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Folder Title:
Skinner (Transportation) (1990)

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Transcript of interview at Dallas Morning News
October 29, 1990

In response to question by the Editor of the Editorial Page
concerning Secretary's future in the Administration

Secretary: Number 1, the President brought me out here in 1988/89 because of my transportation experience in Chicago. Number 2, for the last two years we have been working on the National Transportation Policy and then legislation implemented in the NTP. Number 1 -- the aviation side, which we got done this week. Surface transportation is next year. I will have completed what I need to do to implement the President's directives to come up with a National Transportation Policy for surface transportation by hopefully the end of next year. Nobody has ever talked to me about doing anything else. Nobody has ever talked to me about it. I have spent hundreds of hours with various people in the government and nobody has every discussed it and I have never discussed it. The most logical thing for me, what I want to do and what the President wants to do is to let me finish my agenda at Transportation. So, may we put aside all of that.

Dick Thornburg, Governor Sununu and Director Darden are all good friends of mine. I think they are doing a very good job and I think the President thinks they are doing a really good job. It doesn't really matter what I think, the President thinks they are doing a good job.

If I can, I'll take the opportunity to talk about the budget process, my observations. The package that we passed, was within about 98% of what was in the end of summer package. They were within about eight votes on the Republican side, and the Democratic votes would have been there in the House to pass that package. Had there not been a split in the Republican leadership, I think that package would have passed. The package is a good package. In Washington terms, especially in the area of deficit control and spending control, discretion aside. And I think as time goes on, people will understand government and begin to talk about the spending controls that are contained in that package, that were negotiated by Governor Sununu, Director Darden and Secretary Brady. Had it passed the first time, they all would have been heroes. But because everybody in Washington has 20-20 hindsight, all of a sudden we criticize them because it didn't pass, through no fault of their own. We don't take into consideration that they have been working very hard and what eventually passed is basically the same package, within about 2% of what it was before with the exception of the gas tax which is less than it was in the initial package. But, other than that it is basically the same. Spending controls are almost identical. The spending controls are probably the most significant part of the package, and that is Director Darden's and John Sununu's biggest contribution. And, unfortunately, you live in a town where people love to have 20-20 hindsight. But, I think when they get 20-10 hindsight, they are going to see that the President was well served by this package. Whatever political fallout of getting to this tough position will disappear in time and I suggest that Director Darden and Governor Sununu are going to be right where they are for a long time.



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

10/29/90

To:

From: Bob Marx

Gov. SUNUNU
Martin
Attached is material ~~you~~ and Marion Blakey
talked about earlier today. It includes a
transcript of a portion of an interview
Secretary Skinner had at the Dallas Morning
News today and clips of news stories which
appeared over the past several months.

Let us know if there is anything further we
can do to be of assistance.



THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

August 10, 1990

AC/ER
THE CHIEF of STAFF
has seen AUG 15 1990

TO: The Honorable John H. Sununu
Chief of Staff
The White House

FROM: Samuel K. Skinner
Secretary of Transportation

SUBJECT: War Risk Insurance

The Department of Transportation, through the Maritime Administration, has statutory authority to provide war risk insurance for ships, cargoes and seafarers during wartime, a national defense emergency, or if such insurance cannot be obtained on reasonable terms and conditions from commercial underwriters.

The Department of Defense, through Navy's Military Sealift Command, has put the Department of Transportation on notice that circumstances may arise whereby commercially owned U.S.-flag ships both privately operated and on charter to the U.S. Navy, may be directed to enter war zones where there is no commercial war risk insurance available. At the present time London underwriters, who write the majority of war risk insurance, have excluded certain countries and geographic areas of the Middle East from normal war risk insurance coverage.

There is clear statutory authority for the Department of Transportation to write war risk insurance and to provide it at the request of the Secretary of Defense. Under Section 1205 of the Merchant Marine Act of 1936, as amended, my Department may write war risk insurance without premium at the request of the Secretary of Defense. Section 1205 also provides that the Secretary of Defense indemnify the Department of Transportation against all losses covered by such insurance. We will work with the staff of the Secretary of Defense on the terms of the indemnity and other details related to the activation of the war risk program.

