehicles in highway and air transportation, and promote greater reliance on railroads. Many called for better management of transportation capacity where facilities are crowded.

SHIRLEY HIGHWAY HIGH OCCUPANCY VEHICLE LANES Northern Virginia

The Shirley Highway high occupancy vehicle (HOV) lanes serve commuters who reside or work in the northern Virginia suburbs if they travel in buses, vans, and cars with three or more occupants. The lanes normally carry 7,000 people per lane hour as compared to 2,000 people per lane hour on the adjacent freeway. This much faster travel to work attracts people to use carpools, vanpools, and buses. As a result, the Shirley Highway HOV lanes carry more people into and out of the Washington region's urban core during rush hours than any of the several rapid rail lines that serve Washington.

Increasing Capacity

In many cities and suburbs, people experience traffic jams not only when commuting to work, but also while running errands or driving to popular recreation areas on weekends. Business and leisure travelers described the growing delays they experience in

"As it stands now, the Beltway moves people to anger, frustration and ulcers faster than it does to their destinations."

— **Charles McC. Mathias**
Former U.S. Senator
from Maryland

air travel. Several witnesses cited private and government estimates of the cost of congestion:

- o Highway travel delays in the United States now total more than two billion hours annually and cost \$73 billion in lost economic production.
- o 21 primary airports each now experience more than 20,000 hours of annual flight delays at a yearly cost to airlines and U.S. businesses of at least \$5 billion.

To relieve this congestion, people asked for greater investment in new transportation capacity. Alliance Airport, located outside of Dallas, Texas, provides one example of cooperative efforts to provide needed new transportation capacity.

ALLIANCE AIRPORT

North Tarrant and South Denton Counties, Texas

Alliance Airport is a brand new "reliever" facility built to ease the crowding at Dallas-Fort Worth International Airport. It demonstrates a forward-thinking approach to planning and providing needed transportation capacity. Cooperation among private businesses, local and Federal government allowed the airport to be built quickly. A creative financing arrangement using ad valorem taxes on business revenues covers airport operation and maintenance costs. Alliance will relieve airport congestion in the region and attract new business and hundreds of jobs.

"...we have systematically underinvested in nodes of the transportation system that link modes together and create true systems out of disparate elements. It is these nodes that continue to spawn the delays that are so aggravating and costly to the nation."

— **William Johnston**
Senior Research Fellow
Hudson Institute

Improving Connections

The outreach process yielded many examples of gaps in the transportation system that are frustrating and inefficient for travelers and shippers. People expressed a desire for better connections between urban, interstate, and rural roadways, between local streets and mass transportation networks, between air and surface travel modes, and between maritime ports and inland transportation systems. Many commenters attributed this lack of connections to the lack of an intermodal or multimodal perspective, and the tendency of policies and programs to concentrate on a single mode, without considering the interaction with other modes. Participants in the outreach process often cited the growing use and potential for intermodal transportation of goods and passengers. They called for coordinated efforts to ease transfers between rail and bus, urban transit and longer-distance travel, or airport and ground transportation.

Many of the comments about inadequate connections came from residents of rural areas. Farmers in the Midwest cited their need for links between trucks, railroads, and ports to move grain and agricultural goods from the farmlands to markets. Other rural citizens indicated that small towns need better connections to intercity rail, bus or airline systems to provide much-needed access to metropolitan centers. Some frustrated rural residents

"The task now is to frame policies and plans that make these systems work better. These new policies must have sufficient flexibility to deal with the future needs of fundamentally different networks and institutions."

- Hazel Gluck, Commissioner
New Jersey Department of
Transportation

"We are no better than the information we use to make decisions."

- Pete Corpstein, Chairman
Committee on
Transportation
Arizona State Senate

said it is easier to get to Europe by air than to reach their own State capital.

State and local representatives emphasized that better links between transportation systems require greater flexibility in Federal programs. They asked to be allowed to use a variety of transportation funding sources to provide the right mix of transportation facilities and services for their particular situation.

Planning Better

To address both immediate and long-range transportation needs, many concerned citizens and public officials called for more and better transportation planning, especially for greater sensitivity to emerging development patterns and transportation demands and a stronger link between planning and transportation decisions. Transportation professionals indicated, however, that the data necessary for good planning had been curtailed in recent years due to budget constraints and that it was important to collect new data for future planning.

PROVIDE ADEQUATE FINANCING FOR TRANSPORTATION.

"Japan has invested about 5.1% of output in public facilities and achieved productivity growth of 3.3%; at the other end of the spectrum we find the United States with a low public investment of 0.3% per year and low productivity growth of 0.6% per annum."

- David Aschauer
Senior Economist, Chicago
Federal Reserve Bank

"To fund the Federal highway program in the near term, the Federal Highway Trust Fund must be made permanent and the excess fund balance drawn down."

- James C. Harkins
Executive Director
Regular Common Carrier
Conference

"Funding must be sought outside of the traditional governmental process by looking to public-private partnerships with commensurate shared responsibility."

- Robert Aaronson, President
Air Transport Association

Many participants in the outreach process stated their belief that the United States has neglected its transportation infrastructure and that a new infusion of capital will be necessary to build and rehabilitate transportation facilities to meet future needs. No one offered a single, all-purpose means of filling the need; however, a variety of sources for financing transportation improvements were recommended.

Restoring Trust in the Trust Funds

Most industry representatives and transportation users were concerned about how their tax contributions are used and spoke of restoring the "trust" in the Trust Funds. Governor Deukmejian of California urged, "All Federally imposed transportation excise taxes and user fees must be preserved solely for transportation services."

Tapping New Financing Resources

People expressed a continued willingness to devote State, local and private monies to transportation. Some business and local interests are in favor of passenger facility charges at airports to support air service development and construction. New efforts to build toll roads through public-private cooperation and financing were also discussed.

Public officials from several States also offered other examples of successful use of transportation user fees and private investments. Many participants urged that we look to innovative options beyond traditional government spending.

TOLL ROADS Orange County, California

A public/private partnership has been formed in Orange County, California, to build three state-of-the-art toll highways. In the face of growing congestion and constraints on public funding, the County plans to build the roads with a combination of federal, state, county, and private sector funding. Landowners adjacent to the new roads are already paying special assessment fees to help cover a significant share of the roads' costs. Public revenue bonds will also be issued, to be repaid from tolls to be collected from motorists who use the roads. New toll-collection technology will be used to eliminate the need for most vehicles to stop to pay the toll. Regular users would prepay a set amount, then place a coded card in their car window. As these vehicles pass each collection point, the tolls would simply be deducted from the prepaid amount, until owners are notified that they must replenish their account.

Revising Federal Tax Policies

Some thought that Federal tax policies could help transportation financing. Representatives of both the public sector and private industry observed that current policies on municipal bonds and debt versus equity financing make it difficult for private business to raise money for capital-intensive transportation ventures.

Reflecting a widespread view, the National Governors' Association concluded that, notwithstanding a wide variety of financing sources that could be tapped, transportation requirements will continue to exceed available resources by a considerable margin.

IMPROVE COMPETITIVENESS AND EFFICIENCY IN OUR TRANSPORTATION INDUSTRIES.

Competing in the World Market

"We are watching EC'92 with great concern...We need a regulatory policy that favors the marketplace and that also allows us to respond quickly to change."

— **Woody Price, Vice President**
CSX Corporation

American shippers and transportation providers expressed growing concerns about the pressures of global business competition and the need to streamline and strengthen American transportation to maintain U.S. competitiveness in international trade. Shippers and carriers alike urged the Federal government to repeal outdated requirements that make it difficult for U.S. transportation providers to reduce their costs. This is of particular interest in the 1990's with the upcoming 1992 unification of one of our biggest markets and economic competitors, the European Economic Community.

Commenters also urged the United States to become more aggressive in international negotiations to advance U.S. transportation interests, including negotiations for greater access to foreign markets and greater uniformity in transportation

standards, especially standards for aircraft and auto safety and aviation security.

Private providers are not just asking for government action, however; they have forged ahead with creative new ideas to operate more efficiently and handle increasing international goods movements.

DOUBLE-STACK TRAINS

In the 1980's American President Lines, a marine shipping company, and Southern Pacific Railroad pioneered the development and introduction of double-stack rail equipment for carrying shipping containers. This innovative new equipment has a lower base than conventional railroad cars and allows containers to be stacked two high without exceeding the standard clearances allowed in railroad tunnels and bridges. Coinciding with the growth in international container freight, the double-stack trains initially hauled millions of marine containers of international traffic from West Coast ports to inland points or to Eastern ports for movement to Europe. Attracted by the fast and reliable service and cost savings of 25% or more, many U.S. companies are now using double-stack service to haul purely domestic freight. More than 100 dedicated double-stack trains are now operated by the U.S. railroads each week.

"We pay municipal and county property taxes to build bridges heavy enough for 48-foot-plus trailers. ... We pay income taxes in this State to support highway activities. Not a dime of that money is set aside for railway builders. ..."

-- Robert Rynerson, Secretary
Colorail

Providing a Level Playing Field

Many business interests, carriers, and concerned citizens agree that the transportation system cannot function effectively, regardless of any other actions we might take, unless the various modes of transportation are allowed to compete with each other on a more equitable basis--a "level playing field." They cited a variety of Federal subsidies, Federal regulations, and other laws that are especially advantageous or disadvantageous to a particular mode or group of competitors.

Overhauling Outdated Regulations

A widespread sentiment was that decades-old laws and government restrictions should be reexamined in light of current competitive conditions. For example, it was noted that many railroad laws were put in place before the other modes were strong competitors, and the railroad industry is still covered by these unique, burdensome Federal requirements, hampering the railroads' ability to compete for business. Also, many maritime laws date back to the 1920's and 1930's. Economists, business operators, and industry groups suggested that present transportation subsidy and user charge systems may not match patterns of use, costs, and competitive circumstances in the 1990's and that they should be reexamined.

"Before talking about level playing fields we must clear away the debris of the past. Agreement on common data requirements, sizes, weights and many industrial standards must be achieved."

-- American Trucking Associations, Inc.

"Our nation's policy should be to strengthen the relationship between government, education, and industry. We must have an education system that can deliver job-ready and job-literate young people."

-- Neil Mann, Vice President Amtrak

Facilitating Interstate Commerce

Both motor carrier and aviation interests complained that they are covered by a "crazy quilt" of local restrictions, including truck licensing and weight limit restrictions and airport noise restrictions that hurt transportation efficiency and adversely affect interstate commerce.

Assuring a Skilled Workforce

Several transportation providers observed that a highly skilled transportation workforce is also essential to the future health and productivity of U.S. transportation providers. Private business, transportation agencies, and governors and educators are pursuing means for schools and employers to cooperate in preparing the operators, managers, engineers, and technicians needed in the transportation industry for the next century.

MID-AMERICA AVIATION RESOURCE CONSORTIUM Minnesota

Recognizing the growing and specialized needs of the aviation sector for well educated and highly skilled professionals, the State of Minnesota is establishing the Mid-America Aviation Resource Consortium. The objective of the Consortium is to bring the needs of government and industry for aviation education and training together with the collegiate education systems in Minnesota and adjacent states. It will draw upon Minnesota's extensive system of colleges and universities to provide a curriculum of training for future air traffic controllers and other aviation professionals. Minnesota envisions that within three years the Consortium will influence the education of students pursuing careers in aviation on 64 collegiate campuses in Minnesota as well as others in surrounding states.

ENHANCE PUBLIC SAFETY AND STRENGTHEN OUR NATIONAL SECURITY.

Improving Safety

Americans expect the Federal government to protect transportation safety. They want to be sure that the cars, aircraft, trains, and buses they use are as safe as possible. They also want to be protected from hazardous materials transported on roads, railroads, pipelines, and other systems. During the outreach process, citizens emphasized that the government should take an active role in protecting the lives of everyone using or affected by our transportation systems.

"Over 80 percent favor stricter laws for DWI convictions, more law enforcement, stricter courts, more funding for highway safety and continued involvement of all three levels of government in highway safety. ... Highway safety still ranks as one of the highest concerns of our citizens."

- Ross Kelly
Assistant County Engineer
Spokane County,
Washington

"Human error ... is the most pervasive fundamental problem and limitation to achieving safety and efficiency in the operation of our transportation systems."

- Dr. John Lauber, Member
National Transportation
Safety Board

"Whether the tragedy (terrorism) strikes here or halfway around the world, we are all affected...we need international cooperation."

- Charles Newman
Deputy Superintendent
New York-New Jersey
Port Authority Police

Transportation accidents cost the nation an estimated \$90 billion each year in lost income, property damage, medical and other expenses. Traffic safety scientists and researchers pointed out that human error is the major cause of transportation accidents. They noted the need for tougher safety laws, better enforcement programs, driver education, as well as safety devices that can better protect drivers and passengers.

PROJECT SAFE Waterbury, Connecticut

The city of Waterbury, Connecticut, began "Project SAFE" in 1985 with a program to promote safety belt and child safety seat usage, supported by funding from the Connecticut DOT and the National Highway Traffic Safety Administration. The safety campaign soon branched out to include special campaigns to reduce drugged and drunk driving and to increase pedestrian and bicycle safety. Project SAFE has successfully brought together many different players, including the mayor, schools, hospitals, employers, police, tavern and bar owners, and twelve surrounding communities, to improve traffic safety in the Waterbury region. One indicator of its success is a major increase in safety belt usage--from 7% in 1984 to 57% in 1987.

Several experts observed that research on improving the human-machine interface offers the greatest potential for improving transportation safety in the future, especially for aviation. They pointed out that some vehicle and system designs have exceeded human capability to use the full range of features. For example, the variety of automation and information potentially available for vehicle drivers, pilots, or air traffic controllers could rapidly outstrip the ability of most people to learn and use all the features.

Supporting National Security

Citizens urged better security for U.S. citizens who travel abroad. They supported more stringent airport screening procedures, widespread use of new screening technology, improved information for U.S. travelers, and better coordination of international transportation security practices.

Another national security concern centered on stopping the flow of illegal drugs to this country. Recognizing that drug-related crimes and the need for interdiction have reached international proportions, citizens and transportation officials emphasized the need for increased efforts to track and intercept drug shipments.

Efficient, competitive transportation is also critical to the nation's military preparedness. An official from the Department of Defense stressed the importance of the transportation system to the Defense Department's ability to deploy and sustain U.S. defense forces to support national security. The decline of the U.S. merchant marine was cited as an area of major concern, due to the apparent end of large commercial vessel construction in the United States and the dwindling number of merchant mariners.

CONTRIBUTE MORE TO THE QUALITY OF LIFE FOR ALL AMERICANS.

"The automobile is as American as apple pie, but just like eating too much apple pie will make you sick, too many cars on our roads and streets degrade our quality of life..."

-- George Ivey, Jr.
Chairman of the Board
Metropolitan Atlanta
Rapid Transit Authority
Atlanta, Georgia

"The [transportation] plan must be compatible with the Nation's goals for clean air, clean water, preservation of 'green' space, preservation of wetlands, and respect for historical sites. In other words, it must be compatible with improving our 'quality of life,' and not just solving transportation problems."

-- Joseph C. Reed
Wilmington, Delaware

"There really ought to be an affordable, convenient, mass public bus and train transportation system. ... For the poor, the disabled, the elderly, the economically disadvantaged...and for people who do not know how to drive, it is a devastating problem."

-- Roberta Hallant
Laconia, Vermont

"We need to protect small gains made in providing transportation for those with disabilities and move ahead to increase their availability and fine tune them."

-- Helen Brown, Policy Analyst
American Association of
Retired Persons

Protecting the Environment

Environmental issues brought out strongly held, sometimes opposing views in the policy outreach process. Many people urged development and use of more environmentally sound transportation vehicles and modes of transportation. Transit and rail service were particularly cited as offering environmental benefits over auto and truck travel.

Many transportation providers and public officials sought a better balance between transportation and environmental goals. Some comments suggested that present environmental policy should be maintained, while others proposed stronger policies to protect the environment and yet others argued that some environmental policies are too restrictive.

More people are now aware of catastrophic oil spills in our ports, inland waterways, and oceans and how these spills affect our wildlife, natural environment, and the quality of life. In the wake of the Exxon Valdez spill off the coast of Alaska, many observers called for more Federal action to prevent oil spills and to ensure effective clean-up of those spills that do occur.

Citizens are also concerned about noise from nearby airports and highways. Neighborhood representatives noted noise as being disruptive to many activities, although airline officials observed that Federal efforts have significantly reduced aircraft noise around airports over the past five years.

Extending Mobility to All

The mobility that characterizes our Nation is not fully available to many Americans. Witnesses at the outreach hearings spoke often of the need for government and transportation providers to make greater efforts to extend the benefits of transportation to those who have not been well served. The elderly population, which is growing rapidly and has special transportation needs, wants transportation systems that are easier to use, such as longer time cycles for pedestrians at intersections and better-lit and easier-to-read highway signs.

Many citizens asked that vehicles of all kinds--buses, automobiles, aircraft, and railcars--be made more accessible for the estimated 43 million Americans who have some physical handicap or disability. Disabled citizens cited a lack of appropriate transportation as the chief barrier to getting jobs and being fully productive members of their communities. There was wide support for Federal legislation guaranteeing the rights of the disabled. Examples were provided of successful efforts to serve disabled and elderly travelers, such as those of the Seattle Metro Transit System.

METRO TRANSIT SYSTEM
Seattle, Washington

Ten years ago Seattle's public transportation system made a commitment to provide a mix of public transportation options for the disabled. It installed lift equipment in buses operating on regular fixed routes, coordinated non-profit van services in sparsely populated areas, and provided subsidies to the disabled for taxi service where transit cannot accommodate them. One element in the continuing success of the system is the team of representatives from labor unions, the disabled population, METRO management, and specialists serving the disabled who give ongoing advice to improve the system.

**FOSTER TRANSPORTATION TECHNOLOGY,
INNOVATION, AND EXPERTISE.**

"Technology is an essential tool in addressing transportation problems. Dedicating resources to research and development is the only way we can hope to anticipate the future and gain a competitive foothold in the next generation of transportation technologies."

— Kay Orr
Governor of Nebraska

Developing New Transportation Technologies

Americans are excited about the possibilities of new transportation technology--for new high-speed passenger rail service, hypersonic planes, tiltrotor aircraft, magnetically levitated trains, global positioning systems for air and marine navigation, and Intelligent Vehicle/Highway Systems. Twenty years after man's landing on the moon, people are also thinking about the possibilities for greater use of space transportation for a growing range of commercial and industrial activities, including communications satellites and scientific research.

SPACEPORTS IN FLORIDA AND HAWAII

Both Florida and Hawaii are developing commercial space centers. A center for R&D and commercial applications, including a satellite launching facility, is taking shape in Florida. This joint effort of the State of Florida, Brevard County, universities, business, and the Federal government will be a fully equipped facility for commercial and civil launch services and payload processing. The State of Hawaii is also proposing a commercial space launch facility. Its location near the Equator makes Hawaii well situated for equatorial as well as polar orbital launches.

Many participants shared the view that the Federal government should promote innovation in the transportation sector, creating an overall climate for new ideas and new approaches in transportation. While recognizing the limits on budget and resources, most commenters still see the Federal government as an important catalyst for research and development. They

wanted a greater share of Federal dollars to be devoted to that effort.

Applying Research Tools and Results

People know technology is changing the way they live. Many recognized that needed technical advances will not occur without continued research and supporting facilities and equipment. They urged the government to support investment in applied technology and costly research tools such as wind tunnels, specialized computers, and vehicle simulators. Some stressed the need to do a better job of getting research results to those who can apply them.

Expert witnesses and private citizens alike noted that there must be a conscious balance between technology and human ability to use it safely and productively. The National Transportation Safety Board cautioned that advanced transportation systems seem to invite new forms of human error, often leading to gross blunders rather than the relatively minor errors associated with traditional systems. Others noted that high-technology equipment coming into use in transportation will require greater job skills; they called for greater attention to workforce training, compensation, and working conditions to ensure that the transportation sector will have the human expertise to match emerging technologies.

Summing Up

Many people took the time to write, call, or speak about parts of the transportation system that affect them. Through their participation, they brought out the significance of the government's transportation decisions on the day-to-day lives of Americans. They offered comment not as complaints but as suggestions for improvement. Proposals were creative and forward-thinking and they reflected needs and values important for all America. In this Policy Statement and in the actions that follow in future years, the Department of Transportation is committed to developing and carrying out transportation policies that do justice to the good faith and optimism of these many Americans.

II.

CHALLENGES AND OPPORTUNITIES Our Vision for the Future

The Nation's vitality has always been linked to movement--from immigrants coming to our shores to wagons moving West, rail lines spanning the continent to ships and planes fanning out across the oceans, and now vehicles reaching into space. Transportation acts as an engine for economic growth, and a link between the regions and the businesses and the people of the Nation and the world. Americans have moved farther, gone faster, and made more progress as a nation than any other society in history. Our transportation system, the symbol of that movement, will drive our growth, foster our freedom, and signal our success in forging solutions to the social and economic challenges we face. America's success in building and developing transportation is a proud accomplishment. Through our combined talents and resources, transportation will be tomorrow--as it has always been in the past--integral not only to the way we live but also to building a better America to meet the challenges of the future.