Presidentially delegated authority exists for the Department of Transportation to write war risk insurance without further consultation with other Government agencies. This Presidential Approval and delegation of authority was granted by President Truman in October 1950. The attachment tracks the delegation to the Department since 1950. Before proceeding with the activation of the Government's standby war risk insurance program, I wanted to advise you of my intention to do so.

Attachment

Background

The Secretary of Transportation, with the approval of the President and after such consultation with interested agencies of the Government as the President may require, may provide insurance and reinsurance against loss or damage by war risks in the manner and to the extent provided by reference (a), whenever it appears to the Secretary that such insurance adequate for the needs of the waterborne commerce of the United States cannot be obtained on reasonable terms and conditions from companies authorized to do an insurance business in a State of the United States (46 U.S.C. 1282, 64 Stat. 73).

Regulations governing the U.S. Government War Risk Insurance Program and standard forms of applications and policies are contained in 46 CFR Part 308 and Part 309.

Approval of the President and Delegation of Authority

- 1) On October 9, 1950, the President gave his approval to the recommendation that the President authorize the Secretary of Commerce to provide insurance under Section 1202, Merchant Marine Act of 1936, as amended, without further consultation with Government agencies, whenever it appears to the Secretary that such insurance adequate for the needs of the waterborne commerce of the United States cannot be obtained on reasonable terms and conditions from companies authorized to do an insurance business in a State of the United States.
- 2) On October 13, 1950, the Secretary of Commerce delegated to the Maritime Administrator all his authority under Section 1205 of Title XII, Merchant Marine Act of 1936, as amended, to provide insurance for the Secretary of Defense or other Agencies of the United States.
- 3) On October 13, 1950, the Secretary of Commerce further delegated to the Maritime Administrator all his authority to act under the provisions of Section XII, Merchant Marine Act of 1936, as amended, effective as of the date that it appears to the Secretary that adequate insurance for the needs of the waterborne commerce of the United States cannot be obtained on reasonable terms and conditions from companies authorized to do an insurance business in a State of the United States, or on the automatic termination of policies issued by Marine Insurance Markets because of the outbreak of war, whichever may first occur. In view of the provisions of the commercial policies and the need for continuous insurance protection by property owners, the Secretary made no objection to arrangements being made to provide insurance authorized by Title XII to attach as of the termination of the commercial policies.

- 4) On 26 August 1958, the Secretary of Commerce expressly delegated to the Maritime Administrator the authority of the Secretary of Commerce to make the finding required by Section 1202(a) of the Merchant Marine Act of 1936, as amended, which is condition precedent to the issuance of war risk insurance.
- 5) The above approval and delegations were continued in effect by Section 9 of the Maritime Act of 1981 (P.L. 97-31, 46 U.S.C. 1608) which transferred the Maritime Administration to the Department of Transportation.

Insurances Provided

Insurance or reinsurance may be provided with respect to:

a. (Hull and Machinery) American vessels, including vessels under construction, foreign-flag vessels owned by citizens of the United States or engaged in transportation in the waterborne commerce of the United States or in such other transportation by water or such other service as may be deemed by the Secretary to be in the interest of the national defense or the national economy of the United States, when so engaged.

b. (Cargo) Cargoes shipped or to be shipped on any such vessels, including shipments by express or registered mail; cargoes owned by citizens or residents of the United States, its Territories or possessions; cargoes imported to or exported from the United States, its Territories and possessions and cargoes sold or purchased by citizens of the United States, its Territories or possessions, under contracts of sale or purchase by the terms of which the risk of loss by war risks or the obligation to provide insurance against such risks is assumed by or falls upon to a citizen or resident of the United States, its Territories or possessions; cargoes shipped between ports in the United States or between ports in the United States and its Territories and possessions or between ports in such Territories or possessions. The term "cargo" includes loaded or empty containers aboard such vessels.

c. (Disbursements) The disbursements, including advances, to masters and general average disbursements, and freight and passage money of such vessels.

d. (Personal Effects) The personal effects of the masters, officers and crew of such vessels and of other persons transported on such vessels.

e. (Life, Injury and Detention) Masters, officers, members of the crew of such vessels and other persons employed or transported thereon against loss of life, injury, and detention by an enemy of the United States following capture.

f. (Liability) Statutory or contractual obligations or other liabilities of such vessels or of the owner or charterer of such vessels of the nature customarily covered by insurance.