WHAT WE HAVE ACHIEVED.

After more than 100 years of industrial and technological development, the United States has a mature transportation industry. The basic technology for railroads, shipping, highway vehicles and mass transit were developed decades ago, and those systems are familiar today. The array of airports that began growing with the beginnings of commercial flight in the 1930's is now well-established and as heavily used as any part of the national transportation infrastructure. In 1956, President Dwight D. Eisenhower initiated the nationwide system of national Interstate and Defense Highways--our "Interstates"--for the first time creating a unified network of roadways designed for high-speed, efficient, safe motor vehicle travel across the country. Today, that system is virtually complete.

Now the focus must shift from the accomplishments of the past to the challenges and opportunities of the future, from building the system to adapting and modernizing transportation facilities and services to support economic growth, improve the quality of life for all Americans, meet the competitive demands of the international marketplace, and contribute to our national security.

THE CHALLENGES WE FACE.

Demands on Transportation Are Growing and Changing

Our transportation system faces great challenges in the coming decades--increased competition from abroad, budgetary constraints, growing demand for mobility, an aging population, and continued shifts in urban and regional settlement patterns on top of existing record-level transportation needs.

We face new and far more complex patterns of trade and commerce which drive transportation demand. The Nation's economy is increasingly dispersed, with the rise of more service-based industry, the spread of population and commercial and industrial activity into suburban and rural areas, and the emergence of centers of growth and development in the South and West to match the North and East. Beyond the growth and shift in population, the trend toward smaller households and different lifestyles generate diverse mobility needs. Not only are transportation policies and investments influenced by these patterns, but transportation also plays a major role in reshaping the patterns.

As job markets shift, and households relocate to different parts of the country, family circles are stretched across the continent, and people are traveling longer distances. The increasing number of people vacationing and working in other countries has the same effect on international travel: airlines have seen huge growth in passengers moving between the United States and Europe, Asia, and the other continents of the world. In business and industry, domestic companies that span the country and multinational corporations that span the globe require long-distance personal travel, and also change the patterns for movement of freight around the world. Exports account for a substantial share of annual U.S. production, while imports from other countries are playing an increasing role in U.S. markets. Such cargoes must be handled by some form of transportation across the oceans and across our borders, and in most cases by more than one mode. Not only basic transportation services but also intermodal connections have to work smoothly, requiring a shift in traditional ways of doing business.

Competition Creates Increasing Pressure for Productivity

Along with the aging of the population and the slowing growth in the work force, the challenges of global competition place an increasing premium on productivity gains to maintain the U.S. standard of living. The move toward a single integrated market in Europe in 1992 highlights the importance of remaining efficient and competitive. Strong international and domestic competition increases the pressure on all sectors of industry to improve efficiency, maintain high quality goods and services, and at the same time save on costs and resources. The consequence of not staying competitive is to lose business to foreign rivals.

For manufacturers, the competitive pressures have created a movement toward "just-in-time" production--goods do not arrive until just before they are needed in the manufacturing process--to

Lifestyles Are Altering Attitudes and Expectations

cut the cost and inefficiencies involved in holding large levels of inventory. For carriers, that means an increasing emphasis on fast and reliable service. Leaner industrial operations dictate leaner transportation service, and increasing flexibility in both sectors to accommodate change on short notice.

Transportation providers must also adapt to natural resource constraints and costs. Energy is only one precious resource to be conserved. Scientists warn us that for the short term and the long term we must protect our air, water, and other natural resources if we are to have a livable environment for the future.

Many economic and technological changes are transforming the day-to-day life of American households, and altering the demands and challenges facing transportation. Increased awareness of other people and places, and increased global economic activity, create a greater interest in travel and greater demand for cargo movement to world markets. The development of computers, telecommunications, and other new technologies also creates an increased interest and incentive for building new systems and expanding our capacity for speed in transportation. At the same time, Americans share a heightened awareness of the importance of the environment and the close interaction between transportation activities and air and water pollution, use of energy and other environmental resources.

The relative technical and financial capabilities of the Federal, State and local governments and private interests, their evolving institutional traditions, and the competing priorities for their resources have also altered people's sense of the responsibilities and appropriate role for the private and public sectors. Changes in overall attitudes and expectations affect transportation along with the other functions of the economy and of government.

THE OPPORTUNITIES TO TRANSFORM TRANSPORTATION.

New Transportation Technology

There are many opportunities for the Nation and for transportation as we move into the 21st century, including new technology and innovative management and financing techniques developed by both the private and public sectors. Advances in human factors engineering, microelectronics, computer technology, and new materials offer considerable promise for improving transportation construction and operations.

We may soon see "intelligent vehicles" operating on "intelligent highways" that permit monitoring the location of traffic, guiding vehicles to less congested routes, controlling their speed, maintaining vehicle spacing, and reducing delays and accidents. Within the next 30 years, these systems may evolve into full-scale automated highways.

For trips of 100-500 miles, high-speed rail or electric-powered, magnetically levitated trains, already in operation or under development in Europe and Japan, may provide an economical

alternative for passengers to move directly between major city centers in heavily traveled corridors. Tiltrotor aircraft, which combine the helicopter's capacity for vertical take-off and landing with the comfort and cruise efficiency of turboprop airplanes, have also been proposed as an alternative means of moving people between relatively close cities. For long-distance international travel, a new generation of long-distance aircraft which could travel at more than five times the speed of sound is on the drawing boards.

New systems will augment but not supplant the systems we are using today. Technical improvements will continue to be made to familiar transportation systems and vehicles, to make them safer, more fuel efficient, environmentally less damaging, and more economical to operate. For example, improvements are being developed for freight transportation, including faster, more fuel-efficient ships, railroad locomotives and equipment, and more fuel-efficient and lower-polluting trucks.

Advances in Telecommunications

Computer and telecommunications technology have led to unprecedented gains in the ability to organize and manage transportation operations, from coordinating employees' schedules to tracking goods and dispatching vehicles. The U.S. has led the world in developing a satellite-based Global Positioning System to check the position of vehicles and cargoes on the highways, railroads, and shipping lanes. Yet we have only scratched the surface of the potential of electronics to help route vehicles more efficiently and safely. Better communications through electronic data transmission are producing better information, better control, and more efficiency.

At home and in business, new applications of video and data technology will open a wide variety of options, allowing more people to work at home and carry out other activities with less travel. The President's \$2 billion high-technology initiative, announced in September 1989, will vastly increase our communications and information systems capabilities by developing a new high-performance computing network linking the country. We will soon see fiber optics transmit electronic data and images across the Nation at a speed equivalent to 50,000 typed pages per second. Such a network will permit the calculations necessary for more sensitive weather forecasting, and will improve the control and operation of advanced aircraft.

Innovations in Management and Financing

Innovative approaches to financing and managing transportation are emerging that offer great promise for improving the efficiency with which we use our transportation system and for attracting additional investment to transportation.

State and local governments and the private sector are finding new ways to work together to solve their shared transportation problems. For example, many state and local governments across the country are working with the private sector to build new highways as toll roads, with private sector involvement ranging from financing and management of the construction to ownership and operation of the roads. Innovations in air cargo

and parcel delivery services set the standard for other transportation providers. Improved techniques for operating and marketing transportation services have been introduced in the 150-year old railroad industry. Integration of trucking companies, shipping lines, and air carriers has improved the productivity and attractiveness of many services. Public transportation is following the lead of the private companies with new types of service and fares to increase revenues and ridership; and major corporate employers are working with transit systems to encourage employees to use transit. "Value capture" is being used more widely so the public sector can, as the term implies, capture some of the value of investment in highways and transit systems through special assessments on adjacent land and business owners that can be returned to the transportation system. And both the public and private sectors continue to find that pricing can be used in new ways to deal with peak-hour congestion and other transportation problems.

A Vigorous Private Sector

The vigorous, competitive transportation industry continues to be the preeminent source of the mobility that Americans enjoy and the major source of innovation and advances as we look to the 21st century. Private companies and individuals use the flexibility of the U.S. economy to adapt and respond to the diverse demands of consumers and the entire economy.

Since the late 1970's, transportation providers have been released from the hobbles of Federal economic regulation, unleashing creative and competitive energies in the transportation industries on a scale not seen since the boom years when railroads and planes and motor vehicle technologies were new. In the 1980's, previously regulated transportation companies, almost across the board, have introduced innovations in service, route systems, fares, and operating strategies unprecedented in modern transportation history. They have become more efficient, as they now have the incentive and the flexibility to pursue productive and profitable investments--investments to meet service demands and also help make their operations safer.

Traditional distinctions and even barriers between modes and types of service are being broken down to provide a major spur to improvements and cost reductions in transportation service. That process will continue as Federal, state, and local barriers to more efficient, service-oriented transportation issues are eliminated. One of the greatest opportunities for improving transportation efficiency and service in the future lies in maintaining and extending regulatory flexibility for the private sector. The same forces also free greater financial resources for investment in transportation.

The Tradition of an Intergovernmental Transportation Partnership

Transportation has benefited from a long tradition of Federal-state-local partnership, a partnership which has built and maintained most of our highways, airports, and public transit systems. That partnership represents a foundation we can build upon to create the transportation system we need for the future. The key will be to make sure that the terms of the partnership

allow each partner to concentrate on the activities for which it is best suited.

OUR VISION OF TRANSPORTATION IN THE 21ST CENTURY.

Working in common, we can far exceed our past accomplishments, meet the emerging challenges, and draw upon our many opportunities to create a superb transportation system that will advance our goals as a nation.

With greater resolve, hard work, and a renewed spirit of partnership, we can carry out a revolution in the way that transportation works. What will the changes mean? To see transportation as a positive force, not a cause of irritation and inconvenience. To achieve greater control over the negative effects of transportation. To reach a better balance between our desire to travel cheaper, smoother, and faster and the cost of transportation to our environment, our communities, and our urban and rural landscapes. To value the contribution that transportation makes to our lives. To achieve greater access and mobility for all members of society. To better include young and old, economically and socially disadvantaged, minority, and disabled people in the freedom of movement America has always represented.

We will build on today's base.

In the 21st century, the basic function of transportation will remain the same: to move goods and people where they need to be, on time and at an economical cost. But we will do it better and with greater reliability and we will overcome the problems that people have with today's transportation. Congestion on city streets and at busy airports will be reduced, as a result of better traffic management and judicious expansion of our airports, highways, and transit systems. The increasing trend in transportation accidents and fatalities will be arrested and reversed through vehicle improvements, better safety enforcement programs, and commitment on the part of all sectors of society to more responsible driver behavior. Our cities will come into compliance with clean air goals through a combination of new motor vehicle technology, alternative energy sources, and less profligate use of the private automobile. These same measures will bring greater energy efficiency and reduced reliance on petroleum imports.

We will extend mobility to all Americans.

Commuters and tourists, school children and shoppers will be better able to get to their desired destinations safely, conveniently, and economically, without undue traffic congestion or delay. An elderly citizen who cannot drive, a blind person commuting to work, or a wheelchair-equipped homemaker will have improved access to stores and jobs, medical facilities, educational, recreation and entertainment activities. Passenger stations and transportation terminals will be cleaner, more attractive, and secure stopping points for the Nation's travelers.

Fuel-efficient, resource-conserving public transportation alternatives (rail, bus, and demand-responsive transit) will be

We will achieve a seamless flow of commerce.

available, comfortable, efficient, and attractive enough to draw large volumes of riders. And people will be better able to move from home or work to transit or train stations, and on to airports or other long-distance travel options, without encountering frustrating gaps between the different modes.

For shipments of freight, there will be a "seamless" flow of commerce, eased by effective connections between local and national transportation systems, between modes and carriers. With efficient transportation service, American companies will be able to count on having their goods delivered in domestic and international markets at the times they are needed and at economical prices.

We will strengthen our national security and technological leadership.

For the Nation's defense needs, a sound and smoothly operating transportation system will support future U.S. economic and military security in the world. With far fewer concerns about safety, quality of service, convenience, international terrorism or other failures in our transportation system, travel and tourism will thrive.

Transportation will become a proud example of modern industry--quality service, high technology, effective operation, and a respected field of employment. Space exploration and development of its opportunities will flourish hand-in-hand with a healthy, innovative, commercial space transportation industry.

We will meet our needs through a new partnership.

With the freedom and incentive to apply their energy and creativity, private companies, individuals, communities, and State and local governments will find new ways of solving problems. Instead of being seen as the cause of rigid regulation and unreliable funding, the Federal government can be an instrument for providing leadership in addressing national issues and national interests, for coordinating among various groups and individuals, for gathering and disseminating information, for equitably collecting and disbursing revenues for programs of national concern, for listening to views and giving voice to interests that might not otherwise be heard, and for guiding transportation on a course that is sensitive to economic as well as other national goals. That is the course we mean to take.

Our Nation's continued economic success depends on our ability to meet this vision. The new directions offered in this policy provide the framework for moving America on that course into the 21st century.

III.

NEW DIRECTIONS National Transportation Policy

Economic growth and increasing travel create transportation needs for the 21st century that eclipse our present public and private sector programs for addressing them. As a nation, we must find new energy and new means for addressing those needs. Transportation will be competing with many other interests for the Nation's attention and investment, and those interests must all be weighed in our national policies. But we can achieve a sound, safe, efficient and modern transportation system, if we recognize how essential it is to our future, and if we marshal our resources to reach that goal. We have vast assets in this country--land and raw materials, structures and other investments in the built environment, as well as human and financial capital. The measure of our society is our ability to use those resources to meet our goals. The world is changing, and many challenges lie ahead. Not all the solutions can come from the Federal government, or from the transportation sector alone. We need the help of all the partners in addressing the challenges--state and local governments, private businesses, academic institutions and interest groups, communities and individuals. We need to broaden and revitalize that transportation partnership, and tap new sources of ideas and capital. The measure of our Federal policies will lie in their success at unleashing private and public resources to meet society's needs, in a way that is sensitive to the interests of efficiency and fairness, safety and security, conservation of energy and the environment.

The Public-Private Partnership in Transportation

Transportation is a shared responsibility between the private and public sectors--the Federal government, state and local governments, regional agencies and authorities, quasi-public entities, and private interests. Together we have made an enormous investment in transportation, estimated at close to 5 trillion dollars for the total value of public and private vehicles, facilities, and basic infrastructure as we approach the last decade of the 20th century. The public share of the Nation's capital investment in transportation--roughly \$800 billion in fixed capital assets and vehicles--is only one part of the total represented by all the facilities and vehicles owned by the country's citizens and businesses.

The Federal government has a major role in ensuring the safety of the national transportation system, monitoring its condition and performance, and collecting and distributing revenues. Some transportation programs are operated directly by the Federal government, such as the air traffic control system and Coast Guard service within the Department of Transportation, and harbors and inland waterways under the U.S. Army Corps of

Engineers. But all those Federal activities are part of a larger partnership in transportation, with State and local governments, private business firms, and individuals.

State and local governments have a substantial role in transportation. They provide the major share of transportation financing as well as perform the actual construction and maintenance of facilities such as streets and roads, airports, and operations and management of port facilities, local rail, bus and other transit services.

The private sector has responsibility for providing most transportation services in the Nation--operating the trucks and trains, airlines, intercity buses, pipelines, marine vessels and other commercial vehicles carrying people and goods. In addition, many truck and air cargo terminals, piers and other facilities are privately owned. Virtually the entire U.S. freight railroad system, including the tracks and other infrastructure, is owned and maintained by private companies, as is the extensive network of gas, oil, and chemical pipelines. There are additional areas in which private capital investment in transportation would be productive and in the public interest, particularly where private sector involvement could improve efficiency and develop a profit-making potential, such as in high-density urban or intercity services.

Although the mixed system of ownership and financial and operating responsibility in U.S. transportation is complicated, the diversity suits the wide range of transportation facilities and services and contributes to the Nation's ability to use resources efficiently and to respond quickly and effectively to ever-changing demands.

The Federal government role in transportation is anchored in the U.S. Constitution and compelling national interests. First, the Federal government has the responsibility to protect interstate commerce, conduct the Nation's foreign affairs, and provide for national defense, and must play a role in transportation to support those national purposes. Second, many concerns have national importance because they are widespread across the Nation, recurring, and more efficiently handled at a larger scale than state or local efforts would permit. Third, the Federal government has a place in transportation issues where, as in other economic or social issues, there is a question of equity among groups in the Nation's population, and the rights of minorities, elderly and disabled individuals, and those whose interests might otherwise be neglected.

As we face the new decade and the new century, we must revitalize the transportation partnership, join together in a new commitment to maintaining the fine transportation system we have inherited, and build on it to meet the Nation's needs in the future. That will require an investment of time, energy, and money in transportation, by the Federal government, state and local governments, and the private sector.

The Framework for the Federal Government Role

POLICY PRINCIPLES

Federal government involvement in transportation should be:

- focused where there is a compelling national interest that Federal government participation can advance;
- designed to contribute to attaining national goals;
- based on considerations of cost-effectiveness in use of resources in relation to public benefits;
- even-handed in its treatment of all parties and modes of transportation;
- responsive to market needs and based on market principles;
- directed at correcting imbalances where public costs and benefits are not effectively reflected in prices in the marketplace;
- flexible enough to address varying circumstances and to give state, local, and private interests flexibility to deal with the specific needs and conditions they face.

Many challenges lie ahead for transportation. Through a strategic approach based on the above principles, the Federal government can provide the national leadership to meet our mutual transportation objectives. With the energy and ingenuity, wisdom and sensitivity of all of us working in common, the Nation's vast resources--public and private--will be available to keep our transportation system in the service of the Nation's goals in the future.

Focus of National Transportation Policy

A sound, comprehensive approach to transportation requires many actions in many areas, some of which can be implemented in the short term while others extend over a longer term. The direction for Federal transportation policy for the future is built on six key themes:

- **Rebuild and expand the Nation's transportation system**
- **Provide a sound financial base for transportation**
- **Keep the transportation industry strong and competitive**
- **Support public safety and national security**
- **Protect the environment and the quality of life**
- **Advance U.S. transportation technology and expertise.**

WE WILL REBUILD AND EXPAND THE NATION'S TRANSPORTATION SYSTEM.

Americans lose nearly 2 billion hours annually in traffic delays on the streets and highways in our major cities alone. Over a million domestic airline flights in 1988 were at least 15 minutes late in arriving at their destination, delaying tens of millions of passengers. Freight movements held up in congestion on the highways cost millions of dollars to motor carriers in excess equipment and lost revenues, build waste and inefficiency into their customers' business, and add to the price of goods for consumers.

Restructure Intergovernmental Roles in Federal Programs

The foundation for the Nation's transportation system is our bridges, highways, airports, rail lines, ports and waterways, pipelines and other fixed facilities. The transportation infrastructure in the United States is now at risk, in part as a result of inadequate maintenance and investment in facilities and failure to manage transportation capacity effectively. We must keep up transportation assets and devote the resources necessary for reinvestment and expansion, to support the efficiency, capacity, and performance of the transportation system and the growth and strength of the national economy. Investment in transportation is also crucial to the health of local, State, and regional economies.

Inadequate maintenance and inefficient use of the transportation infrastructure reduces the capacity of the system and contributes to the congestion that has become such a problem for our street and highway network and the aviation system. To address that congestion, we must improve management of existing transportation facilities and expand capacity. Use of single-occupant automobiles and other low-occupancy vehicles on the Nation's streets and highways particularly contributes to congestion in urban and intercity travel. We must take greater advantage of the potential of urban transit and other mass transportation services, if we are to get the most out of our transportation investments and reduce crowding, delays, and "gridlock."

The Federal government is committed to maintaining transportation infrastructure and supporting needed expansion of major facilities to alleviate congestion on the national network. Federal programs must also provide the tools, incentive and flexibility for state and local governments and the private sector to renew the capacity and performance of the transportation system. The Department of Transportation will work with all the members of the transportation community to identify future transportation needs and enhance the capacity of the national system to address them. This cannot be the task of the Federal government alone. The Nation must make use of the combined knowledge and insight, interests and resources of all sectors of the economy and all levels of government--Federal, state and local agencies and officials, large and small businesses, industry associations and interest groups, professional and academic organizations, and private citizens.

The U.S. transportation system is highly dependent on the participation and contributions of all levels of government. One of the essential principles for sound government is that responsibilities should be focused at the level that has the knowledge and sensitivity to the problems and issues, and the capability to address them most effectively and efficiently. When government involvement in transportation is necessary, the

With the completion of the Interstate Highway System and the need for reauthorization of the Federal highway, transit, and aviation programs, the Nation faces a unique opportunity to address the challenges of a changing society and economy, new technologies and new roles for the members of the transportation community.

appropriate level for decisionmaking and management responsibility frequently is not Federal but instead state and local. In fact, heavy Federal participation and the incentives and disincentives provided by Federal programs often discourage the other parties from playing the most effective and constructive role they can in transportation.