THE SECRETARY OF TRANSPORTATION

Jahn

THE CHIEF of STAFF
has seen

1-31-90

I believe this should satisfy
some of the concerns expressed
regarding N.T.P.

Jahn

January 30, 1990

SAM SKINNER'S SENSIBLE NATIONAL TRANSPORTATION STRATEGY

INTRODUCTION

Secretary of Transportation Samuel Skinner's highest priority has been to design a "national transportation strategy" that would be a comprehensive statement of federal transportation policy. This has generated much understandable apprehension among supporters of market-oriented transportation policies, evoking images of centralized industrial planning and national industrial policy. By contrast, many opponents of market approaches eagerly have awaited Skinner's plan, expecting it to signal the beginning of greater federal involvement in transportation.

Though the Skinner strategy is not to be unveiled formally until mid-February, the Secretary offered a sneak preview of it earlier this month. It surprised both camps. Far from calling for centralized planning, Skinner indicated that the policy document would be a strong statement of market principles. A U.S. transportation policy, Skinner said, should "increase our reliance on the private sector and state and local governments...stimulate competition and allow the magic of the marketplace to work."¹

Market Core. Skinner should be applauded for this strong reaffirmation of the market's potential contribution to improving America's transportation system. By placing this at the core of his transportation strategy, he indicates clearly that deregulation and privatization are not transitory phenomena, but instead are permanent parts of the transportation landscape.

1 Samuel K. Skinner, Remarks before the Transportation Research Board, Washington, D.C., January 10, 1990.

Skinner's preview and even his formal strategy, of course, are just the start. Skinner and his staff now will have to fill in the details. This means crafting specific policy reform proposals in accordance with the strategy and following through to see that these proposals are enacted.

The specific reforms needed could be grouped according to four main goals, roughly similar to those outlined in Skinner's speech. These include:

◆ ◆ **Reliance on the private sector.** To make better use of the financial capabilities and economic incentives of the private sector, Skinner should not only lend support to efforts to privatize enterprises such as airports and Amtrak, but should encourage a greater private role in operating other parts of the transportation network, such as transit systems and even highways.

◆ ◆ **Use of market processes.** Increased use of market mechanisms resulting from deregulation in the airline, trucking, and railroad industries has helped the American consumer immensely. Skinner should not only urge further deregulation, but propose ways to extend market principles to such areas as airport fees.

◆ ◆ **Application of user fees.** The U.S. transportation system traditionally has relied on the principle that users should pay their own way. Skinner should urge extension of this principle to areas where it is incompletely or imperfectly applied, such as maritime shipping and highway pricing.

◆ ◆ **Maximizing local flexibility.** Local officials are in a much better position than the federal government to know what local transportation needs are. The Secretary should urge that, where possible, they should be given greater flexibility and independence to make those decisions in such areas as interstate highway and transit funding.

Skinner has made an excellent start in outlining a beneficial transportation strategy for the federal government. By following through with specific recommendations in accord with the concepts he has outlined, and taking steps to carry out such recommendations, he could deliver real benefits to U.S. travellers and consumers.

DEVELOPMENT OF THE TRANSPORTATION STRATEGY

Development of a comprehensive strategy for transportation was designated as one of the Department of Transportation's first priorities when Skinner took over as Secretary in February 1989. Although transportation is one of the most important sectors of the U.S. economy, Skinner felt little was being done to develop long-term transportation policy goals for the federal government. Important challenges for transportation, like the need to expand and maintain such infrastructure as roads and airports, were not being recognized. The Secretary felt, moreover, that policies for the various modes of transportation, such as rails, highways, aviation, and urban transit, were not being coordinated and were often in conflict.

In light of this, Skinner ordered a top-to-bottom review of America's transportation policies and called for a formal, written strategy. This idea stemmed from his experience as chairman of the Chicago-area Regional Transportation Authority, which formulated a comprehensive "strategic plan" under his direction.² Development of a such a policy at the federal level has been much more complicated, involving massive amounts of information and public comment on what has been going right and wrong with federal transportation policy.

To collect this information and examine the issues raised, Skinner created working groups within the Transportation Department to examine intercity passenger travel, intercity freight shipping, international transportation, urban/suburban mobility, rural transportation, and what he called "innovation and human factors."

Gathering Comments. The transportation strategy study officially began last July, with a day-long seminar chaired by Skinner at the National Academy of Sciences in Washington. Since then, the six working groups have held some 117 public hearings, "focus group" meetings, and other events in 43 cities across the country, gathering comments from over 1,100 organizations and individuals.

This effort will produce at least four Department of Transportation publications. Two already have been issued: *Building the National Transportation Policy*, summarizing the goals of this effort, and *Moving America: A Look Ahead to the 21st Century*, containing the proceedings of the July seminar. A third publication, *America Speaks Out on Transportation*, summarizing the comments received from the public, is expected soon.

The final report, scheduled for a February release, will be the most important, detailing the federal government's transportation strategy and making specific policy recommendations.

PLAN VS. STRATEGY: THE CRITICAL DISTINCTION

This transportation strategy project understandably caused concern that it would become a blueprint for a federal "industrial policy" for transportation. Thomas Gale Moore, a member of Ronald Reagan's Council of Economic Advisors, for example, wrote that "no one knows what the secretary intends to propose, but the signs are ominous." Moore pointed out that "the last time the government came up with a plan for a major industry, the country got an industrial policy for energy that resulted in fraud, foul-ups, and fuel lines."³ Fred Smith, President of the Competitive Enterprise Institute, a Washington-

² See Regional Transportation Authority, *Strategic Plan*, January 1989.

³ Thomas Gale Moore, "A Jimmy Carter for Transportation?" *The Wall Street Journal*, September 22, 1989.

based think tank, was even more direct, writing that with the pressure for centralized planning, "consumers don't stand a chance."⁴

Inviting Misleading Comparisons. Skinner himself appeared to fuel such speculation. First, by referring to this project initially as a transportation "plan" or a transportation "policy," he seemed to invite comparisons to national industrial policy. More generally, in describing why such a policy document was needed, Skinner often compared his role to that of a manager of a private firm. Just as a manager would not conduct business without a strategic plan, neither should the federal Transportation Department, Skinner would explain.⁵

The problem, however, is that private managers require plans because they must decide where, how much, and in what to invest the firm's resources. Except in the few areas under its direct control, like air traffic control, the Transportation Department does not allocate resources, but merely establishes the rules under which the private sector or local agencies do so. Therefore Transportation has little need for a business plan.

A national transportation "strategy," however, is something quite different from a "plan." While the word "plan" connotes centralized allocation of resources, and while even the word "policy" connotes "industrial policy," "strategy" merely indicates a set of guidelines to assist Transportation in day-to-day decision-making.

Such a strategy is a useful, if not necessary, endeavor. Transportation is one of the federal government's largest and least manageable bureaucracies. Its component agencies long have been known for their independence. This has meant that the overall strategy indicated by a Transportation Secretary has not always been the one eventually pursued, for instance, by the Federal Aviation Administration or the Coast Guard.

Important Distinction. Apparently sensitive to the important distinction between a "plan" and a "strategy," Skinner in recent months has emphasized that his forthcoming document is not a transportation "plan," or even a "policy," but rather a "strategy." The degree to which the final written document fits this description will be a major test of the transportation strategy project. If the document is not a "plan" it will avoid substantive conclusions concerning the allocation of transportation resources. It will not call for federal efforts to develop particular new technologies, promote particular changes in traffic patterns, or support particular favored transport modes.

Instead, if the report is a transportation strategy, as Skinner suggests, it will outline the regulatory framework needed to allow transportation services

4 Fred L. Smith, Jr., " 'Calamity' Sam Skinner: Secretary of Re-Regulation," *CEI Update* No. 11, November 1989.

5 See Samuel K. Skinner, "Remarks by the U.S. Secretary of Transportation," *Moving America: A Look Ahead to the 21st Century* (Department of Transportation, 1989), p. 2.

to be provided most efficiently. It will not dictate any particular results, but will establish good rules for the transportation game without dictating who wins the game.