To achieve the transportation system the Nation needs for the future, we must realign Federal, state and local roles. In general, Federal budget constraints are requiring that state and local governments pay a higher share of total transportation costs, and that investments be focused only on the most cost-effective projects. The Federal government must concentrate more of its resources on facilities and projects that advance the performance of the national transportation system. If the Federal government is funding, operating, and regulating areas where such involvement is unnecessary or inappropriate, those functions should be reassigned or eliminated. Within Federal-aid programs for transportation, restructuring will be required to provide the flexibility that grant recipients need to achieve transportation goals. Narrow categorical grant programs can be replaced with broader, multipurpose programs, and rigid project requirements can be replaced with performance criteria.

The Federal government also must encourage state, local, and regional planning activities, and assist state, local, and regional organizations to build their transportation planning capabilities. Many local communities have planning boards that consider transportation proposals as well as housing and commercial development and other land use issues. State transportation departments generally perform planning functions, often developing individual plans for each transportation mode, while Metropolitan Planning Organizations (MPO's) are organized to coordinate local planning decisions among the many agencies and communities in a wider region. Regional planning is essential to ensure integrated transportation systems, as well as to organize effective programs for attaining metropolitan area air quality goals and other regionwide objectives in transportation.

It is Federal transportation policy to:

- o focus Federal resources on transportation facilities of national significance;
- o move from predominantly categorical grants to broader, more flexible Federal funding for transportation;
- o replace rigid standards and requirements with performance-related criteria in Federal transportation programs;
- o increase the share of project costs paid by the recipients of Federal aid for transportation;
- o enforce planning requirements in Federal transportation programs, and encourage integrated state, local, and regional transportation planning, including efforts to

coordinate land use and transportation planning and investment decisions;

- o strengthen the role of MPO's or equivalent planning bodies in programming and prioritizing transportation projects;
- o move toward greater flexibility in use of transportation trust funds administered by the Department, to permit investment in facilities and services in alternative modes that benefit the users of the basic system and offer the most cost-effective means of meeting demand;
- o encourage state and local matching funds for Federal aid transportation projects to be made available across modes with at least the same flexibility as Federal funds.

Preserve Our Transportation Infrastructure

The most immediate task for transportation is to maintain the assets that we have. If roads and bridges, subways, ports and waterways, and other transportation facilities are not kept in sound condition, they cannot support the level of operations they are designed and required to handle. That means that the performance of the system declines: safe operating speeds drop, travel times rise, accidents increase and add to further delays. In addition, the longer that maintenance is deferred, the higher the eventual cost of restoration will be. Critical facilities in the national system must be put in good repair where they have suffered dangerous deterioration. Over the long term, essential transportation facilities must be maintained on a continuing, timely basis.

The Federal government will set the example, by devoting its share of the resources necessary for infrastructure maintenance, in the broadest sense of the term, including repair and rehabilitation. Where state or local governments or other entities receive Federal assistance for transportation infrastructure, Federal-aid programs will emphasize capital maintenance, in order to preserve our valuable transportation investment to meet future needs. Already, close to half of total annual Federal expenditures for highways goes to repair and rehabilitation. The incentives embedded in the present programs for urban transit, however, have discouraged maintenance of transit infrastructure, causing higher than necessary long-term capital costs and deterioration in structures and facilities and the services they support.

The effort to preserve and maintain transportation facilities will hinge on the partnership between the Federal government and the other parties with responsibilities for transportation infrastructure. The private sector and state and local governments have a direct interest in preserving and getting maximum utilization from their transportation facilities and other investments. Therefore, with the appropriate tools and flexibility to make investment choices, they have a clear incentive to maintain the infrastructure for which they are responsible, as long as Federal policies and programs do not interfere.

It is Federal transportation policy to:

- o give highest priority to maintaining needed transportation infrastructure;
- o encourage infrastructure maintenance by those receiving Federal transportation aid, for example, by covering a higher share of highway costs for projects involving repair and rehabilitation than for new construction;
- o require commitments by recipients of Federal aid for transportation to preserve critical elements of the infrastructure, for example, through stronger requirements for pavement and bridge management plans within the Federal-aid highway program;
- o work with state and local governments and other officials to apply standards and designs to resist wear and damage to transportation facilities, and address special needs created by weather, corrosion, and extraordinary events such as catastrophic accidents and natural disasters.

Make the Best Use of Transportation Assets

To use the Nation's resources most effectively, we must take better advantage of our transportation infrastructure and services. Where there is sufficient demand, many transportation facilities in the Nation could handle substantially increased traffic, including medium and small hub airports, many waterways, and railroad lines. Closed military bases should also be evaluated for potential use to serve civilian transportation needs. Outside of a few peak hours of the day, even many of the major airports, urban transit systems, and highways have unused capacity. We can also make significant progress in utilization of our transportation system by increasing use of higher occupancy vehicles and modes. Walking and bicycling in urban and suburban areas, if accommodated in a way that minimizes conflict with motor vehicle traffic, can also help to ease congestion on the streets and roads.

One of the few successful innovations in dealing with urban/suburban congestion is high-occupancy vehicle lanes on major commuting routes to urban centers. By restricting lanes only to buses and vehicles carrying more than two or three passengers, a highway lane can carry three or more times as many travelers as it could with normal rush-hour traffic. Since the number of vehicles is generally lighter and traffic flows more smoothly on the high-occupancy lanes, commuters have an incentive to use bus service or share rides.

We must improve management of transportation systems and facilities in order to accommodate more traffic and to handle traffic more efficiently, particularly in the highway and aviation and waterway systems where there is congestion today. In aviation, the new generation of air traffic control and more effective airspace management will considerably enhance capacity. The modernization program now underway to replace obsolete equipment for air traffic control and to upgrade system automation will permit far more aircraft to take off and land safely at existing runways than ever before possible. On the highways, devoting lanes to carpools, vanpools, buses, and other high-occupancy vehicles can significantly increase the number of people who can move on a road during peak hours. New technologies now in the development and testing stage, such as "intelligent vehicle/highway systems," can also improve traffic flow on streets and highways, enhance capacity, and increase trip reliability and safety. In addition, "intelligent" vehicles equipped

Some large corporations, responding to local transportation congestion and a shortage of parking facilities, have developed successful programs to reduce single-occupant vehicle traffic at peak periods and encourage ridesharing and use of transit by their employees. For example, companies may offer discounted transit passes, flexible work schedules, and preferential parking for carpools or vanpools. In some urban areas, local ordinances adopted to help meet air quality goals now require employers to implement such programs.

The focus of transportation programs should be on moving people and goods, not on accommodating vehicles or modes. In some cases, investments in alternative modes may be the best means for alleviating congestion and achieving other objectives in a transportation system, and resources should go to those alternatives if they represent a more cost-effective way to meet transportation needs. For example, urban or intercity mass transportation options should be integrated in highway and other transportation planning. Evaluation of alternatives on the basis of full "lifecycle" costs and use of public sector "capital budgeting" can assist in selecting the best investment and spending options.

with electronic data interchange capabilities that could be linked to sensing devices in the roadways and other facilities could save the cost and delay associated with toll booths.

We also need to give greater attention to the potential for capacity-enhancing pricing techniques in transportation, such as peak-period or congestion pricing, and to refine them and extend their use. Peak-period pricing entails use of relatively higher prices for travel during periods of peak demand and lower prices in off-peak periods. While peak-period or congestion pricing is not a substitute for necessary capacity increases, it is one important way to encourage the most effective use of existing facilities, by shifting demand that would otherwise require additional capacity to other periods or modes where facilities are underutilized. Peak-period pricing is common in the private sector--in restaurants, theaters, resorts, as well as long-distance telephone service, and rail and air fares. The same pricing principles offer significant potential for transportation facilities and services provided by the public sector, to make efficient use of resources and ensure that public funds are well spent.

Federal assistance programs must also be structured so that the availability of Federal assistance does not encourage unnecessary or unwise investment. For example, the structure of the Federal urban mass transit program has encouraged the construction of highly questionable new rapid rail systems and discouraged investment in more cost-effective alternatives such as high-occupancy vehicle lanes and busways. Disparate Federal matching shares in the highway and transit programs have also played an important part in distorting state and local transportation decisions. Federal programs must allow for evaluating a broad range of options, and permit investment in projects that enhance capacity and make improved use of existing resources where that choice would be more cost-effective in the long run than construction of new facilities. The recipients of Federal transportation aid for highways and transit, for example, make wide use of transportation system management techniques, including consideration of alternative investment and service options, in developing capital programs. Busways and high-occupancy vehicle lanes, and traffic control and management improvements on the streets and highways, in ports and waterways, and at airports should be taken into account when construction of new facilities is being considered.

It is Federal transportation policy to:

- o encourage effective management and use of transportation assets by requiring Federal aid recipients in Department programs to evaluate alternative options and management techniques that enhance performance and capacity (e.g., high-occupancy vehicle lanes and traffic control improvements);**
- o explore incentives in Federal-aid programs for cost-effective use of transportation assets, such as higher**

matching ratios in the highway program for projects that make better use of existing facilities;

- o manage Federal transportation facilities and equipment such as the air traffic control system to maximize efficiency and use of system capacity, and ensure that existing facilities are used to the best advantage to meet transportation needs;
- o complete the installation of systems identified as offering a major contribution to enhancing capacity of existing transportation systems, including implementation of the National Airspace System Plan;
- o promote the use of improved vehicle control and scheduling techniques for complex and multiple-use transportation facilities such as waterways, harbors, rail lines, and national space launch ranges;
- o encourage peak-period or congestion pricing to ensure the most effective use of transportation facilities.

Improve Connections

The transportation system cannot work effectively if critical links in the national system are not connected. No matter how good the individual parts of the transportation system may be, the effectiveness of the overall system depends on the effectiveness of the connections a traveler or a carrier can make in getting from origin to destination. One of the justifications for the Interstate Highway system initially was to create a seamless interconnected network of safe, high-speed roadways that could transport goods and people to all parts of the Nation without delays and inefficiencies caused by lack of integration between road segments across the country.

An increasing share of travel today employs not only multiple segments of an individual transportation system, but also multiple modes of transportation. Many people park and take transit service, or transfer from bus to rail, on the way to work. Commuters using public transportation also may walk or bicycle to the transit stops. Intercity passenger travel frequently involves use of air or rail service in combination with a shorter trip by automobile, taxi, local bus or rail. For freight, many shipments are picked up and delivered by truck, but piggybacked onto a railroad for the long-distance journey. In an extension of that intermodalism, millions of shipping containers each year are moved on linerships across the ocean, and transferred to rail, truck, or truck and rail in sequence, to get between a port and other points in the United States. In many instances, however, passengers or freight cannot use the most efficient combination of modes or segments of the transportation system, because the modes or segments are not effectively linked. That means delays, increased congestion, and sometimes even inability of people and goods to get where they need to be.

When trips involve transfers from one form of transportation to another, good connections between modes are essential--from local streets and arterials to the interstate highways, from air

There are an estimated 600,000 general aviation users in the Nation, many of whom travel from small and rural airports to larger cities for business or to gain access to commercial air transportation. The majority of U.S. airports--16,800 of 17,300--are small facilities with little or no scheduled commercial air transportation service. The Federal government must continue to work with this segment of aviation users to ensure access to the national air transportation system for all categories of users.

travel to shorter distance ground transportation, from truck to rail, from rail to ship. In some cases, a lack of coordination between modes means that there are no adequate intermodal transfer facilities or the present terminals do not provide good connections, for example, rail and bus stations in cities, or rail-truck or rail-ship intermodal transfer facilities for freight. Other gaps in the present system could be closed by the addition of short links between existing facilities, including rail lines to piers or transit operations to airports. One of the most important connections in congested urban areas is park-and-ride facilities, to encourage use of transit service, carpools or vanpools, and high-occupancy vehicle lanes.

Some communities also lack effective connections to the rest of the nation and the world. Island communities can only be linked to other regions and markets by air or water service. Most rural areas in particular depend on roads and highways as the chief link between communities and households. Where highways are not in place or the roads and bridges are inadequate for safe movement of goods and people, families and businesses in rural areas cannot function effectively. Individual motor vehicles--private automobiles and trucks--are the principle means of local and intercity transportation in rural areas. Increasing numbers of rural communities are establishing local transit service, often using minibuses or vans. Private bus lines provide an important link for intercity travelers, including small bus companies carrying passengers to and from transcontinental bus routes, in a form of hub-and-spoke system. The Federal Essential Air Services program, administered by the Department, can provide another option in some communities. Although many rural rail lines have been abandoned for lack of traffic, rail freight operations--particularly those offered by emerging local and regional railroads--can offer an economical alternative for some shippers.

Connections to foreign markets are also important. For example, many cities place a high value on having international air service, even if only by a foreign airline. While most international agreements provide for reciprocal service by U.S. and foreign carriers, the Department will continue to press for new approaches to allowing additional international air service to U.S. communities.

Improved connections among transportation systems and facilities, particularly between intercity, urban and rural systems and between modes, will contribute to a sounder, more productive national transportation system that can more effectively meet the Nation's needs.

It is Federal transportation policy to:

- o encourage State and local governments and the private sector to give greater priority to transportation facilities and improvements that close critical gaps in the national network;**
- o move toward greater flexibility for trust funds administered by the Department to be used for auxiliary facilities that**

enhance access and improve connections, even if those projects involve other modes of transportation, as long as the projects are cost-effective and provide benefits to those who use the basic system;

- o work with public and private transportation interests to identify needs for improved connections and to plan, design and put in place improved facilities and enhanced transfer techniques between transportation modes and carriers;
- o increase opportunities for U.S. cities to receive international air service.

Build Essential New Capacity

To meet long-term transportation needs, the Nation must anticipate and plan for expansion in our current transportation system. Population, development, and industrial location patterns, along with technological advances all contribute to transportation demand. The impacts of transportation on local land use, energy and environmental questions, and personal lifestyle choices also will have to be taken into account in planning future transportation capacity additions. Communities, state and local governments, private business and individuals will have to participate in making those choices. Some states and communities have already identified their top priority transportation investment needs and are working to plan and finance projects to meet those needs. In coordination with state, local, and private sector transportation interests, the Federal government will continue to work to address the need for capacity additions in the national system.

One focus of attention for meeting future transportation needs is preservation of the land or corridors required for anticipated new capacity additions. If the land is not acquired and set aside in advance, the property often will not be available to accommodate necessary projects in the future, without serious dislocation. While preserving corridors is often costly in the short term, in the longer term it can save the community and the general public the much higher expense of buying out and relocating high density development. The Federal government can provide incentives for corridor preservation, for example, through an expanded revolving fund within the Federal highway program.

Federal transportation programs will reflect coordinated assessments of transportation requirements, in the context of integrated regional transportation systems, taking into account the various modal options (e.g., highway and transit in urban areas). No major new transportation facilities should be built without full consideration of existing facilities, alternative options and capacity enhancements possible through improved management and control techniques.

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

The Federal Highway Administration and Urban Mass Transportation Administration continue to work with the states and local governments to identify transportation demand and potential improvements to meet that demand. The Federal Aviation Administration is cooperating with communities and regions of the country to study projected demand in relation to present airport and airspace capacity, and potential improvements in traffic control and management, to determine the most effective ways to serve the needs of aviation users, including commercial airlines, general aviation, corporate and military operations.

facilities and new capacity on existing facilities to address top priority needs in the national transportation system.

It is Federal transportation policy to:

- o conduct continuing comprehensive multimodal evaluations of the performance of the Nation's transportation system and the factors affecting investment needs;**
- o encourage preservation of land or corridors that will be required for future transportation facilities or capacity additions;**
- o ensure that essential new capacity is provided in the national transportation system to meet critical national needs.**

WE WILL PROVIDE A SOUND FINANCIAL BASE FOR TRANSPORTATION.

Financial resources provide a vital tool for meeting transportation needs, including private sector investment and funding from all levels of the public sector. To address those needs, the Nation will have to build on the partnership of private firms, state and local agencies, and the Federal government, their initiative and resources. Not only the conventional financing sources but also many innovative financing approaches will have to be involved. The Federal government will work alongside and in close cooperation with private firms, industry groups, and state, local, and regional agencies, to stimulate the investment that will be required to support the dynamic and efficient transportation system we need for the 21st century.

Uphold the Federal Share of the Partnership

The Federal government must set the standard for financial responsibility in its policies and transportation investments. The Federal government spent \$ __ billion in FY 1989 on Federal-aid highways, __ on transit, __ on aviation, __ on rail (for Amtrak), and __ on waterways. There will be increasing demands for investment in transportation in future years, to keep up with rising costs and emerging national transportation system needs.

At the Federal level, responsibilities for transportation infrastructure primarily cover highways and public transit, aviation, and waterways. Approximately 20 percent of public expenditures on the Nation's highways are covered by Federal user charges largely from taxes on motor vehicle fuels and on heavy vehicles. Those revenues go into the Highway Trust Fund and are disbursed to the states, with a specified matching level of funds contributed by the states themselves. One cent per gallon of highway fuel taxes is set aside in a separate trust fund account for public transit.

Aviation users contribute to the Airport and Airways Trust Fund, which covers 35 to 40 percent of total capital investment in airport

improvements in our nation's airports, as well as a portion of the cost of other FAA functions. Maintenance and improvements on most of the inland waterways and deepwater harbors, including locks and dams and channel dredging, are the responsibility of the U.S. Army Corps of Engineers. A new Harbor Trust Fund, financed by Federal fuel taxes on commercial vessel traffic, covers part of the costs of port and waterway improvements, partially matched by required contributions from state and local bodies. The Harbor Trust Fund includes fuel tax payments from vessels operating in the U.S. portion of the St. Lawrence Seaway, operated and maintained by the St. Lawrence Seaway Corporation, within DOT.

The Nation will increasingly be relying on private and state and local investment in transportation. But no one can be expected to spend more if the Federal government is not willing to commit the funds that people have already paid in user charges for transportation. The trust funds must be used, and used for transportation.

The great majority of the Federal funds spent on transportation in recent years have come from the trust funds for highways, transit, and aviation. Many transportation functions still are heavily supported from general taxpayer revenues, when they should be supported by fees paid by those who use and benefit from the specific functions and programs. For example, approximately 40 percent of the Federal aviation program in recent years has been subsidized from the General Fund, whereas only about 15 percent of total expenditures are related to military and other public sector use of the aviation system. Furthermore, some groups that benefit from Federal transportation programs such as Coast Guard or railroad safety inspections do not now pay any compensation to the Federal government for costs of the services they receive. The Federal government will continue to increase reliance on user charges as the key element in financing the Federal share of transportation expenditures.

Dedicated trust funds have provided the foundation of sound and vital Federal transportation programs for 35 years; the user fees underlying them are a wise and well-supported concept. Those user charges must be spent for transportation, so those who pay into the trust funds can have confidence that their contributions are serving national transportation needs. This doesn't mean that trust fund revenues must only be used on the mode from which they were collected. For example, motor vehicle fuel taxes are not limited to funding projects on the highway system, but can also be used for transit projects and projects that support improved movement of traditional highway users. Spending on projects in supporting or alternative modes should be allowed when they provide benefits to the users who pay into the trust funds and offer the most cost-effective means of meeting transportation demands the funds are intended to address.

In the highway program, both the increased diversity of vehicle types and the growing use of alternative fuels have serious implications for the user fee structure. Changing vehicle sizes and configurations and a changing mix of traffic on the highways have implications for wear and tear, safety, and design requirements. Changing patterns of fuel use also can affect the revenues available to pay for the systems the vehicles use. If alternative types of motor vehicle fuels are partially or wholly exempt from motor fuel taxes, as is the case with gasohol, there

will be fewer funds available for financing repair and improvements. Patterns of use and costs on the highways must continually be reexamined relative to the structure of the user charge system, to ensure that user charges are adequately and fairly covering costs.

It is Federal transportation policy to:

- o spend down transportation trust fund balances for transportation projects that contribute to the program purposes;**
- o recover from users the maximum practical share of direct and indirect costs they impose;**
- o identify groups of users of Federally-funded or Federally-provided transportation facilities and services that are not now paying user fees, and determine whether there is an efficient and effective method for recovering Federal costs from them;**
- o conduct a continuing and comprehensive review of the structure and level of Federal transportation user charges to see that they provide fair and adequate cost recovery;**
- o examine alternatives to highway fuel taxes for the future, including weight-distance taxes for trucks, to improve the appropriateness of the charges and assure the solvency of the user charge system.**

Foster State and Local Initiatives

The Nation must also take advantage of the abilities and interests of state, local and regional agencies in transportation. The Federal government must provide additional flexibility to state and local governments in making use of Federal transportation funds, as well as increased incentives and technical assistance for innovative financing approaches. Rigid Federal standards governing the way that Federal-aid monies can be used or the specific way that Federal-aid facilities must be built can impose unnecessary costs and prevent state and local governments from pursuing the most cost-effective options. State and local statutes and regulations also create obstacles to innovative and effective transportation financing. For example, local governments generally cannot institute local option taxes to support transportation without special state enabling legislation.

The range of tools and choices available to state and local governments must be expanded. State and local governments should be given wider latitude to impose tolls on highways and other transportation facilities, to raise revenues for transportation, even if those facilities are constructed with Federal funds. Airports should be allowed to collect passenger facility charges to cover the costs of operations, improvements and additional facilities to alleviate congestion. Busy airports could then pay many of the costs now paid out of the Aviation Trust Fund, freeing those monies for other facilities with unmet needs.

It is Federal transportation policy to:

- o relax restrictions on the ability of state and local governments to raise revenues and use them for transportation facilities and services, including tolls on highways and airport passenger facility charges;
- o encourage state and local governments to use innovative financing options for transportation, such as benefit assessments on property owners, joint development rights, and other means for capturing the value of transportation projects;
- o pursue new mechanisms for administering Federal funds to state and local governments, such as capitalizing state revolving funds for high priority transportation projects at low interest rates, or contributing to joint public-private development banks that could lend funds for infrastructure improvements, in order to generate a payback from public investments and attract additional private capital to transportation projects with important public benefits.

Stimulate Private Investment

We have gone a long way in the last ten years to reduce costly and unnecessary Federal regulations that hamper prospects for attracting private investment to transportation. We must continue to pursue that goal, to identify and remove those regulations that do not serve a productive purpose, to foster an environment in which the transportation sector offers sound opportunities for private investors.

Private firms that own, operate and maintain transportation infrastructure are a vital part of the Nation's transportation system. Private lending institutions and other investors also play a significant role in backing transportation projects. To sustain the performance level of the transportation system and accommodate increasing traffic will require continuing and substantial infusions of private capital, and government bodies at all levels must encourage and welcome private participation and investment in transportation.

Federal laws and policies can have major impacts on business and state and local government capacity to raise and invest funds in transportation. For example, the 1986 Tax Reform Act placed restrictions on municipal bonds, narrowing the range of eligible projects and restricting repayment options. In the private sector, equity financing has long been an important and productive source of capital for investment. The present Federal tax system favors debt financing by allowing deductions for interest payments on debt, while dividends paid by a company to its shareholders are taxed twice, once through Federal taxes on corporate income and again through Federal taxes on the income of the individual stockholder. Tax deductions allowed for interest payments, in combination with double taxation of dividends, create incentives for buyouts and other financial arrangements that may provide returns to lenders rather than stimulate infusions of new private capital into productive capital investments. Reducing the double taxation of dividends paid to equity shareholders can help to restore the balance between debt and equity in competing to attract investment capital. Lower tax rates on capital gains also should stimulate equity investment.

There are also many state and local barriers to private participation in transportation projects. For example, some state laws prohibit state government bodies from accepting contributions from private developers or other business interests

for construction of roads or other transportation facilities that will benefit them; instead, private businesses are required to contract for construction of the facilities themselves, and bill the state for the work performed. This kind of impediment blocks what could be more efficient means for addressing transportation needs, driving state and local governments and private companies to pursue more costly and time-consuming administrative and legal mechanisms for achieving the same ends.

It is Federal transportation policy to:

- o minimize Federal barriers to private participation in ownership, planning, financing, construction, maintenance, and management of transportation facilities and services;**
- o encourage state and local governments to remove barriers to private investment in transportation;**
- o continue efforts to privatize transportation where practical and in the public interest, including high-speed passenger rail, mass transit operations, air traffic control towers at low-activity airports, toll roads and bridges, and intermodal facilities;**
- o encourage joint public-private financing of facilities and operations.**

WE WILL KEEP THE TRANSPORTATION INDUSTRY STRONG AND COMPETITIVE.

With sound infrastructure as the foundation, successful movement of passengers and freight for the Nation depends on a system of providers of transportation service--public and private--that are efficient, competitive, and responsive to changing national transportation needs. The private sector providers include railroads, airlines and air cargo carriers, motor carriers and freight forwarders, intercity bus operators, taxi companies, ocean and inland shipping lines, pipelines, and commercial space launch companies. Mass transportation, such as local bus, light or heavy rail and subway service, is most commonly a public sector function, although many carriers are private or quasi-private, including Amtrak and some bus operators.

The efficiency and competitiveness of transportation providers are essential to economic growth and productivity and the ability of the United States to compete in the world market. Providers of transportation services can meet transportation needs most efficiently if the carriers have the latitude and tools to respond to demand and if they are competing on an equitable basis. Federal programs and policies must treat modes and carriers even-handedly, and avoid unnecessary restrictions that impede efficient transportation operations. The Federal government must also ensure adequate competition, by monitoring transportation

Encourage Increased Productivity and Competitiveness in Transportation

Public Transit

After a quarter century of steady decline, public transit ridership stabilized during the 1970's. With Federal, state and local financial assistance, the transit industry has improved the quality of service, extended service to additional urban and suburban areas and new segments of the market, and improved accessibility for a wider range of citizens, including disabled Americans.

mergers and other transactions, preventing undue concentration in the transportation sector, and otherwise fostering competitiveness of the providers.

In the course of U.S. history, many modes and transportation systems have been extended direct and indirect public support, to encourage their development and enable them to survive and compete. Today, commercial space transportation is an emerging industry and Federal policies are designed to support its development. The U.S. merchant marine represents a mature industry that is having difficulty maintaining its position in the widening and intensely competitive international market. Public transit and passenger rail service do not cover their costs from farebox revenues, and are receiving substantial Federal, state and local subsidies to continue to provide service. In each of those areas, our goal must be to foster increased efficiency, promote improved service targeted to national needs, and reduce the requirements for Federal subsidies.

Bus, subway, commuter rail, and other high-occupancy services are essential in congested metropolitan regions, and provide mobility for transportation disadvantaged people in urban as well as rural areas. The Nation's largest downtowns depend on public transit to allow workers the flexibility to avoid congested streets and highways and thus ease the traffic conditions.

During the period of rapid growth in the Federal urban mass transit program, major investments were made in new rapid rail systems in several U.S. cities. The results were often disappointing, in part as a result of the lack of local support for actions to complement the new systems, encourage transit use, and coordinate local bus and automobile movements to the stations. The future success of public transit--and urban mobility in general--hinges largely on greater integration of transit service with other transportation service, and coordination of transit policies with other urban/suburban policies, including those related to highways, airports, and intercity rail service, as well as local land use considerations. This policy coordination must occur at every stage, including planning, administration, operations, and financing.

Another key to the future of transit service is close attention to the costs and benefits of transit operations and investment choices. Disincentives in Federal programs to maintenance of transit facilities and equipment must be removed, and flexibility for in use of funds--including Federal, state and local funds--must be increased. Under Federal programs, public transit authorities are encouraged to make use of private contract services where a private sector option is most cost-effective. Some public transit services are entirely provided under contract with private operators, as a means to improve incentives for efficiency and quality of service, and additional private participation in transit operations should be fostered.

Public transportation in rural areas has increased in recent years and is providing improved access in many communities. A

variety of Federal, state and local programs affect rural public transportation, and they incorporate numerous and inconsistent standards and requirements that often do not meet the particular circumstances of an individual community. Through a coordinated effort by transit planners and operators, private businesses, and community groups, transit service to rural areas can become more efficient and more effective in meeting community needs. The Federal government must lead the effort to achieve greater consistency and flexibility in the various rural transportation programs.

It is Federal transportation policy to:

- o bring the principles of market competition to bear in public transportation, to improve performance and reduce costs;**
- o apply cost-effectiveness standards to Federal transit investment;**
- o eliminate disincentives to maintenance of transit equipment and facilities in Federal programs;**
- o move toward phasing out Federal operating assistance for urban transit;**
- o increase flexibility in Federal funding and requirements for public transit, to be more sensitive to the scale and nature of the services and communities involved;**
- o coordinate Department of Transportation programs with rural and urban programs of the Departments of Health and Human Services, Agriculture, and Housing and Urban Development, to improve the quality and efficiency of transportation service.**

Rail Passenger Service

Like urban mass transportation, passenger trains between cities in the U.S. fill an important role for many travelers and help to relieve traffic congestion in other transportation modes. Where railroads carry large numbers of people, they can also offer energy, environmental and safety benefits. The National Railroad Passenger Corporation (commonly known as Amtrak), which runs the national network of intercity passenger trains, has improved its efficiency and service dramatically in recent years. Although Amtrak still relies on Federal funds along with state funds for close to half of its total budget each year, since 1980 the intercity rail passenger system has increased its cost coverage and substantially reduced its requirement for Federal support. Amtrak has been particularly successful in achieving fast and frequent service and attracting large numbers of passengers in the Northeast Corridor, between Washington, D.C., New York City, and Boston, largely as a result of the large-scale Federal project to rehabilitate the track in the Northeast Corridor.

The introduction of new, more reliable passenger cars and improved labor arrangements have made the greatest contribution to Amtrak's increased productivity in the last five years, and further gains in both those areas offer the potential for additional improvements in efficiency, customer service, and cost

recovery. Amtrak has been able to expand service, add trains, and attract new customers as new cars are delivered. Now approaching its 20th anniversary, however, Amtrak will soon require replacement of many of its original locomotives and cars, and renewal of its authority to operate over the lines of the Nation's freight railroads.

Building on Amtrak's recent gains, the increasing interest in rail passenger service and the potential for accommodating traffic that cannot be handled effectively on today's congested highway and aviation systems, both Amtrak and others are considering the possibilities for introducing more high-speed rail service or other advanced passenger service in high-density corridors in the future.

It is Federal transportation policy to:

- o continue to promote increased efficiency, service improvements, and cost-effective capital investment in intercity passenger rail operations;**
- o encourage increased recovery of Amtrak's costs from passengers and contributions from state and local governments to support Amtrak operations, capital expenditures, and expanded service;**
- o achieve self-sufficiency for Amtrak by the year 2000.**

U.S. Merchant Marine

The U.S. merchant marine and shipbuilding industries have declined steadily in recent decades. It is clear that Federal programs, including cargo preference rules and direct subsidies, have not succeeded in keeping the U.S.-flag merchant marine fleet viable and competitive in world trade. If the U.S. shipping industry is to meet economic demand and be available to support defense needs in national emergencies, significant changes must be made in Federal policies and programs affecting the merchant marine.

Federal laws and regulations impose a variety of restrictions on U.S. shipping lines, which result in higher costs and reduced operating flexibility and prevent these lines from competing effectively in the international arena. The restrictions are an anachronism and an ill-advised burden on the Nation's merchant marine.

Subsidy programs must be reexamined. For example, the current operating subsidy program for U.S.-flag linership operators does not provide sufficient flexibility for the carriers to compete in the rapidly changing world market, or sufficient incentives for efficiency gains to improve the competitiveness of the fleet. Changes in the program are needed to provide commercial operators flexibility as to trade routes and other operating matters. Federal policies should allow use of foreign-flag feeder vessels, and recognize the need for U.S. operators in foreign trade to be competitive in the acquisition of vessels. The Federal government must also explore means to strengthen the competitiveness of the U.S.-flag non-liner fleet as well.

The Coast Guard also must continue to maintain a policy of substantial equivalence between national and international shipping regulations affecting safety and the environment, to ensure that the U.S. merchant marine does not bear unjustified costs and still maintain adequate safety and environmental protection.

It is Federal transportation policy to:

- o **remove unnecessary Federal requirements that prevent U.S.-flag ships from competing effectively in world trade;**
- o **review and restructure Federal maritime programs, including the Operating Differential Subsidy program, to promote cost efficiency in the U.S. fleet, strengthen the fleet's competitive position in the international market, and encourage necessary modernization and expansion.**

Commercial Space Transportation

Commercial space launch services are the newest transportation industry, and one which the Federal government is committed to nurturing. While the Federal government for many years provided the only space launch capacity in the U.S., the commercial space launch industry is now taking on that role, for both commercial and government projects. The goal is to extend the efficient, diverse transportation capability we have on earth into space, and to permit U.S. enterprises to make use of the vast potential of space for telecommunications, materials processing, remote sensing, and other commercial activities. The commercial space transportation industry will assure U.S. access to space for civil and scientific as well as national security purposes, contribute to economic growth and development, provide employment and income opportunities, enhance the competitive position of the U.S. in the world market and improve our balance of payments, maintain U.S. leadership in space, and foster technological innovations in the broader economy.

The effort to generate a strong commercial industry in space transportation is dependent on reliable and cost-effective launch technologies and other space services. For investors to commit funds to commercial space ventures and for market forces to work in this industry, the Federal government must redefine and narrow its role in space launches. Commercial launch companies will not be viable if government space launch capacity is competing for commercial business. The Department will work to maximize private sector involvement in commercial space transportation activity, and explore pilot projects with entrepreneurial space launch providers to foster development of efficient low-cost private sector space services. The Department will also exercise its regulatory jurisdiction over commercial space activity only to the extent necessary to protect public health and safety, safety of property, and national security and foreign policy interests, and to ensure compliance with U.S. international obligations.

It is Federal transportation policy to:

- o encourage the Federal government to use commercial space transportation services;
- o avoid unfair competition between Federal launch facilities and services and commercial launch facilities and services;
- o review the development of non-Federal space launch facilities and their operations to ensure that they adequately accommodate national commercial space launch needs.

Access of U.S. Companies to International Markets

The ability of the U.S. to compete in the world is affected not only by the efficiency of our transportation carriers but also by the ability of our transportation companies to gain access to world markets under the complex system of international agreements, duties, and subsidy programs of other countries. Without that access, the transportation industry cannot make its full contribution to the Nation's economic health and security. Policies on international trade, international negotiations, and other foreign relations matters all have an effect on this issue.

The Department of Transportation is an active participant in international negotiations involving U.S. transportation companies, including negotiations of agreements governing the routes a U.S. carrier can use to and from other countries and the services that can be offered. Bilateral and multilateral agreements entered by the U.S. government cover air travel gateways for U.S. and foreign airlines, the specific air carriers allowed to operate into and out of those points, and access for U.S. shipping lines. Trade policies and agreements also can affect markets for U.S. transportation technology, equipment, and transportation-related services, including transportation engineering and consulting.

The U.S. and Canada, our largest trading partner, have long had smoother, more open transborder movement of passengers and freight than neighboring nations in much of Europe or the rest of the world. Recent regulatory reforms in transportation in the United States and Canada, and the free trade agreement between the two countries, have created comparably open access for carriers in both countries. The Federal government is continuing to pursue a more open and equitable competitive transportation environment with Mexico, our third largest trading partner.

Restrictive policies of foreign governments affecting trade in transportation services limit operating flexibility and the introduction of new technologies, reduce efficiency, and in some instances discriminate against U.S. companies, placing them at a serious competitive disadvantage vis-a-vis foreign firms. The Department must rededicate itself to eliminating barriers to international trade in transportation services and to securing an equitable competitive environment for U.S. companies. Unfair and/or discriminatory treatment of U.S. air, space, maritime, and surface transportation companies and supporting businesses

should be redressed through applicable bilateral mechanisms or through imposition of sanctions provided by U.S. law.

The Federal government must scrutinize proposed new or amended international agreements and conventions, as well as domestic legislation and regulations, to avoid impairing the competitive posture of U.S. companies in international markets. The Department must maintain and strengthen the position of U.S. transportation interests in those negotiations, to achieve a more liberal world trade environment for U.S. transportation firms and improve their access and international competitiveness.

It is Federal transportation policy to:

- o support international negotiations to remove barriers to the efficient movement of travelers and goods into and out of the United States, including tariffs and duties and artificial restrictions on trade;**
- o pursue agreements to improve access to international markets for U.S. carriers and eliminate unfair subsidies to foreign competitors;**
- o assure enforcement of existing statutes to protect U.S. transportation companies from unfair and discriminatory practices of foreign countries;**
- o take the lead in establishing and promoting U.S. technical leadership in transportation in the world;**
- o work to open international markets for U.S. transportation services and products, building particularly on our transportation engineering, consulting, research and development efforts;**
- o promote international exchange of transportation technology, with particular emphasis on developing markets abroad for U.S. products based on those technologies and identifying those technologies that can be profitably applied by U.S. carriers to increase their competitiveness.**

Assure a Productive Workforce and Work Environment

The efficiency and safety of the transportation system will always depend on the people operating and managing the vehicles and facilities. To achieve productive transportation operations, we must also have a cooperative transportation working environment, and one that is safe for the employees.

Airline pilots, railroad engineers, drivers for the buses and trucks and other commercial vehicles, sea captains and other operators of transportation vehicles are only the most visible of the people working in the transportation industry. Data processing experts, reservation specialists, staff and dispatchers, terminal operators and station attendants, maintenance workers, and managers also play critical parts in the transportation system. Corporate America relies on transportation professionals throughout all segments of industry to manage distribution of goods and achieve the efficient delivery of services that is essential for the economy to function.

At the same time that public expectations of transportation service and safety are rising, the transportation vehicles, the maintenance equipment and construction techniques, and the transportation management responsibilities are also increasing in complexity. The Federal government must work with the private sector to see that the necessary programs are available for training transportation workers and preparing managers and other employees to adapt to the new challenges and opportunities in transportation. Joint public-private and individual corporate training efforts must be strengthened, using Federal tax credits and other incentives for both on-the-job and off-the-job training programs. In the next decade and the next century, women and members of minority groups will be an increasing share of the nation's population and labor force, and it will become even more important to improve training opportunities and recruitment of minorities and women.

It is Federal transportation policy to:

- o **promote a cooperative and progressive work environment in transportation, and ensure that transportation workers can depend on safety in the workplace;**
- o **cooperate with transportation companies and others in the private sector as well as schools and vocational training institutions to develop specialized programs for training transportation personnel at all levels;**
- o **work with industry to identify future transportation workforce needs and develop recruitment programs to meet those needs, including recruitment of women, minority and disabled employees;**
- o **improve recruitment, training, and compensation for high-skill Federal transportation positions such as air traffic controllers and transportation safety inspectors.**

Remove Unnecessary Federal Regulation

Federal regulatory control is appropriate to prevent obstructions to interstate commerce, protect the public interest in areas where an unrestrained market fails to do so, and particularly to encourage consideration of side-effects of transportation on the environment, safety, energy, or other important national concerns that might not otherwise be incorporated in public or private decisionmaking. To be most effective, regulations should intervene only where necessary to achieve national goals and only in a way that achieves public benefits sufficient to offset any costs imposed by the regulations.

The Federal government has pursued far-reaching initiatives toward transportation deregulation in the last decade, and experience demonstrates that the moves to deregulation were almost universally needed and well-founded. In spite of those initiatives, however, transportation providers are still subject to inappropriate and unnecessary Federal requirements, which continue to cause inefficiencies in the transportation system. The Department supports the economic deregulation of transportation achieved to date, and will encourage additional regulatory reform

Trucking Deregulation

efforts based on assessments of the public costs and benefits of remaining or transportation regulations.

Trucking, one of the most competitive of American industries, is still subject to a range of Federal regulatory requirements governing rates and services, involving administrative review and approval of numerous day-to-day business activities. There is no justification for continuing economic regulation of domestic motor carriers. Restrictions on the provision of for-hire transportation should be limited to those necessary to ensure adequate safety and liability requirements.

State and local restrictions on interstate providers of transportation should follow nationally established standards. At present, more than 40 state governments impose economic regulations on motor carriers operating in the state, and the regulations are frequently inconsistent from one state to the next. When a national transportation interest is at stake, particularly the flow of interstate and foreign commerce, state and local restrictions must not be allowed to block achievement of the national goals.

It is Federal transportation policy to:

- o support repeal of remaining Federal laws imposing economic regulation on motor carriers;**
- o preempt state economic regulation of motor carriers that conflicts with Federal regulatory standards, including intrastate operations of interstate motor carriers.**

Federal Cost Burdens on Railroads

The U.S. railroad industry remains subject to a variety of archaic and outmoded requirements at the Federal level that keep the railroads from playing the most efficient and effective role in the transportation system and competing on an equal basis with other modes. Since the Staggers Rail Act of 1980, the freight railroad industry has been free of the most onerous and unnecessary economic regulations governing rates and services, and the resulting flexibility has led to dramatic improvements in railroads' ability and incentive to offer efficient, competitive transportation. However, the railroads are still covered by extensive and costly requirements under a variety of Federal statutes, primarily affecting labor-management relations and labor costs, including the Federal Employers' Liability Act, the Railway Labor Act, and the Railroad Retirement Act. Some of the provisions applicable to railroads are or could be applied to airlines or other transportation companies as well, such as the court ruling allowing secondary boycotts under the Railway Labor Act. Singling out railroads or other transportation companies for different and more costly requirements is not justified on economic or general public interest ground. Federal treatment of railroads should conform to treatment of other industries in these areas.