FILLING IN THE DETAILS OF THE TRANSPORTATION STRATEGY

In his January 10 speech, Skinner outlined five basic goals that will be at the heart of his final strategy statement. These are:

- 1) **Stimulating** private investment in transportation;
- 2) **Removing** unnecessary regulations;
- 3) **Applying** the user fee principle;
- 4) **Strengthening** local flexibility; and,
- 5) **Promoting** research and development.

These principles provide an excellent start toward defining an effective transportation strategy. They make clear that the federal government's role in transportation is not to dictate results, but to create an environment in which the private sector and markets can work. To be even more effective, however, some of the criteria could be modified or expanded.

For instance, the phrase "stimulating private investment" focuses on the private sector's role as an investor in projects. It is not clear that the phrase envisions, as it should, the private sector's more comprehensive role as an operator or owner. Private investment is just the first step; there can be even greater gains in efficiency from increased private involvement. The phrase "stimulating private investment" thus should be expanded to "reliance on the private sector." Similarly, "removing unnecessary regulations" could be expanded to the more inclusive principle "using market processes." And Skinner's fifth principle, "promoting research and development," actually could be dropped, since its purpose could be fulfilled through application of the other four. Research and development, for instance, usually is best spurred by the incentives present in an unhindered market system.

The four core principles of national transportation strategy thus would be:

1) Reliance on the Private Sector.

In contrast to those in many other countries, most American transportation carriers always have been primarily privately owned, including airlines, trucking firms, and shipping firms. Since the sale of Conrail by the federal government in 1987, all freight railroads have been privately owned. Large portions of the American transportation network, however, are still government owned. The air traffic control system and Amtrak, for instance, are owned by the federal government, while local governments own most airports, roads, and urban transit systems.

While there are varying justifications for public ownership of each of these systems, the lack of private sector involvement imposes costs. The most ob-

vious is monetary. Transit studies have shown, for instance, that private operators can cut costs of transit systems 30 percent on average while maintaining or even improving service.⁶

A less obvious, but perhaps even more important advantage of private ownership is increased innovation. Competition and the profit motive lead private organizations to look constantly for efficient ways to deliver goods and services to the consumer. By contrast, public organizations have little reason to innovate — and often face political disincentives to do so. They usually have neither competition nor shareholders to whom they are accountable. Innovations that would decrease the number of employees or reduce spending, moreover, often generate political resistance.

While innovation is difficult to quantify, an overwhelming share of the major transportation innovations seem to have been developed by the private portion of the system. Overnight package delivery, airline hub-and-spoke routing systems, computerized airline ticket reservation systems, just-in-time freight delivery systems (through which goods can be ordered just hours before they are needed), and containerized shipping have been all developed in the private sector.⁷ A list of innovations stemming from the public sector, meanwhile, would be relatively short. In fact, most public systems, such as air traffic control, long have been criticized as being unable to keep up with advancing technology.

Because of this, the Skinner strategy should state clearly that his department supports extension of private sector involvement, ownership, and operation in transportation systems possible. This should include:

Airports. Although all major U.S. airports are now owned by government, mostly by units of local governments, they can be turned over to the private sector and efficiently operated.⁸ Several localities in the U.S. recently have expressed an interest in airport privatization, including Albany and Los Angeles. One impediment, however, has been an uncertainty concerning the federal policy toward privatization of airports that receive federal funds. The Transportation Department should state clearly its support of private involvement, and should work to eliminate federal barriers to airport privatization.

Air traffic control. The air traffic control system long has suffered from inflexibility, obsolete technology, and even inadequate funding. These problems could be eased through increased private involvement. Possible ac-

6 Wendell Cox and Jean Love, *A Public Purpose For Public Transit*, Reason Foundation Local Government Center Policy Study No. 207, January 1990, p. 22.