It is Federal transportation policy to:

- o support repeal of the tort-based system of liability and damages under the Federal Employers' Liability Act, so**

railroads can operate under state workers' compensation systems, as other industries do;

- o eliminate Railway Labor Act provisions allowing secondary boycotts against railroads or other transportation companies;**
- o place railroad workers under state unemployment rather than a separate Federally administered Railroad Unemployment system;**
- o bring standards for early retirement and Social Security-equivalent benefits under the Railroad Retirement system into conformance with the provisions of the Social Security system.**

Reassess Federal User Charges and Subsidies to Ensure Competitive Equity

Federal programs designed to support transportation can distort competition and even discourage efficient allocation of resources among modes and segments of the transportation system. The various modes of domestic transportation receive a variety of direct and indirect Federal subsidies, in the form of appropriations as well as tax and other policies. It is essential to review periodically Federal policies and subsidies to domestic transportation, including barge operators, waterways, motor carriers, rail, and airlines, to identify possible distortions among sectors, groups of transportation providers, and modes. If the government is providing unequal benefits to competing modes or carriers, that can have a significant impact on their relative ability to attract traffic and therefore can encourage transportation choices that do not correspond to the true costs and benefits of the various options. The result of such distortions is inefficient use of the Nation's valuable transportation resources. To avoid distorting competition in the transportation system, each mode or category of user should be equally supported or equally taxed in proportion to the full costs and benefits it represents.

Federal User Charges and Modal Subsidies

To the extent that transportation projects receiving Federal aid are funded through user charges, particularly as Federal aid programs are refocused, the structure of user charges must be continuously reviewed to assess the pattern of use on the facilities by various groups and classes of users, and to determine the appropriate allocation of costs among the groups. On the highways, for example, private automobiles and other personal motor vehicles share the system with commercial trucks, intercity buses, and other commercial vehicles. The weights and sizes of these vehicles vary widely and the range and mix continue to change over time. The level of Federal highway user charges can affect transportation choices and competitive attractiveness of various classes of highway users and of highway vehicles in comparison to alternative modes of transportation. To achieve a level playing field for all competitors, those charges must be set according to cost imposed by each class of users.

Some of the costs imposed by various groups of users on the transportation system do not relate directly to the costs of construction or maintenance of the infrastructure, but instead to safety or environmental mitigation costs. As is the case with the

costs now recovered through user fees, if certain users impose those additional costs on a system, they should for the sake of fairness pay those costs. The costs of safety and environmental impacts are more difficult to measure than maintenance costs; however, attempting to estimate their magnitude and incorporate them into user charges may offer significant public benefits. If users had to face the costs of these additional burdens they are imposing, they would have greater incentives to adjust their activity to minimize the costs they were being assessed and thus reduce the adverse environmental, safety or other costs on other users, the system and the Nation in general.

Subsidies and programs other than user charge systems can also introduce distortions in competitive equity. Just as in the case of the allocation of user fees among groups of users, differences in subsidies among modes can affect the ability of an entire mode to compete according to its true economic costs, and in the long run can even threaten its ability to survive. Some Federal programs in fact act in direct opposition to each other; others create unnecessary administrative procedures and mechanisms in order to make treatment of one mode conform to previous treatment of a competing mode. Like user fees, direct subsidies and tax policies affecting each mode should be based on a full assessment of public costs and benefits offered by each mode, and differences should reflect a careful balancing of national goals.

It is Federal transportation policy to:

- o review Federal transportation subsidy programs and other policies toward transportation to identify inequities among modes;**
- o ensure that Federal transportation expenditures recovered from users are allocated among groups of users in correspondence with their proportionate share of costs, and eliminate distortions in competition caused by user fees;**
- o move toward incorporating in the costs assigned to users the indirect costs of their use, including environmental and safety costs, and promote policies that treat various modes in accordance with the full public costs and benefits they represent;**
- o set maximum truck size and weight limits in accordance with a full assessment of the public costs and benefits, and change the limits only if highway user charges are adjusted accordingly, to ensure that long or heavy trucks are paying their fair share of total system costs;**
- o minimize potential for Federally subsidized transportation services to offer unfair competition to other modes or services.**

Incentives for Employee Parking Versus Transit

In urban and suburban areas, Federal policies contribute to distortions between single-occupancy vehicle use and transit or other high-occupancy vehicles, with consequent environmental, energy, and safety effects. In particular, tax incentives for companies to provide employee parking are very different from the treatment of company support for employee use of public transit. Present Federal income tax provisions allow employers to provide parking allowances to employees tax free--lowering the effective cost of driving a personal automobile--but only to provide up to \$15 per month per employee in tax-free benefits to cover ridesharing or transit. If the employer transit subsidy exceeds \$15, the entire amount is taxable. These tax provisions discourage employers from pursuing programs that would promote transportation and air quality objectives, and send the wrong signals to the private sector and local governments grappling with urban congestion and pollution. Transit and parking benefits should be placed on the same footing, by taxing them both to the same extent. For example, the full value of employer benefits for employee transportation could be subject to Federal income taxes, whether the benefits involve transit or parking or some other transportation service.

It is Federal transportation policy to:

- o **restore balance in Federal tax treatment of employee parking benefits in comparison to benefits for transit use, ride-sharing or other alternatives;**
- o **move toward eliminating parking subsidies to Federal employees.**

Achieve More Consistent Requirements and Standards

Where transportation providers are affected by standards and requirements of other interests, whether public or private, clear and consistent standards and procedures can make a significant contribution to transportation efficiency. For example, in government programs involving registration, vehicle licensing, or taxes for freight carriers, the companies can save the substantial time and cost of uncertainty and duplicative administrative work if the processes are applied consistently over time and uniformly across the various states in which the carriers operate.

Even in areas that are not covered by Federal standards or requirements, but are left to the choice of private companies, such as the size and design of equipment, voluntary agreements to adopt some consistency or standards can streamline transportation operations and avert the waste of having to invest in multiple sets of equipment or facilities. The Federal government plays a part in achieving greater standardization in international transportation, through its role in international negotiations. The government can also bring interested parties together to discuss and agree on increased voluntary coordination of standards and procedures in the interest of improved efficiency, in both domestic or international markets. More uniform standards for shipping, handling, and billing for transportation would considerably improve the ability of U.S. carriers to handle freight cargoes efficiently and competitively.

Standardization of Container Sizes and Handling Processes

A wide range of sizes and types of containers and vehicles and loading facilities to handle them are already in use, and the many public and private entities with an investment in containers, transportation vehicles, or handling equipment in ports and shipping around the world have conflicting interests and some monetary stake in the continuing use of the existing equipment. Continued proliferation in equipment sizes and designs, however, imposes unnecessary costs on U.S. freight shippers and carriers, and will contribute to America's competitive disadvantage in the world market, particularly at a time when interior barriers to efficient transportation within Europe are being dismantled.

Administrative Requirements for Motor Carriers

Greater standardization of container sizes used in freight transportation would make it significantly less complicated and costly to handle containerized cargo, both domestic and international, including the supply and operation of the rail cars, motor vehicles, and ships used for transporting containers, the loading and unloading equipment, and handling and stacking operations at ports and other sites. More uniform equipment sizes and types would increase compatibility of vehicles and containers between carriers and modes, and thus the efficiency of cargo transfers en route from origin to destination.

Even within established domestic weight limits for moving freight on U.S. highways, significant numbers of overweight containers are being shipped over those highways, causing additional wear and safety concerns, without adequate contribution in highway user fees to compensate. Stricter enforcement of weight limits could alleviate the problems somewhat, but questions of incentives and liability for overweight shipments would still remain. A shift to weight-based transportation rates, in place of per-container rates, would help to discourage movement of overweight containers, by imposing additional costs directly on the shipper. Any agreement of that kind, either for domestic or international standards and procedures for billing or handling cargoes, requires coordination between government agencies, carriers, shippers, and other parties involved in the transportation chain, often both here and overseas. Another possible approach is to place the liability on the shipper rather than on the carrier for overweight loads in the event of an accident, and thereby to provide disincentives to overloading. Again, this would require negotiations with many parties in this and other countries, including insurers worldwide.

It is Federal transportation policy to:

- o work with carriers and shippers to achieve greater standardization in domestic transportation equipment, billing and electronic data interchange among carriers and other parties involved in the transportation movements;**
- o seek international agreement on more uniform standards for container sizes and similar issues involving handling of international cargoes;**
- o explore with shipping lines, motor carriers, ports, and shippers a shift to weight-based rates for container freight, and possible shipper assumption of liability for overweight containers moving on U.S. highways.**

The individual states impose differing registration requirements on motor carriers operating within their borders, and maintain a variety of different methods of tax reporting and billing. This creates a confusing and overlapping array of administrative procedures for carriers to meet, and places a burden on interstate commerce that is difficult to justify. While each state can decide the form and level of taxes and the rates to charge, the national goal should be to achieve a coordinated approach for motor

carrier registration and tax reporting by all the states, which individual states could adopt or conform to.

The National Governors Association (NGA) has adopted recommendations for such a uniform motor carrier registration and tax reporting system, and many states have voluntarily adopted it. The time has come to establish deadlines for the remaining states to implement conforming systems. If a state does not voluntarily comply with its deadline, the national interest in effective interstate commerce dictates that the non-conforming system could be preempted by the Federal government, in order to achieve uniformity.

The individual states issue permits for oversize and overweight truck movements, but the states do not all have consistent permitting practices. Greater uniformity in permitting standards among the states would reduce uncertainty, delays and inefficiencies for interstate carriers, and potentially reduce costs to shippers as well.

It is Federal transportation policy to:

- o promote uniform motor carrier registration and tax reporting requirements in all 50 states;**
- o establish deadlines for the individual states to adopt NGA recommendations for motor carrier registration and tax reporting procedures, and thereafter preempt inconsistent state procedures;**
- o promote uniform national permit practices by states for overweight and oversize truck movements.**

Local Restrictions on Aviation

Community concerns about aircraft noise around airports and the effects of aircraft noise on surrounding neighborhoods and households have led many communities to enact curfews on flights and other restrictions on aviation. Local restrictions can reduce the ability of the aviation system to meet transportation needs and also can have adverse economic effects on communities and on carriers. Use restrictions at major airports in the future will increasingly limit aircraft access and system capacity. In fact, aircraft noise concerns are the major obstacle to construction of new airports or new capacity at existing airports in the United States. The Federal government has a responsibility to protect interstate commerce, and limits are needed on state and local government actions that impose a substantial impediment to efficient interstate movement of airline passengers and cargo.

The Federal government should establish a fair and uniform national noise policy for the nation's airports, designed to promote the safe and effective utilization of system capacity in order to meet the demands of interstate commerce. This policy should include national standards for aircraft noise and Federal initiatives to reduce noise levels of operating aircraft, along with increased effectiveness in planning and mitigation efforts.

It is Federal transportation policy to:

- o require early phase-out of noisier (Stage 2) commercial aircraft;
- o limit the ability of local airports or communities to impose noise-related restrictions on aviation operations based on time of day, frequency, and type of aircraft;
- o develop and assist in implementing more effective tools for local governments to use to ensure compatible land use around airports.

WE WILL ENSURE THAT THE TRANSPORTATION SYSTEM SUPPORTS PUBLIC SAFETY AND NATIONAL SECURITY.

The Department will not deregulate safety. Transportation deregulation has reduced restrictions on carriers' rates and routes, but it has not reduced the Federal responsibility and commitment to safety in transportation. Accident rates in transportation are lower than they were 10 years ago, before deregulation, and the President has established a firm goal for the Department to reduce accidents and fatalities still further.

Improve Transportation Safety

Safety Initiatives Across All Modes

Nothing is more important to the American people than their safety and security, and the security of the Nation. Beyond safety on the streets of their neighborhoods and communities, transportation safety concerns reach to safety of travel on the highways and in the air, on railroads and boats and ships; releases of hazardous materials in transportation accidents; and criminal or terrorist acts against affecting travelers and the transportation system. Transportation also plays an essential role in supporting the national defense, as well as overall national security, including security against the threat posed by the international trade in illicit drugs. Federal transportation policies must address all of these concerns.

No one can travel in comfort and peace on a transportation system that is unsafe, and safety is the top priority for the Department of Transportation. The Department has responsibility for assuring transportation safety in all modes--highways, aviation, public transit, railroads, pipelines, waterways and maritime. In fact, more of the Department's employees are devoted to safety than any other function in DOT.

Despite many differences between modes in the nature of the vehicles and services and the specific circumstances in which they operated, safety is a critical factor in all segments of the transportation industry. The major safety objectives and initiatives are also common to all transportation markets and modes: any safety effort in transportation must take into account the driver or operator, the vehicle and equipment the operator is using, the infrastructure they employ, and the way the three elements interact.

Drivers, pilots, ship captains, locomotive engineers, and other transportation personnel must receive adequate training to operate the vehicles or systems safely, and must keep safety foremost in their minds at every phase of their work. The vehicles they operate must also be safe, from the basic design, materials, and assembly through to maintenance and inspection as the vehicles are used. The roadways and bridges, railroad tracks,

airport runways, waterways and maritime facilities, stations and other transportation structures must also be designed and constructed for safety, and adequately maintained to permit continuing safe operation. Finally, the interaction between individuals, vehicles, and transportation facilities has to work effectively if operations are to be safe. That is a necessary underlying focus for all transportation safety initiatives.

The Department will continuously monitor the safety performance of the transportation system and pursue the regulations, enforcement, and other programs necessary to ensure safety. Questions of operator licensing and use of event recorders like the aircraft "black box" are still under study for other transportation modes, and other safety measures will be undertaken as problems appear or options emerge that have the prospects of offering safety benefits. Greater awareness of the importance of safe operations is essential, not only among government employees, but among all members of the transportation community, and programs must be increased for training operators and others involved in transportation, to ensure attention to safety. The Department will also pursue programs to improve the safety of basic transportation facilities and vehicles, and will continuously review safety regulations in all modes, and streamline and update them to adjust to new technologies and new systems.

Drug and alcohol use by operators of transportation vehicles and other transportation personnel in the public and private sectors can have enormous implications for public safety. The President's initiatives for a drug-free America must be carried into transportation, through a concerted campaign for a drug-free transportation system.

It is Federal transportation policy to:

- o maintain the highest level of transportation safety possible, consistent with human factors, technology, and economic limitations;**
- o collect comprehensive and comparable accident data across all transportation modes, including improve reporting on accidents, data on exposure to risk, and information on trends and patterns to identify potential safety problems and causes;**
- o review new designs for transportation vehicles to detect any safety problems and conduct special studies of vehicles already in operation when accidents or safety complaints indicate a serious problem;**
- o continue efforts to have elected officials, law enforcement organizations, and the private sector devote more resources to safety, including public awareness, enforcement, and training of public and private sector employees involved in maintaining safety;**

- o develop training materials and provide technical assistance and support programs to train transportation personnel for safe transportation operations;
- o promote programs to prevent abuse of drugs and alcohol in transportation, including effective voluntary rehabilitation programs for employees;
- o enforce laws and rules requiring drug and alcohol testing across all transportation modes, for operators as well as private and government safety and security personnel;
- o work with state and local authorities to ensure enforcement of laws and penalties for operating transportation vehicles under the influence of drugs or alcohol;
- o promote increased education and awareness of the effects of drug and alcohol abuse on operator performance, to reduce accidents related to substance abuse;
- o reduce adverse occupational health risk for transportation workers, including in particular those industry and safety personnel involved in waterborne or other transportation that could expose them to harmful vapor emissions;
- o require all direct Federal transportation construction projects and those funded with Federal aid to use specifications, design criteria, and construction practices that provide earthquake resistance commensurate with the seismic risk for the particular region.

Highway Safety

More than 46,000 people died last year in motor vehicle accidents. It is unforgivable for a system that is intended to provide service to people to be the instrument of so many deaths. We can and we must do more to reduce the death toll on the Nation's streets and highways.

By far the greatest number of transportation-related accidents each year occur on the Nation's streets and highways. If the present pattern in death rates per vehicle continues, the total highway deaths could reach more than 60,000 a year early in the next century. The Nation cannot tolerate such senseless loss. It is our mutual responsibility to take strong action now to attack the problem.

The President has established the goal of cutting the death rate to 2.2 per hundred million vehicle-miles by 1992, a __ reduction from the 1988 level. The aim must be to continue to cut that death rate and to keep the traffic death toll below the current level into the next decade, even in the face of increasing travel.

Many factors contribute to traffic deaths and injuries, including drivers impaired by alcohol and drugs, poorly designed and maintained highways and signs, and occupants who fail to use their safety belts or other passenger restraints. It will never be possible to eliminate all traffic accidents and injuries, but we must all commit our energies and resources to reducing the toll.

The Department will continue efforts with state and local governments, the private sector, and the general public to keep drunk and drugged drivers off the road, to enforce speed limits, to increase safety belt use, to ensure safer vehicles and safer roads, and to increase public awareness of the need for safe driving behavior and effective safety laws to enforce it.

It is Federal transportation policy to:

- o encourage all states to enact laws requiring use of safety belts and motorcycle helmets, and to strengthen laws against drunk and drugged driving;
- o conduct a coordinated national campaign to increase public awareness of traffic safety matters, promote improved driver training, build support for traffic safety laws, and change unsafe driving behavior;
- o target Federal financial support and technical assistance to promoting more effective enforcement of laws governing speed limits, drunk and drugged driving, and use of safety belts, child safety seats, and motorcycle helmets;
- o develop rules to promote vehicle design improvements to increase occupant protection and increase vehicle crash avoidance capabilities;
- o continue efforts to keep unsafe vehicles out of operation, through mandatory recalls of defective vehicles and roadside inspections of commercial vehicles;
- o promote safer design and maintenance of highways, through engineering standards and signing systems that are sensitive to the needs and abilities of drivers, including the growing population of elderly drivers;
- o improve training, coordination, communication and transportation services for emergency medical services to improve accident response times and the effectiveness of life-saving efforts after traffic accidents occur.

Aviation Safety

In aviation as well as on our highways, safety is the Department's primary concern. By most standards, the U.S. aviation system is the safest mode of transportation, but we must maintain vigilance if we are to preserve that record. The system faces major challenges to aviation safety today: revolutionary changes in aircraft and other aviation technology, and in the way operators or other aviation workers interact with aircraft and equipment; the pressure increasing travel demand has placed on the aviation system; substance abuse within the workforce; and terrorist acts against aviation operations.

The central role of the individual in the present and future aviation systems must be recognized above all. The pilot-aircraft interface presents perhaps the greatest challenge to aviation safety. Human error has been identified as a causal factor in 66 percent of fatal accidents on major air carriers, 79 percent on commuter airlines, and 88 percent in general aviation. This has been a source of increasing concern to both industry and government. The Department will provide the leadership necessary to address the human factors issues in the Federal government and to support related industry initiatives, including aircraft design and maintenance, air traffic control, and communications and coordination between pilots and air traffic controllers and other

DOT recently joined in a top level government/industry task force to examine the issue of aging aircraft, and is now carrying out the task force recommendations, and issuing air worthiness directives to aircraft manufacturers to address the problems revealed in that effort.

ground personnel for safe operations. Another focus will be the design and operation of controls, display devices, and other aspects of workstations in the air and on the ground, to minimize negative consequences on performance of duties.

The Department will ensure that excessive demand does not compromise the safety of our aviation system. Modernizing the air traffic control system and completing implementation of the National Airspace System Plan will contribute significantly to that goal. Regulatory standards will continue to be set to ensure the highest level of safety, using current technology, the Department will vigorously enforce them. The Department will continue to monitor performance and condition of aircraft in use, and review those being introduced into the aviation system, to assure that they meet high standards of aviation safety. The agency will also work for improved methods of measuring aviation safety performance, by both the Federal government and the airline industry, and will increase the industry's accountability for achieving and maintaining safety standards, and ensuring appropriate training and practices for safe operations. Both training and selection criteria for aviation personnel must be refined, to focus on those factors that relate directly to job performance. One particularly vital objective for the government and the industry alike is a drug-free aviation workforce--including pilots, mechanics, and other airline employees, as well as air traffic controllers, airport security personnel, and other public employees related to aviation safety.

In the international arena, the key to safe aviation operations is increased standardization, based on a strong set of safety requirements worldwide, covering air traffic control systems and procedures, airport standards, design, maintenance and operation of aircraft, and operator training. The Department will pursue greater consistency in the standards met in international aviation, so that U.S. airlines and passengers can be assured of safety wherever they travel in the world. Finally, the Federal government will reduce the threat of criminal acts in air transportation, through better training, technological advances, industry accountability, and international cooperation.

It is Federal transportation policy to:

- o maintain the highest level of aviation safety and security possible, consistent with human factors, technology, and economic constraints;**
- o pursue near-term and long-term improvements in technology, training, and other aspects of the aviation system that have application to the human factors aspects of aviation, particular the pilot-aircraft interface;**
- o ensure that regulatory standards are consistent with and keep up with technological advances as well as with the changing aviation environment, including the aging of aircraft in use in the system;**

- o complete implementation of the National Airspace System Plan, to ensure that demand will not compromise safety;
- o pursue early review and correction of deficiencies in both new aircraft and equipment and existing aircraft;
- o improve agency and industry measurement of and accountability for safety performance;
- o support ratification of the Montreal Protocols to provide for the new liability requirements in the event of an aviation accident, and to ensure fair and timely compensation for the families of victims of international air crashes.

Safety on the Waters

Drownings in recreational boating are the third highest cause of transportation-related deaths in the United States each year. Maritime safety is also essential to effective movement of commercial traffic, in domestic and international trade. The most important mission of the U.S. Coast Guard is to respond to emergencies on the waters, including recreational and commercial vessels in distress, and to perform other search and rescue activities on the oceans and inland waters. The Coast Guard also develops and enforces regulations to ensure safe vessel construction and operation of both commercial shipping and pleasure boating. Adequate operator training is critical to maritime safety, and particular attention must be paid to drug and alcohol abuse.

It is Federal transportation policy to:

- o maintain a strong and effective Coast Guard search and rescue capability, to respond to all emergencies on the water;
- o develop and implement a program for cooperative enforcement agreement with states that have "boating while intoxicated" standards;
- o pursue ratification of Standards for Training, Certification and Watchkeeping of Seafarers, developed by International convention in 1989, and provide guidance on enforcement;
- o reexamine periodically the records of merchant mariners to ensure that personnel remain competent, qualified and able to operate vessels safely;
- o continue to assess needs for improved navigational aids and marine Vessel Traffic Systems to guide and control ship movements, and require mandatory use of all the installed systems.

Safety in Other Surface Transportation

While the number of accidents and deaths in surface transportation not involving highway transportation is small relative to traffic fatalities, safety in those other modes is an essential component of maintaining an efficient and effective system for meeting national goals and needs. As movements involving multiple shippers and multiple modes increase, the need for attention to safety standards and safety inspections increases.

Reducing accidents involving freight and passengers in those systems is another facet of the Department's safety objective, including both reductions in fatalities and reductions in collisions and non-fatal mishaps. The Department's safety responsibility covers railroads, public transit, and pipelines. In each of those systems, DOT will assess data on accidents and risk exposure, and give particular emphasis to characteristics of systems in which accidents and incidents have occurred with greatest frequency in the past.

It is Federal transportation policy to:

- o achieve prompt implementation of the Commercial Drivers License program;**
- o ensure consistent motor carrier safety regulations nationwide, and uniform state enforcement procedures, uniform roadside driver and vehicle inspections and carrier-shipper reviews, and uniform fines and penalties;**
- o increase the number of railroad safety inspectors, to ensure effective monitoring and enforcement of railroad track, equipment, and operations;**
- o complete the review and approval of individual railroads' drug testing plans, in compliance with Federal rules;**
- o continue to assess and develop regulations covering railroad bridge safety, grade crossing signals, and locomotive engineer qualifications;**
- o institute direct Federal involvement in assuring that local public transportation systems operate safely;**
- o increase inspection and enforcement activities targeted to pipeline systems identified as posing particular risks to public safety.**

Safety in Hazardous Materials Transportation

The transportation of hazardous materials is a subject of considerable concern in American communities, because of the real and perceived threats these materials can pose to public safety and health as well as to the environment. The Department of Transportation is responsible for collecting hazardous materials safety data and identifying potential safety risks and problems. Based on identified risks, DOT also develops rules and standards for the safe transportation of hazardous materials in all modes--highways, rail, air, water, and pipelines. State and local governments also have a major role, both in enforcing hazardous materials regulations and in responding to hazardous materials accidents and spills.

For highway movements of hazardous materials, the Federal government has concurrent responsibility with state and local governments in the area of routing, with the state and local governments making the actual routing decisions, based on standards set by the Department. The Department works extensively with other Federal agencies and state and local groups to improve accident prevention, preparedness planning for hazardous materials accidents, and response capabilities at

state and local levels. Federal rules are aimed at ensuring that hazardous materials are properly identified, packaged, and handled, and that incidents involving hazardous liquid pipelines are held to a minimum.

It is Federal transportation policy to:

- o maintain hazardous materials safety data and conduct regular analyses of the data to identify potential safety problems;**
- o develop effective hazardous materials regulation, enforcement and preparedness to deal with evolving materials and technologies and identified safety risks;**
- o establish a new safety permit program for motor carriers transporting extremely toxic or explosive or radioactive material (e.g. spent nuclear fuel);**
- o extend Federal hazardous materials regulations to cover all intrastate movements of hazardous materials by commercial motor carrier;**
- o formalize the concurrent Federal and state jurisdiction in the area of highway routing of hazardous materials movements, with provisions for resolving disputes between the Federal government and state and local governments, and between and among states;**
- o expand the scope of training requirements for handling and dealing with hazardous materials, to include not only regulatory compliance but also hazard awareness, avoidance and mitigation;**
- o adopt hazardous materials packaging standards that are based on performance criteria rather than detailed design specification, to accommodate technical innovation;**
- o implement Federal hazardous materials standards for domestic movements that are, to the maximum extent consistent with safety, compatible with international standards, in order to facilitate foreign trade and maintain the competitiveness of U.S. goods.**

Maintain National Security

The transportation system supports our national security by providing the capacity necessary to handle our defense needs, in peacetime and in wartime. Many of the Nation's transportation facilities and transportation providers have a role in mobilization and deployment of personnel and equipment in the event of an armed conflict or natural disaster. The Department of Transportation will continue to work closely with the Department of Defense and other affected agencies to identify short-term and long-term national defense and emergency transportation needs, and to ensure that the transportation system can fulfill its role in meeting those needs.

National Defense

National defense is the single largest user of transportation services in the United States, and the U.S. Department of Defense depends largely on the civilian sector to meet its transportation needs. While the rail, highway, and aviation systems are important components of national defense readiness and mobilization capacity, and these systems require continued investment to meet military transportation needs, the ability of the U.S. civilian transportation system to support military sealift poses the greatest concern for national defense transportation. It is the general view of the U.S. Departments of Transportation and Defense, however, that the sealift capacity of the U.S. merchant marine is inadequate to support defense needs in a national emergency. In October, the President released the new National Sealift Policy, discussing the use of the merchant marine to meet national defense requirements and the critical role of sealift capacity in our national defense strategy.

Our national goal must be to assure that sufficient transportation capacity, particularly sealift capacity, is available to meet U.S. military needs in times of emergency.

The decline of the U.S. merchant marine has impaired the Nation's ability to meet military sealift requirements. Reform of Federal maritime programs will assist in enhancing the U.S. merchant marine fleet's sealift capacity. Implementation of the national sealift policy may require additional initiatives to address shortfalls in U.S. sealift capability. U.S. shipbuilding and ship repair will also have to become stronger and more competitive if a domestic shipyard mobilization base is to be available to support U.S. military needs. The Coast Guard will continue to foster and promote use of consensus standards to increase efficiency in shipbuilding. In addition, to permit greater production line economies in ship construction, development of standardized hull designs and machinery arrangements broadly useful for both military and commercial vessels should be encouraged. Increased initiatives in shipbuilding research and application of research and technology would also help to make the U.S. shipbuilding industry more competitive.

The safety and security of the Nation's port facilities are also critical to the national defense. The Department, through the Coast Guard, will continue to work closely with state and local authorities and the Department of Defense to ensure that U.S. ships can transit our ports and waterways safely and expeditiously. Across all modes, the special needs of military transportation and the costs involved must be taken into account in national defense policies, and defense programs must provide adequate support to the private sector industries and carriers on which they rely.

It is Federal transportation policy to:

- o work with the Department of Defense to identify and carry out programs necessary to implement the national sealift policy;
- o coordinate with the Department of Defense in identifying an integrated multimodal strategic transportation network, including a full inventory of defense-essential facilities and vehicles, and a comprehensive data base providing real-

time information on their condition and location in the system;

- o work with the Department of Defense and providers of transportation facilities and services to project specific defense transportation needs and establish priorities among them;
- o assist the Defense Department in making arrangements for use of private sector transportation services in an economical and efficient manner;
- o identify those national defense transportation needs that are not commercially available, and in those instances in which the Secretary of Transportation does not have statutory responsibility but where there is an increment of cost attributable to meeting national defense needs, ensure that the military users provide adequate financial support;
- o coordinate with state, local, military, and industry officials to ensure continued availability and access to vital transportation facilities and equipment, including ports and waterways, in military or other emergency situations;
- o work with other Federal agencies, state, local and volunteer organizations to identify and prepare for transportation requirements in the event of natural catastrophes or other national disasters.

Terrorism and Transportation Security

In the last ten years, terrorists have targeted U.S. air carriers and cruise ships for bombings and hijackings. Terrorism in both domestic and international transportation represents an intolerable threat to the safety and security of travelers, the integrity of the transportation system, and the physical and economic security of the Nation. The Department is actively involved in efforts to address the threat of criminal acts against all modes of transportation. Risks can be most effectively addressed through a multi-faceted approach including public awareness, security training for operators and other personnel, use of advanced technology to detect and deter criminal action, increased industry accountability for security, and improved private-public and international cooperation in combatting the threat of terrorism.

It is Federal transportation policy to:

- o assure tight screening of passengers and cargo at critical international airports to prevent terrorism in the skies;
- o require installation of a new generation of highly sensitive explosives detection devices at key airports to detect and deter terrorism;
- o work closely with port authorities and industry officials at U.S. ports and terminals and points of entry used by other modes of transportation, to analyze vulnerability and improve physical security;

- o **work for development and wider implementation of international standards to prevent terrorism, including standards covering cruise ships and ports worldwide.**

Drug Interdiction

As sinister as terrorism and just as critical to the Nation's long-term security is the international traffic in illicit drugs. The U.S. continues to provide the major world market for the drug trade, and it is a top priority in the President's national drug policy to halt the import of illegal drugs into this country.

Transportation is involved in moving drugs across our borders and within the United States. Transportation agencies are also an essential part of the national effort to detect and stop the flow of illicit drugs, including the Coast Guard on and over the waters, and Federal aviation authorities at airports.

It is Federal transportation policy to:

- o **maintain Coast Guard surveillance on and over the waters and at ports and screening at airports to interdict illicit drugs coming from other countries to our shores;**
- o **work with other executive branch agencies to develop a coordinated attack on illegal drug traffic moving on the Nation's transportation system, including aviation, railroads, marine vessels, and highway vehicles.**

WE WILL PROTECT THE ENVIRONMENT AND QUALITY OF LIFE.

Many of the essential characteristics of transportation affect the quality of our lives and the state of the environment. Transportation opens opportunities to see and enjoy our surroundings, but at the same time the operation of transportation vehicles produces pollution, uses energy and other resources, and even poses the threat of accidents that can disrupt communities and endanger the environment. Growing traffic and increased information create public concerns about preventing catastrophic accidents such as oil spills on the seas, preserving the environment, reducing pollution, and protecting the access of all Americans to the benefits of convenient, comfortable, and attractive travel opportunities. Federal policies and programs affect all of these issues. Government actions can enhance lives by improving mobility. Federal policies should also work to enhance lives by contributing to a healthier and more attractive environment.

Protect the Quality of the Environment

Many aspects of transportation today create negative side-effects on the environment. Traffic generates noise and congestion, dust and run-off, oil spills in the Nation's waters, as well as accidents and injuries and deaths. The rights-of-way and facilities for transportation not only link communities and people, they also disrupt them. And the engines that power transportation vehicles produce emissions of carbon monoxide, carbon dioxide, and a variety of other pollutants that contribute to smog, spoil our scenic vistas, threaten health, and contribute to "global warming."

Transportation activities cannot avoid affecting the environment, but a major goal of Federal transportation policy must be to minimize the negative side-effects.

The National Environmental Policy Act and other laws already require assessment of the effects of significant Federal transportation actions or Federal-aid projects on the environment, special attention to air pollution, and protection of wetlands and coastal zones. The Clean Air Act requires the Environmental Protection Agency to enforce vehicle and equipment maintenance standards to preserve emission control performance over the vehicle's economic life. Transportation regulations also affect vehicle noise

The Department of Transportation must continue to coordinate with other agencies to ensure timely and effective environmental review of transportation projects built or funded as part of Federal programs, and to see that Federal environmental policies are reflected in transportation programs and decisions. For example, investment choices within the Federal-aid programs for highways and transit can make a significant difference for achievement of air quality goals in metropolitan regions classified as "non-attainment areas" as a result of heavy automobile-related pollution. Coordination among agencies is also necessary to achieve more effective application of vehicle emissions control technology, reduce release of toxic chemicals into the environment as part of transportation activities, and address comprehensively issues related to global warming and environmental degradation.

In aviation, the Department will take positive steps to deal with the aircraft noise, which not only disrupts life in communities near major airports but which also results in the imposition of local airport use restrictions. The FAA will accelerate retirement of noisier (Stage 2) aircraft from the commercial fleet operating in the country, and will encourage local governments to practice effective land use controls in the areas around airports, to discourage future location decisions that would erode the benefits of the noise reductions achieved through phase-out of the Stage 2 aircraft. These actions, in concert, should permit limits on airport use restrictions, without serious adverse effects on local communities from aircraft noise.

It is Federal transportation policy to:

- o work with other agencies to implement the transportation-related aspects of the Clean Air Act, including development of Federal initiatives to enforce it;
- o participate in review of global warming and other transportation-related environmental issues, at the national and international level;
- o promote broader assessments of proposed transportation projects, to include their impacts on air quality;
- o require early phase-out of noisier (Stage 2) commercial aircraft, and encourage development and implementation

of effective tools for local governments to use to ensure noise-compatible land uses surrounding airports;

- o ensure that mitigation measures are taken to address adverse environmental effects of transportation construction activities, including implementing procedures for a "no net loss" policy with respect to the effect of Federal transportation programs on the Nation's wetlands;
- o encourage the design and building of transportation facilities and other transportation structures that fit harmoniously into communities and the natural environment, and preserve scenic and historic sites;
- o develop improved procedures for ensuring expeditious environmental review and timely decisions on transportation projects at the Federal level, through coordination among all Federal agencies involved in environmental review and approvals;
- o enforce international maritime treaties covering prevention of marine pollution.

Respond to Threat of Oil Spills

Recent oil spills on the seas surrounding the United States have increased concern about the environmental effects of shipping accidents in the transportation of petroleum and similar products on the seas and throughout the transportation system. Although human error in handling these materials and operating the oil tanker vessels is the most common cause of oil spills, there are many other factors that must be addressed. The Exxon Valdez accident in Alaska has particularly focused attention on the need for improvements in the Nation's ability to prevent and respond to catastrophic oil spills, including issues related to vessel designs to avoid ruptures and leaks; more effective containment of oil that is spilled; the range of clean-up techniques--biological, chemical and mechanical measures--and their relative effectiveness; more efficient oil-water skimming capability and techniques for recovery in adverse weather; and uniform procedures for response management.

Federal programs require that the shippers and transportation providers have adequate containment procedures and that industry and other officials are prepared for dealing with catastrophic spills and leaks that do occur. Federal programs must also provide for preparedness and liability.

It is Federal transportation policy to:

- o develop improved and more consistent contingency planning procedures to respond to oil spills, in connection with state, local, and regional officials;
- o promote stronger protection and liability measures to prevent serious oil spills;
- o develop new rules for the safe transport of crude oil and petroleum products, including vessel design, shipping lane requirements, and transloading operations;

Conserve Energy Resources

- o **conduct study of oil tank ship design, including an assessment of the benefits of double hull design, and develop the necessary rules to carry out findings;**
- o **examine costs and benefits of stricter regulation of loading and unloading of marine oil shipments, in comparison to alternatives such as additional private sector deepwater offshore loading facilities.**

Transportation is the single largest user of energy in the Nation, accounting for more than 25 percent of national energy consumption. Transportation vehicles consume two thirds of the petroleum used in the United States each year. Traffic management techniques and capacity enhancements that improve the use of transportation facilities and reduce congestion make a significant contribution to saving energy. Increased use of higher-occupancy vehicles on the streets and highways can be particularly helpful in reducing transportation fuel consumption.

In connection with the U.S. Department of Energy, the Department of Transportation is working to identify short- and long-term means to reduce the transportation sector's energy consumption, including improved vehicle fuel efficiency and increased use of alternative vehicle fuels, as well as alternative vehicle designs or transportation systems that would reduce petroleum use and overall energy consumption. UMTA, for example, is supporting purchase of buses that consume alternative fuels. The Department also maintains a fleet of alternative fuels vehicles. We support continued initiatives of that kind, although we urge that any subsidies provided for alternative fuels should be separate from the system of transportation fuel taxes, to avoid undermining collection of revenues necessary to support vital transportation programs financed by user fees.

It is Federal transportation policy to:

- o **work closely with the Department of Energy to ensure that transportation policies affecting energy use support national energy policy;**
- o **promote policies that encourage development and use of more fuel-efficient vehicles and transportation operations;**
- o **encourage increased use of non-fuel modes such as bicycling and walking, for example, by encouraging planners and engineers to accommodate bicycle and pedestrian needs in designing transportation facilities for urban and suburban areas;**
- o **work toward incorporating full long-term energy cost considerations in the system of Federal user fees.**

Extend Access and Mobility Improvements to All Americans

To reach our full potential, the benefits of transportation must be available to all Americans, including economically and socially disadvantaged, minority, young and old, and disabled citizens. Many individuals are not able to take advantage of America's opportunities because they do not have access to transportation services. More than 40 million Americans are disabled and have

special transportation needs; many cannot drive, or live in areas where they are not now accommodated by public transportation. The transportation system can be a key to breaking their isolation.

Sidewalks and cuts in curbs at corners, automatic electric doors, ramps and level access platforms at stations and other buildings permit improved access and mobility for disabled Americans.

The broadest and most immediate transportation benefits to people with disabilities are offered by buses equipped with lifts that can accommodate wheelchairs and provide access to other individuals who would otherwise not be able to use public transportation vehicles. Over 35 percent of public transit buses are now lift-equipped, but much more must be done. The Department of Transportation has the responsibility for enforcing access and mobility requirements in the transportation sector, and will move aggressively to carry out that responsibility.

It is Federal transportation policy to:

- o work with transportation entities and representatives of disabled individuals and other transportation disadvantaged citizens, to identify transportation facilities where access improvements are necessary and to coordinate development of effective designs and implementation schedules for meeting those needs;**
- o assist public transportation agencies in preparing plans and standards for acquiring vehicles accessible to disabled passengers, to meet requirements in a timely and cost-effective manner;**
- o develop criteria and review procedures for enforcing transportation providers' conformance with Federal accessibility requirements.**

Improve the Attractiveness of Travel

Mobility and travel have always contributed to Americans' enjoyment of their lives and leisure. Tourism is one of the Nation's industries, and most passenger transportation in intercity markets and for vacation purposes has an aspect of leisure and recreational value. The leisure aspects of travel place particular importance on the attractiveness, comfort and convenience of transportation. To make travel more enjoyable for U.S. citizens and foreign visitors requires more than just the basic infrastructure. Travelers generally expect services to be convenient, comfortable, and sufficiently frequent to fit within a busy itinerary, for a wide range of budgets. Ready information on schedules and transportation options, including clear and consistent signing and directions, is critical, at stations and terminals, on highways and other routes. Safe, well-maintained routes, clean and attractive stations and facilities, pedestrian walkways as well as trails for bicycles and other recreational vehicles, are all important to tourists and other leisure travelers. Vehicle pollution, noise, destruction of scenic vistas, and traffic congestion not only disrupt the environment, but also detract from the appeal of travel.

It is Federal transportation policy to:

- o review Federal programs and standards affecting transportation modes and operations that serve leisure travelers, to ensure that the Federal government is not an obstacle to attractive, high quality service;
- o promote standardized transportation signing and increased information for travelers, particularly at major airports and passenger terminals and along scenic highways and other passenger routes;
- o incorporate in Federal-aid programs for transportation provisions for adequate service facilities for travelers;
- o accommodate pedestrian and bicycle and other recreational trails in planning transportation facilities, including those serving major passenger stations and tourist destinations.

WE WILL ADVANCE U.S. TRANSPORTATION TECHNOLOGY AND EXPERTISE FOR THE 21ST CENTURY.

Innovation and technological advances within the transportation field will be vital to ensure that the system can meet the Nation's transportation requirements for the 21st century. Many of the resources, as well as the imagination and creativity necessary to support transportation advances will come from the private sector, along with the opportunities for applying new ideas and knowledge. Colleges and universities, non-profit research groups, and state and local governments will also contribute to continued pursuit of transportation research and innovation. The Federal government, however, can increase the awareness of the needs in all of these areas, and can serve as a leader and a catalyst for research, innovation, and expertise. As we enter the 1990's, the Department will launch a renewed effort to promote transportation research to assure that the Nation can meet the challenges of the next century.

Foster Innovation Through Transportation Research and Development

The U.S. has a long history of scientific and technological breakthroughs that have permitted advances in industry and society worldwide. Transportation has been one of the major industries contributing to and participating in those advances. Computer technology, many safety initiatives, vehicle and road and bridge design, alternative fuels, intelligent vehicles/intelligent highways, and magnetic levitation for trains all got substantial initial impetus from research and development work in the United States.

Innovation and new technologies are at the center of public and private efforts to prepare for meeting future transportation demands. Even in the short term, the problems of congestion and energy and environmental concerns, coupled with a national interest in improved safety, reliability, and efficiency in transportation, create serious scientific and technical challenges. Technology cannot solve today's transportation problems on its own, but in combination with sound management of capital and human resources, technological advances can offer significant assistance in addressing transportation needs.

Current research interests in transportation range across all modes and issues: new vehicle technologies such as alternative power sources for automobiles, the "ship of the future," space launch vehicles, and hypersonic aircraft; applications of microprocessors, fiber optics and other telecommunications applications to permit information exchange, electronic vehicle control, and ground-based or satellite positioning; and automation and robotics in transportation, both in routine functions such as vehicle loading and unloading, maintenance and repair, and in potentially hazardous activities such as space launch-site operations.

To address transportation needs, advances in research and innovation must not be limited to "hardware" and systems. We must also pursue increased measurement and understanding of human performance factors, such as the interaction between machines and vehicles and the potential for training and testing to avoid operator error and reduce human factors accidents. The scope of the human performance problem has only recently become more clearly understood in both industry and government. Human factors issues are most visible in aviation today, but their significance in all areas of transportation safety will continue to grow. While many profitable research efforts concerned with human performance issues have been underway for many years, these efforts have gone on in many different agencies under separate programs, and they have not been organized into a focused overall program that addresses the comprehensive nature of the human factors problem in all types of transportation operations.

Innovative management and financing options also must be investigated, such as the potential for effective use of pricing mechanisms to manage demand, and the concept of high-occupancy vehicle alternatives and toll combinations in the highway system. Each of these areas offers significant benefits for the future. We must build on our past efforts, and pursue the products of U.S. research and innovations to the point that they can be put to use in addressing national needs. Greater effort to share the results of research and the knowledge of innovations will expand awareness of new technologies and other advances and boost their development and use.

The share of the Department of Transportation budget devoted to research and development has declined from 1.9 percent in 1980 to 1.1 percent in 1989. The Department is proposing a major new initiative in transportation research and technology, to revitalize research activity in each mode and across modes. We need a renewed focus on innovation and technology to fulfill national transportation goals of safety and efficiency, and to meet the transportation needs of the future. If we can stimulate interest in advances in the transportation field and successfully harness our creative and technological resources for application in transportation, the Nation will long reap the benefits through increased productivity and competitiveness and an enhanced quality of life.

The Nation's private companies and universities and research institutions remain the crucible for transportation research and development. We need a more active partnership for innovation, and commitment by all parts of the transportation industry and the academic community.

The Federal government can help to focus the attention and energy of the public and private sectors on the importance of advances in transportation for the Nation's future. By setting the example for emphasis on transportation research, offering seed money, and preserving tax incentives for research, the Federal government can create the climate for research and innovation. The Department's sponsorship and funding can also help attract broader involvement in the effort.

Just as innovative approaches are necessary in technology, so the full range of innovation in financing will also have to be explored to support research and development and to make the best use of the resources of individuals, businesses, academic institutions and other non-profit organizations, state and local bodies, as well as the Federal government. Department programs will be designed to strengthen the tools and incentives for innovations and research across all those other groups.

Frequently, U.S. firms are competing with foreign firms or consortia whose research activities are at least in part subsidized by their governments. To assure the viability and technological competitiveness of the U.S. transportation industry, its suppliers and customers, some additional steps may be required to foster research efforts in this country. Particularly where the benefits of investment in research and development would be long-term, accrue beyond an individual firm, and face an uncertain market, there is little incentive for a single firm to undertake a research project on its own. In those cases, the Federal government may need to consider steps to integrate fragmented research programs, pursue creative licensing agreements, or otherwise improve incentives and spread risks. Cooperative agreements for research, and public-private cost sharing arrangements, can help all the members of the transportation community to contribute to funding research and increase the payback from transportation research activity.

It is Federal transportation policy to:

- o request an increasing percentage of the Federal transportation budget for research and technology projects undertaken in coordination with the efforts of private industry, the academic community, and state and local governments;**
- o conduct a comprehensive program of research on human factors in transportation, including the causes of transportation accidents, the effects of operator impairment, perceptual errors and fatigue, as well as design and operating changes that can eliminate or reduce those effects;**
- o provide seed money for research on new transportation systems and technologies, assist in assessing their feasibility, and support selected projects to test and explore the benefits available from those options that appear most promising for meeting transportation needs;**

- o ensure that regulatory and institutional barriers do not impede implementation of viable new technologies while still assuring that procedures are in place to assure their safety;
- o revitalize the program of national research in transportation at the country's universities and research institutions;
- o maintain a knowledge base on international research and innovation in transportation;
- o disseminate transportation data, research findings, and information on productive technology and innovation in transportation, to researchers, industry groups, and Federal, state and local government agencies in the United States;
- o promote adoption of new technologies and reestablish U.S. international technical leadership in transportation by fostering increased awareness of and interest in research and development activities.

**A New Generation of
Transportation for High-density
Intercity Travel**

No single transportation mode will be able to meet the full range of transportation requirements; a spectrum of options with varied capabilities will have to be fostered to accommodate tomorrow's needs. For travelers making trips of between 100 and 500 miles, the journey by highway may be too long to drive comfortably in a car but not great enough to be accommodated efficiently in today's airplanes and airports, especially in congested corridors. High-speed rail and magnetically levitated trains are already in operation in Europe and Japan. Other options, including new aircraft such as tiltrotor vehicles, have also been proposed to fill that market niche. None of those technologies is at the point of being put into active operation in the United States. More research will be needed to assess the feasibility and relative costs and benefits of the various options, and to identify the most promising technologies and applications.

The Federal government will promote research to support those next steps, by providing seed money for the initial examinations of the feasibility of major new technological proposals, and evaluating the results in comparison to other options. The Department will also foster private sector and state and local government demonstration projects to test the most attractive alternatives. While private investment will be the central feature in putting any of these systems into place, the Federal government again can serve as the catalyst, evaluate the options for their cost-effectiveness in meeting the public interest, and ensure that regulatory and institutional barriers do not impede implementation of viable systems.

**Safer, Cleaner, More Efficient
Motor Vehicle Systems**

To meet air quality goals and other environmental objectives, to alleviate congestion, to save lives and resources, and permit more effective use of the Nation's primary transportation system, the motor vehicle operations of the future will represent a dramatic evolution from the cars and trucks on the road today.

The Nation's metropolitan areas and regions are already moving to mandate vehicles that will use alternative fuels and reduce the emissions levels from those of present model automobiles, and the President has called for a nationwide push to use vehicles that consume alternative fuels. Manufacturers and energy companies are responding with new efforts to modify vehicles, engines, and fuel composition to meet fuel efficiency and air quality goals. There are many other initiatives underway concerning motor vehicles, many of them the result of Federal regulations and standards, including vehicle emissions, fuel economy, crashworthiness, passenger restraints, and other safety devices, alternative power sources for automobiles, materials engineering, and human factors research.

Intelligent Vehicle/Highway Systems

One of the greatest challenges confronting the Nation for the 21st century is to develop motor vehicle systems that will be safer, more efficient, more environmentally benign, and lower in energy consumption, without destroying our basic mobility, industrial competitiveness, or standard of living. As ambitious as this goal may be, we are confident that our business leaders, our scientists and engineers, and the American people together can attain it. Every step toward this target will mark an improvement in the transportation system and valuable progress toward protecting the quality of life and the environment for the Nation and the world.

We need a coordinated approach to achieve successful new systems for motor vehicle systems that can move people and goods more safely with less pollution and less consumption of petroleum fuels. A goal of this magnitude can only be met through the efforts of all levels of government, business and industry, individual citizens and households. Substantial input in time and energy and resources will have to come from the motor vehicle manufacturers as well as other suppliers and manufacturers providing goods and services to support motor vehicle operations.

Sound and consistent Federal policies are critical. The Department will bring together all the Federal agencies that are involved in research, regulation or oversight of activities related to motor vehicle and highway operations and safety, including the U.S. Department of Energy and the Environmental Protection Agency. DOT will take the lead in reviewing and cataloguing all the ongoing Federal programs and initiatives inside and outside the Department, and will support a coordinated program to oversee the Federal efforts. The Department itself will pursue a concerted program of research covering motor vehicle safety, operations, and integration of vehicles with the street and highway systems they use, and will continue to participate actively in efforts to improve motor vehicle fuel efficiency and emissions control.

An enormous range of technology exists in the area of intelligent vehicles and intelligent highways (IVHS) that can contribute substantially to reducing vehicle delay, increasing highway capacity, and improving highway safety. Further advances offer the prospect of even greater benefits than are now possible. Most notably, IVHS can alleviate congestion on streets and highways using automated traffic control systems (signals, ramp meters, and reversible flow lanes) responsive to real-time conditions; enhance information available to drivers on traffic incidents and delays plus alternative route choices, through advanced in-vehicle driver information systems and improved traffic information systems along the roadways; improve safety of highway operations through in-vehicle safety advisory, warning and avoidance systems; increase the efficiency of trucks and other highway vehicle fleets using vehicle identification, communications and safety advisory systems; and finally, for the longer term, facilitate safer and reliable vehicle operations at

Companies and governments in Europe and Japan are already developing IVHS systems for application in the short and long terms. Implementation of these systems in the United States--including both vehicles and systems in the streets and highways they use--represents substantial investment and considerable change in many operational and institutional areas. Extensive testing is needed to determine which types and applications of IVHS technologies can be most cost-effective. Those IVHS options that have the greatest likelihood of providing public and private benefits, particularly for relatively near-term implementation, should receive priority, at the same time that research on longer term IVHS options also must proceed.

Improve Transportation Education

The President's thrust to improve U.S. education has special meaning for transportation: the "education gap" afflicting all sectors of American life and specifically the shortage of trained professionals to handle high-technology jobs, represents a serious obstacle to the strength and future outlook for the U.S. transportation system.

higher speeds than are now practical, using fully automated vehicle control or partially automated back-up systems for drivers.

The most appropriate and effective approach to IVHS research and application clearly will be a public/private partnership, with the active cooperation and financial commitment of private firms, state and local governments, the Federal government, and academic and research institutions. The Department of Transportation recommends a joint industry/government IVHS effort to develop coordinated plans for IVHS-related research, demonstration and implementation; to provide a forum to discuss and decide upon necessary national standards, protocol, and performance specifications for IVHS equipment and technology; to coordinate research efforts with those underway in Europe and Japan; and to disseminate research results and information. The Federal government must also assure that the IVHS technology is designed with regard for the capabilities of the driving population, to avoid overloading the operator with information. The impact of the new technology on driver performance must be evaluated--particularly in critical situations. The Department, working with industry, will develop an advanced driver simulator to perform these evaluations. This will be an important step in allowing human factor research capability to catch up with the development of information processing and advanced vehicle-related technology.

The human element in transportation is as important as the basic infrastructure, the vehicles, or any other physical resource in making that system work. Individuals are responsible for the analysis, planning, design and achievement of the transportation systems we need. These are all functions that require special knowledge and expertise.

The first objective in laying the groundwork for the transportation expertise for the future is to ensure that members of the public, and young people in particular, are aware of the range and the promise of transportation careers, and that educational opportunities are available to prepare them for those careers. In the public sector, for every line of private business involving transportation, there are professionals who study those activities, develop the laws and regulations and other policies to guide transportation decisions, ensure transportation safety, and see that civilian and government transportation needs and interests are addressed. Research and academic institutions offer corresponding opportunities for working in transportation.

None of the challenges in transportation can be met unless individuals working in the field have the quality education and background to take on the professional responsibilities. That requires that people know about the opportunities and are prepared to take them. The Department will work closely with educational institutions, including minority institutions, to ensure that they are making young people and students of all ages aware of the potential for transportation as a career. Schools and colleges and universities must also provide education covering

the latest data, systems, and technologies in transportation. In preparing the next generation of transportation professionals, particular attention must be given to attracting and retaining minorities and women and socially and economically disadvantaged individuals who have not been well-represented in higher-level educational programs and among transportation professionals in the past.

It is Federal transportation policy to:

- o foster greater awareness of transportation as a potential career,
- o encourage improved government and academic programs in transportation education;
- o expand cooperative programs with universities in combination with public agencies and the private sector, to carry out ongoing exchange of knowledge and innovative ideas among professionals in the transportation field;
- o work with universities and other educational institutions, industry and community groups to help them increase the numbers of minorities and women to pursue transportation education and careers.

Improved Transportation Data Collection and Planning

Wise transportation investment and management require accurate, reliable information, and forward-looking planning. With so many of the Nation's basic transportation systems already in place, planning has taken on a different emphasis. Instead of large-scale transportation systems, planning must now focus on the incremental additions and improvements that should be made to adapt to emerging demographic, economic, and transportation trends. The planning function is no less critical. With fewer large projects and fewer resources to devote to transportation investments, the smaller decisions take on larger importance, and every decision must be made carefully, to get the maximum benefit out of the resources.

Information--including up-to-date population, economic, and transportation data--is essential to sound transportation analysis, policy development, and planning. Reduced Federal regulation of transportation, combined with increasing budget constraints, has severely reduced the amount of data that is collected and disseminated by the government, in the transportation field as well as other related areas. Private sector data sources can only offer a limited substitute for the range of information available from Federal government programs such as the national census. Joint Federal, state, local, and private efforts can contribute to increasing the availability of information and data to planning officials and decisionmakers, and improve their ability to make sound transportation decisions. The Federal government itself should accord a greater role to data collection and analysis to support policy formulation and effective program delivery.

Many agencies of the Federal government collect data covering transportation activities and industries related to transportation,

including the Bureau of the Census, the Interstate Commerce Commission, and the U.S. Army Corps of Engineers, as well as the Department of Transportation. DOT is the agency with the broad monitoring responsibility for all U.S. transportation activities, and can offer the leadership in coordinating transportation data collection within the Federal government; developing improved analytical techniques for applying data and carrying out informed transportation planning; and sharing data and information on effective approaches to transportation planning and other applications of data, to state and local governments, as well as private industry and research and educational institutions.

It is Federal transportation policy to:

- o **support increased Federal efforts to gather, report, and share basic data for use in integrated long-range transportation planning and decisionmaking;**
- o **coordinate transportation-related data collection efforts among Federal agencies, and develop more consistent, comprehensive and readily usable transportation data systems, covering all modes;**
- o **sponsor development of improved transportation analysis procedures for individual modes and multimodal systems, and make that capacity available for use by Federal agencies, as well as other levels of government and the private sector;**
- o **assist private industry and other levels of government in developing improved methods and uniform standards for electronic data collection and interchange;**
- o **apply data and analytical techniques to continue to monitor the condition and performance of the national transportation system and estimate future transportation requirements;**
- o **improve the Department's program of technical assistance and technology sharing, to disseminate basic transportation data and information on analytical techniques and approaches to planning;**
- o **institute long-range strategic planning in the Department of Transportation, and link future legislative and budget decisionmaking to comprehensive long-range planning;**
- o **provide a continuing mechanism for the modal administrations to come together within the Department, and to interact with state, local, and other outside transportation interests to assess future needs and coordinate responses beyond narrow single-mode approaches;**
- o **encourage the use of "capital budgeting" at the Federal level to permit fuller consideration and evaluation of national transportation investment needs and options.**

IV.

THE NEXT STEPS A Blueprint For Action

Transportation policy is not made in a single document or a single day. It evolves through a series of documents and actions, through decisions and failure to make decisions, over days and months and years. And it evolves from the participation of many different parties--the Federal government, state and local government bodies, public interest groups and individuals, private providers of transportation service, and transportation users.

Within the Executive Branch, the Secretary of Transportation is the President's delegated advisor on transportation policy issues. However, policy is affected not just by the Department of Transportation actions but also by regulatory commissions and the Departments and agencies responsible for energy, environment, taxation, corporate law, labor, health and safety, agriculture, land use and economic development, foreign trade and foreign relations, and defense.

The Congress plays the key role in authorizing the structural changes and providing funds for the policies and programs administered by the Department. State and local governments and the private sector are crucial to the overall execution of sound transportation policy. The entire process is incremental and ongoing.

The Nation has short-term and long-term milestones and objectives for our transportation system, and the agenda for achieving them must be phased over the short and long terms as well. With this document the Department and the Administration take the first step to provide guidance and leadership on the direction of transportation policy for the future.

Subsequent steps will be taken at the Federal level through new laws and regulatory policies that reshape transportation programs and the manner in which they are operated, budget and investment decisions that will determine the extent of the Federal commitment, research and development initiatives that may provide innovative solutions to today's transportation problems, and the leadership of the Department in characterizing the importance of efficient transportation to the nation's economy and security.

Through the use of these measures, we will carry our agenda to the transportation community--the transportation providers, state and local government agencies, the Congress, interest groups and industries that use transportation, and the general public. Within our current administrative and operating authority, we will begin to apply the national policy in decisions and actions.

THE SHORT-TERM ACTION AGENDA.

The proposals contained in this document will form the foundation of the Department's 1990-1992 legislative agenda, regulatory actions affecting transportation industry operations, and program changes that alter the way the Department does business. During the coming months and years, actions will be taken on each of the policy initiatives discussed in Chapter III.

As the National Transportation Policy was developed, issues, problems and solutions were considered from a market-based, multimodal perspective. However, since consideration of the Department's legislative agenda will take place within the present Congressional committee structure, we present our proposed legislative actions by mode. Many of the proposed actions are a result of consideration of multimodal issues and solutions. And clearly, most of the proposed actions have implications for transportation systems and operations between and across the modes.

A STRATEGIC ACTION PLAN FOR 1990-1992

- Authorizations for redirected Federal highway, highway safety, aviation, and urban mass transportation programs
- Enactment of other legislation that will enhance modal competition and national security.
- Repeal of Federal regulations and other laws that impede the provision of efficient transportation service
- Program initiatives and other program changes to carry out new policy directions

The Short-Term Legislative Agenda

Reauthorization legislation is needed to ensure that the Federal government can carry out its obligations to maintain safe and adequate airport and airspace programs, to sustain a safe and adequate national network of highways, maritime transport, and railways, and to support vital urban mass transportation systems. These programs must be reviewed and realigned to better address the Nation's present and future transportation needs. Other legislation will be proposed by the Department in the next few years to address key concerns involving railroads, merchant marine, Coast Guard, and safety functions.

Aviation Legislation

Consistent with the national transportation policy, legislation proposed by the Federal Aviation Administration will:

- Increase the size of Federal aviation assistance programs and recover a higher portion of program costs from user fees by

spending down the balance in the Airport and Airways Trust Fund.

- Provide for completing the National Airspace System and a new generation of air traffic control systems.
- Allow passenger facility charges at federally assisted airports.
- Provide for capacity at saturated airports and airways through investment in high pay-off new or expanded facilities.

Highway and Highway Safety Legislation

Consistent with the national transportation policy, legislation for the Federal-aid highway program and highway traffic safety programs will:

- Increase the size of the program by spending down the balance in the Highway Trust Fund.
- Target the Federal program on systems and projects of national significance, with broader, more flexible funding categories
- Increase Federal funding and incentives for preservation of transportation facilities.
- Require sound infrastructure management programs as a condition for Federal aid.
- Increase the state and local share of Federal-aid projects for capacity expansion.
- Allow greater flexibility in the use of Federal funds.
- Allow Federal assistance for new toll highways.
- Devote an increasing share of the budget to research and development, including programs to improve highway safety through human factors research, and seed money for private sector or State/local research on new transportation technologies such as intelligent vehicle/highway systems.
- Improve highway safety by targeting Federal financial support and technical assistance to promote more effective enforcement of laws governing speed limits, drunk and drugged driving, and use of safety belts, child safety seats, and motorcycle helmets.

Urban Mass Transportation Legislation

Consistent with the national transportation policy, legislation proposed for mass transportation programs will:

- Restructure and increase the size of mass transportation assistance programs funded by user fees by spending down the excess balance in the Mass Transit Account of the Highway Trust Fund.
- Eliminate barriers to private sector participation in financing and operating mass transportation systems.
- Allow greater flexibility in the use of Federal funds.
- Increase the state and local share of Federally supported mass transportation projects.

- Move toward phasing out Federal assistance for urban transit operations.
- Emphasize projects that provide critical links between modes and between international, intercity, and local transportation systems.

Railroad Legislation

Consistent with the national transportation policy, legislation proposed by the Department for railroads in the near future will:

- Repeal costly requirements under Federal statutes affecting labor-management relations and labor costs, notably the Federal Employers Liability Act, and bar secondary boycotts under the Railway Labor Act.
- Reduce the requirement for Federal funding of Amtrak operations by providing Federal funds for additional capital acquisitions and by shifting greater financial responsibility to the States for improvement of Amtrak facilities, equipment, and services.
- Institute user fees to recover a portion of Federal railroad safety inspection costs.

Coast Guard Legislation

Consistent with the national transportation policy, legislation for programs administered by the Coast Guard will:

- Finance a portion of its program through user fees.
- Define Federal oil spill response authority.
- Carry out stronger protection and liability measures to prevent serious oil spills.
- Create a comprehensive and equitable system to compensate those damaged by oil spills.
- Enhance vessel traffic safety with improved navigational aids and vessel traffic systems to guide and control ship movements.

Maritime Legislation

Consistent with the national transportation policy, proposed legislation to reform the Operating Differential Subsidy program will:

- provide commercial operators flexibility in determining trade routes and remove other operating restrictions.
- permit the use of foreign-flag feeder vessels and recognize the need of U.S. foreign trade operators to be competitive in the acquisition of vessels.

**Hazardous Materials
Transportation Legislation**

To ensure safe transportation of hazardous materials in the nation, we will propose legislation that will:

- Establish areas of hazardous materials regulation that are exclusively Federal (e.g., classification standards and hazard warning systems).
- Extend Federal hazardous materials regulations to intrastate transportation, including standards for highway routing, with provisions for resolving disputes between the Federal

The Short-Term Regulatory Agenda

government and State and local governments, or between and among States.

- Establish a safety permit program for motor carriers transporting extremely toxic, explosive or radioactive material.

Despite the recent initiatives of the Federal government to remove unnecessary transportation regulations, many market barriers still exist. In other cases, the provision of efficient transportation service is impeded by conflicting state and local regulations. In the next year, the Department will plan and begin pursuing the following important regulatory policies, many of which will require new legislative authority.

To enhance transportation industry competitiveness and improve the efficiency of transportation operations, we will propose to:

- Eliminate remaining economic regulation of trucking.
- Require uniform state procedures for truck registration and tax reporting.
- Vigorously oppose efforts to reregulate railroads and airlines.
- Establish a national aircraft noise policy that will reduce local restrictions on aviation operations.

To improve metropolitan area program delivery and decisionmaking and to improve management of the system, we will propose to:

- strengthen the planning, programming and project prioritization role of Metropolitan Planning Organizations.
- Require system management plans as a condition for highway and transit program project approvals.

To protect the environment from adverse side effects associated with transportation, we will propose to:

- In conjunction with uniform noise standards, phase out Stage 2 aircraft to reduce noise.
- Implement a "no net loss" policy for America's wetlands affected by Federal transportation programs.
- Implement stronger protection and liability measures involving oil spills.

To better assist transportation providers in extending the access and mobility of Americans, we will propose to:

- Tailor program standards and requirements to the circumstances of small communities and rural areas.
- Develop criteria and review procedures for enforcing conformance with Federal accessibility requirements.

The Short-Term Program Agenda

Much can be done to achieve national transportation policy objectives by redirecting the resources and efforts of the Department of Transportation. In the next year, we will plan and begin efforts--through budget requests, research and development, and other means--in the following important areas.

To reduce congestion through improved utilization of existing resources, we will:

- Encourage pricing and other transportation management techniques for all modes where there is system congestion.
- Provide technical assistance to State and local governments to develop and implement improved system management programs.

To ensure that all Americans have access to necessary transportation service, we will:

- Work with transportation providers to increase access and mobility to the disabled.
- Coordinate public transportation programs administered by HHS, Agriculture, and HUD to improve service delivery.

To ensure competitiveness in the transportation industry, we will:

- Pursue negotiations for more uniform equipment standards for international transportation.
- Minimize the potential for federally subsidized transportation services to offer unfair competition to private operators.
- Remove unnecessary Federal requirements that prevent U.S. flag ships from effectively competing in world trade.

To ensure that national security transportation requirements are met, we will:

- Review transportation conditions and performance within present programs to determine whether national security transportation capacity is adequate for national defense needs.
- Work with the Department of Defense to implement the national sealift policy.

To improve safety and reduce transportation accidents, we will:

- Increase the emphasis on addressing human factors in transportation safety.
- Launch a coordinated campaign against highway traffic deaths, increasing public awareness and compliance with traffic safety laws, and by encouraging states to enact and more aggressively enforce effective traffic safety laws.

To promote new transportation research and development that will advance U.S. technology and support an improved transportation system, we will:

- Assess the market feasibility of major new technologies proposed for intercity passenger transportation and support further development and demonstration of promising options.
- Work with private industry and state and local governments to develop intelligent vehicle/highway systems.

- Cooperate with other Federal agencies and private industry to develop more energy-efficient and less polluting motor vehicle technology.
- Restructure the Department's program of technical assistance/technology sharing to more effectively support State/local decisionmaking on present and advanced systems, particularly with information on innovative funding approaches.

To ensure an effective transportation work force, we will:

- Work with industry to identify future workforce needs and develop recruitment and educational programs to meet those needs.
- Improve recruitment, training, and compensation for air traffic controllers, aircraft inspectors, and other high-skill Federal transportation positions.

To improve on the data that supports informed transportation decisionmaking, we will:

- Convene a "blue ribbon" panel under the National Academy of Sciences to develop plans for meeting the data needs of the Department and the transportation community.

THE ONGOING POLICY PROCESS--SETTING AN AGENDA FOR THE LONG TERM.

The plan for carrying out or initiating many of the actions proposed by this statement of policy were described in the previous section. For the longer term, economic, social and technological changes will continue to occur and new issues and questions will arise day by day. We must review our agenda continuously to ensure that our programs and actions fit within a sound overall national policy framework and that we remain sensitive to the conditions and needs the transportation system is facing. We must also be aware of the sequencing of program and policy initiatives, to ensure that by their timing, those that are underway and those that have not been adopted do not interact in a way that introduces distortions.

Strategic Planning

As part of the continuing process, the Department will put in place lasting and formal mechanisms to ensure that the strategic planning perspective is integrated into the legislative, budgetary and regulatory planning and decisionmaking within each modal administration in DOT, and also across the individual modes, with oversight and guidance from the Office of the Secretary. This will permit us to build clearer goals and guidelines into our everyday operations, to sustain the interchange launched in this policy development process among the parts of the Department, within the Federal government, and between the Department and state and local governments and the private sector. We will work to

coordinate the efforts of the many agencies and individuals who shape and are affected by national transportation policy.

Efforts are already underway within the Department to build strategic planning into our everyday operations. In 1988, the Federal Aviation Administration launched a strategic planning initiative both within the agency and the aviation community to set a critical strategic direction for the FAA and to identify future issues and opportunities. When completed, this strategic plan will determine FAA mission emphasis and set performance objectives and broad strategies for the next two decades, and present plans of action and assign responsibilities for beginning to implement the chosen strategies.

The Department's strategic focus for the future will be on ensuring that transportation can perform its basic function while:

- remaining flexible enough to adapt to changing circumstances;
- fostering a balanced and integrated transportation network; and
- providing the means and the incentives for funds and other resources to be targeted to projects and programs providing the greatest benefits in the Nation's transportation system.

Better data and other information on transportation will be an essential component of the strategic planning effort. We are committed to gathering, using and disseminating improved and up-to-date information and to preparing regular reports on the status and condition of the Nation's basic transportation system for each of the major modes. This will permit more informed and market-responsive decisionmaking at the Federal level and in other sectors.

Balancing Goals

The policy process is fundamentally a balancing of complex and often competing goals and interests. On the one hand, we seek improved transportation systems and services to support economic activity, encourage growth, and foster competitiveness. Often conflicting with these critically important goals are the Nation's other vital interests in the areas of safety, energy, environment, equity and mobility for all groups, and national security in the world. Also included in this balancing process are considerations of the appropriate roles and responsibilities of each level of government (Federal, state and local) and of the private sector, and the financial concerns affecting each of them. It is essential that these divergent and rapidly evolving demands on the transportation system be fully taken into account and actively incorporated into the ongoing activity of carrying out our national transportation policy agenda within and outside the Department.

The Long-Term Agenda

Beyond the early 1990's, the Department will continue to apply the sound principles and overall policy framework adopted in this document to guide our actions. As years pass, the results of our initial efforts will be available to support our decisionmaking, including more extensive data and the information gained from

increased emphasis on research and development and the implementation of new technologies. Building on those resources, the strategic planning function will facilitate day-to-day and year-by-year decisionmaking sensitive to national interests, the performance record of the transportation system, and America's transportation needs. As transportation demands evolve, the Federal government will work with the transportation community and other Federal, State and local officials to achieve the coordinated, multimodal transportation system that is necessary. We must make wise use of existing resources and launch the long-term efforts necessary to put new systems and facilities in place as required.

MOVING AMERICA.

The steps are many; the solutions are diverse. The private and public sectors, modal and corporate interests, local and regional and Federal government perspectives, national goals of economic growth, social equity, environmental quality, energy efficiency, and safety--all of these disparate strains must be brought together into a combined force to move the Nation toward a sound and balanced transportation system that will meet our Nation's multiple and varied needs for the future.

Appendix:

Related National Transportation Policy Documents

This report, *A Statement of National Transportation Policy*, is the third and final volume in a series of reports entitled *Moving America: New Directions, New Opportunities*. Volume 3 summarizes what was stated by Americans during the transportation policy outreach, and identifies new opportunities and directions for national policy to meet the Nation's transportation needs.

- o Volume 1, *Building the National Transportation Policy*, was issued in July 1989. This report provides an overview of the current situation, a snapshot of the U.S. transportation "landscape". It describes trends, external factors affecting transportation, sets the key issues, and generally describes the policy development process.
- o Volume 2, *America Speaks Out on Transportation*, documents the advice and counsel of interested Americans who met with us, testified at public hearings, and wrote to us with their opinions. The input comes from the general public as well as representatives of industry and labor, researchers, academia, environmentalists, government leaders and transportation professionals at all levels, and other important constituents of the transportation community. This report was issued in November 1989.

A related report to Congress, *National Transportation Strategic Transportation Planning Study*, is also being issued in January 1990. This report was required by Section 317(b) of the FY 1988 Appropriations Act. The assessment provides information on the factors affecting transportation (including demographics, the economy, and energy), the transportation setting (including regulations, safety, and technology), and reviews the conditions and issues facing each transportation mode. The report also contains forecasts of long-term costs of development and maintenance of facilities and services for moving people and goods, and summarizes urban case studies.

Government Overhauling Its Tran

Journal of Commerce Special

PARIS — The French government is pressing hard to develop the country's transportation infrastructure.

Fueling the effort, in large part, is the government's desire to prepare that infrastructure for the single European market in post-1992 Europe. They are particularly mindful of how important a role transportation will play in the bid to make France "a winner" in the market, when new structures will be needed to handle increased people and cargo flows between European Community member states.

In fact, observers say that France already has shown it is very serious about the 1992 challenge, and that the government, thanks to a centralized decision-making process, has been able to move fast on huge infrastructure projects that are proving difficult for other European governments to tackle.

"What's clear is that the French are very concerned about infrastructure and having an overall transportation network designed to encourage people to set up business in France," says Mike Tong, a consultant with PA Consulting Group in London. "The French have tended to have a more strategic view,

and unlike in Britain, cost justification has often not been required."

Indeed, back in the late 1970s, the government decided that high-speed trains were necessary for the country, and by 1981, the first train, a grande vitesse (TGV) system opened, connecting Paris with France's second city, Lyon, via trains of 260 kmh (approximately 161 mph). More than eight years and 100 million passengers later, the state-owned railroad, SNCF, has shown that a transportation concept of a century ago still has a bright future.

This fall, the SNCF launched the TGV Atlantique line, serving western France, while introducing the second generation of TGV technology, which offers quiet and comfortable rail transport at top speeds of 300 kmh (186 mph). The line is seen as an economic development tool, not just a transportation vehicle. Government planners expect the system, for example, to help attract business establishments to Tours and Le Mans, which now are within "commuting distance" of Paris.

Meanwhile, the government is planning northern and eastern TGV lines and is investing heavily in development of a third-generation TGV, which could run in neighbor-

ing countries, and at speeds of perhaps 350 kmh (217 mph).

On the freight side, the SNCF is modernizing to recapture traffic lost to road transport over the past decades. In 1974, the railroads registered 74 billion ton kilometers of traffic. By 1987, that figure had fallen to 51.3 billion. In the same period, road transport increased from 94.2 billion ton kilometers to 100.6.

The government has also shown its eagerness to develop road transport, putting in place an aggressive program of highway building through the 1970s and 1980s. The government, aware that it must play catchup, has just completed a master-plan for the 1990s that calls for a 70% increase in the length of the auto route system. Almost all of the projects are designed to permit easier access to less-developed regions, while relieving increasingly critical saturation points.

Even Paris is pondering major projects to solve its serious traffic woes. By the end of the year, city and regional officials were expected to begin debating the merits of two private projects that would dig a system of tunnels under the capital designed to get toll-paying motorists across town, or into town from the suburbs, in as little as 15 minutes.

The project i critics charge t encourage more the already clo other hand, prop by diverting traf would free up ground and perm "take back" city trians or public

While France developed physi structures in Eu cial infrastructure isfactory. It centralization at be troublesome f ing to fly betwe cities, or betwee and other Europ ever, as domesti riers like Air Int velop, these prob

On the water

Transport Spending Pushed in UK

By JANET PORTER

Journal of Commerce Staff

LONDON — Britain's businessmen are calling for a doubling of investment in the country's transport infrastructure.

The Confederation of British Industry, which represents most of the country's major employers, warned last week that unless much more was spent upgrading the country's road and rail networks, Britain would miss out on the benefits of the European Community single market.

The CBI's proposal for a £21 billion (\$34 billion) investment plan coincided with a report from the

Bank of England warning of the economic consequences of transport congestion in the south of England.

The Bank of England published a report last week that concluded that transport congestion could damage London's position as a leading international financial center.

The CBI proposal would require an additional £2 billion to £3 billion a year spent on transport in addition to that already planned.

But this would still be modest compared with the amounts spent by the French and Germans, the confederation said.

The organization estimated that traffic congestion is costing every household in the country \$16 a week.

Introducing the report, "Trade Routes to the Future," CBI Director General John Banham underlined the need to "rewrite the nation's economic geography" so that business is in a position to compete from the periphery of Europe after 1992.

In particular, the CBI wants to see Britain's highway network extended to provide fast and reliable links to the Channel tunnel.

More should also be spent on the railways and new freight yards, the confederation stated, so that long-haul freight services are competitive with roads.

Britain's overcrowded airports need to be modernized and extended and the air traffic control system improved, the document added.

THE WHITE HOUSE
WASHINGTON

THE CHIEF of STAFF
has seen

Date: 6-28-89

TO: David Q. Bates

FROM: JUSTINE D'ANDREA *zola*
Associate Director
Office of Cabinet Affairs

In the disabilities meeting that Governor Sununu chaired last week, the Governor asked Secretary Skinner to get back to him with a cost analysis on concrete ramps as opposed to buses with lifts.

Transportation has submitted the attached list of why concrete ramps should not be considered.

In other words unless the Governor feels strongly about cost analysis DOT will not do one for the reasons attached.

file

RAMPS FOR BUSES IN LIEU OF LIFTS:-

1. A principal feature of bus transportation is flexibility of routing and travel, and constant revision of routing. Use of fixed ramps would cancel out this feature.

2. Even if every bus stop in America were to be equipped with a ramp, there would still be need for some kind of mechanical device at each ramp (or on each bus) to ensure a sufficiently close fit so wheelchairs could navigate from one to the other.

---buses can not be expected to pull sufficiently close to ramps with any kind of consistency to allow wheelchairs smooth access; rail cars on fixed rails often leave gaps that wheelchairs get caught in...

---the current design of steps on a bus would require either eliminating one door's use by non-wheelchair passengers and making that door useable only at the fixed ramp, building a separate wheelchair-only door, or designing the functional equivalent of a lift anyway to convert ordinary steps into a boarding area from the fixed ramp...

3. The question of ramps vs. lifts was thoroughly evaluated during debate over Section 504; fixed ramps at bus stops was found to be a more costly alternative that would not provide equivalent accessibility as ramps on buses.

4. There are 50,000 buses in the nation's transit fleet; there are something in the neighborhood of 500,000 bus stops.

5. Elderly passengers today voice as one of their principal complaints about bus service that drivers are too often unable to pull completely up to the curb. Pulling up to a ramp would be all the more difficult.

6. The floor level of all transit buses is not at the same height.

7. Fixed ramps would be prime targets for skateboarders, roller-skaters, kids on bicycles, etc. Furthermore, a fixed ramp when no bus was present would necessarily have a sharp drop-off where such children could fall off into traffic.

8. There would be obvious difficulties with ice and snow; ramps would be more costly than conventional bus stops to equip with shelters, etc.

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
03. Memo	From Sam Skinner to John Sununu Re: Campaign Position on Corporate Average Fuel Economy Statute (3 pp.)	4/21/89	P5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Cabinet Agencies Files
WHORM Cat.:
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 personal privacy [(b)(6) of the FOIA]
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 purposes [(b)(7) of the FOIA]
 (b)(8) Release would disclose information concerning the regulation of
 financial institutions [(b)(8) of the FOIA]
 (b)(9) Release would disclose geological or geophysical information



THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

April 21, 1989

Memorandum for The Chief of Staff

From:

Samuel K. Skinner

Subject:

Campaign Position on Corporate Average Fuel Economy Statute

Yesterday, the President raised a concern that my Model Year (MY) 1990 Corporate Average Fuel Economy (CAFE) recommendation may not be consistent with his stated campaign positions.

Our review of the President's campaign statements, both written and oral, indicates that the President did not advocate CAFE repeal but rather indicated a preference towards an alternative fuels solution to the problems of energy conservation and environmental protection. Consequently, I urge that we do not hold up announcement of the MY 1990 CAFE decision and further, that we in no way link that decision to the Administration's future legislative position on CAFE.

Background

The Administration has not yet taken a position on the CAFE statute or on proposals to change the statute, contrary to press reports. The Reagan Administration had unsuccessfully recommended repeal of the statute, and DOT submitted draft legislation to do so. The repeal recommendation had come from the Task Force on Regulatory Relief, headed by then Vice President Bush. As a separate matter, the Reagan Administration also reduced the CAFE standards for MYs 1986-89 below the 27.5 mpg statutory standard. During this period, the Department carefully avoided linking those regulatory reductions to our repeal recommendations.

DOT Analysis

The current DOT recommendation on the MY 1990 standard is consistent with the President's position.

- o The recommendation is consistent with the 1988 campaign. The President never endorsed repeal of the CAFE statute. He did endorse greater efforts for alternative fuels (such as methanol and ethanol) for agricultural and environmental

benefit. He also endorsed provisions for greater energy independence (stimulating oil exploration, filling the Strategic Petroleum Reserve); and he made numerous statements on enhancing the environment, including clean air.

- o The recommendation is consistent with the 1988 Republican platform. The transportation plank briefly addressed the issue of CAFE, saying that "technological approaches" such as alternative fuels are "far preferable to outmoded regulation, such as the current design of CAFE standards..." (See attached). But the plank did not specifically call for repeal, nor did it discuss the level of standards under the current law. In fact, a decision to retain the statutory standard would encourage use of alternative fuels because of special CAFE incentives for alternative fuel use, and thus would be consistent with the 1988 platform.
- o Finally, a sharp distinction should be drawn between the Administration's legislative policy on CAFE and our regulatory CAFE policy. Even if the Administration were to advocate repeal, we are still subject to the current CAFE statute for the MY 1990 rulemaking, and must carry out our responsibilities in good faith.

Conclusion

A decision not to amend the MY 1990 standard does not preclude our range of legislative policy options. Indeed, it may help to bolster the perception that this Administration is concerned with energy and environment, and is willing to take a fresh look at past programs and policies. We could move ahead to suggest revisions or alternatives to the CAFE law, without any contradiction.

Attachment

- Development of high speed rail systems to meet the needs of inter-city travel should be encouraged.
- Year by year since 1981, Amtrak operations have shown improvement. Amtrak's ratio of revenues to costs stood at 48 percent in 1981. Last year, 65 percent of the costs were covered by revenues. Fiscal year 1988 will see the ratio pushing 70 percent. We recognize that inter-city rail passenger service plays an important role in our transportation system. At the same time, we support continued reductions in public subsidies.
- A new spirit of competitive enterprise in transportation throughout all levels of government should be encouraged. We will encourage both States and cities to utilize private companies, where effective, to operate commuter bus and transit services at substantial savings over what publicly funded systems cost.
- The engines of innovation powered by regulatory reform have brought forth exciting advances in the technology of trucking, rail, and shipping, particularly as they work together as an integrated system for the movement of goods domestically and abroad. Alternative fuels that are clean and efficient will both improve air quality and reduce our dependence on imported oil in meeting transportation needs. These technological approaches are far preferable to outmoded regulation, such as the current design of Corporate Average Fuel Economy (CAFE) standards, which create substantial advantages for foreign auto manufacturers and actually promote the export of U.S. jobs.
- We consider a privately owned merchant fleet and domestic ship-building capacity necessary to carry our nation's commerce in peace and to support our defense responsibilities. We will support programs to give the American maritime industry greater flexibility and freedom in meeting foreign competition.
- We are committed to continuing the Reagan-Bush Administration efforts to stop foreign protectionism that inhibits U.S. flag vessels from fairly competing abroad.
- Maritime safety, search and rescue, military preparedness, environmental and fisheries enforcement, and drug interdiction have long been the responsibility of the U.S. Coast Guard. The Republican Party supports all of these vital roles, and we will support funding and manpower adequate to enable the Coast Guard to carry out its responsibilities.