7 See, William B. Johnston, "Transportation for the Next Century," in *Moving America*, *op.cit.*, p. 28.

8 In Britain, for example, the major London airports are already privately owned. See James L. Gattuso, "Privatization of Britain's Airports: A Model for the U.S.," Heritage Foundation *International Briefing* No. 17, January 23, 1989.

tion ranges from contracting with private firms to run discrete parts of the system to creating a new private company to operate the entire system.⁹

Highways. Despite the need to improve the highway system, federal and state governments are hard-pressed to find the funds for doing so. The private sector can help toward a solution by providing financing for roads, or building needed roads itself. For instance, a major private toll road, the first in Virginia this century soon will be built near Washington, D.C. The Transportation Department should encourage such endeavors.

Urban mass transit. An increasing number of local governments are lowering mass transit operating costs — and improving service — by letting private firms, chosen through competitive contracting, operate transit systems.¹⁰ Federal policies have, and should continue to, encourage this approach.

Passenger rail. While Amtrak, the federally owned passenger rail system, loses money, certain portions of the system, such as the Northeast Corridor between Washington and New York, possibly could become self-supporting in private hands.¹¹ The Transportation Department should take steps to explore this option.

2) Use of Market Processes.

Since the late 1970s, reliance on the market processes of supply and demand to determine the prices, volume, and quality of services, has been a cornerstone of federal transportation policy. Before that time, many major modes of transportation, such as trucking, railroads, and airlines, were heavily regulated by the federal government. The result: they were forced to respond to the dictates of regulators rather than to the demands of consumers. With passage of the Airline Deregulation Act in 1978, and the Motor Carrier Act and Staggers (railroad deregulation) Act of 1980, this began to change.

The results have been remarkable. Air fares fell about 20 percent to 30 percent after deregulation, making travel affordable for millions more Americans. In 1978, U.S. airlines carried only about 275 million passengers. Next year, due to deregulation, this figure will approach 500 million. At one time a luxury affordable only by the wealthy, air travel now is an option for almost all Americans.

9 See, James L. Gattuso, "Creating A Private Air Traffic Control System," in Stephen Moore and Stuart M. Butler, eds., *Privatization: A Strategy for Taming the Federal Budget* (Heritage Foundation, 1987), pp. 51-58.

10 See Cox and Love, *op. cit.*

11 See, Stephen Moore, "Privatizing Amtrak's Northeast Corridor," in Moore and Butler *op. cit.*, pp. 83-94.

Rail and truck shipping also have improved tremendously with shipping costs dropping by about 17 percent for rail and 12 percent to 25 percent for truck shipping in the years after deregulation. Even more important, safety has continued to improve: the airline accident rate is down by about a third, and rail accidents by about two-thirds, since deregulation.¹²

It is crucial that Transportation continue to defend these deregulation successes against any possible rollback. Over the past twelve years, the Department has done this well, successfully protecting these reforms from numerous assaults. Skinner must now make it clear that he will do the same. Then he should declare that his Department wants to extend market processes to new areas or to where they are only partially applied. This should include:

Airport landing fees. At most U.S. airports, landing fees are set without reference to the demand for or availability of a particular landing slot. Example: Planes taking off or landing during times of peak customer demand pay the same fee as planes at non-peak hours. This contributes to the difficulty that airports have handling increased traffic loads. The Transportation Department should encourage use of market-oriented systems, such as peak-hour surcharges or periodic auctions of available landing slots. By more closely tying cost to supply and demand, such procedures would encourage better use of airport capacity.¹³

Trucking. While interstate trucking mostly has been deregulated, some cumbersome regulation remains. Many states, moreover, still impose comprehensive trucking regulation. Skinner should urge repeal of both state and remaining federal regulation.¹⁴

Railroad costs. A variety of federal laws restrict the ability of railroads to lower their costs of doing business. Rail labor protection rules, for instance, require payment of up to six years' salary for employees laid off due to mergers or track abandonments. The 1926 Railway Labor Act and the 1908 Federal Employers' Liability Act restrict the ability of railroads to negotiate new employment contracts and establish efficient compensation systems. Each of these statutes should be reformed, and rail management and labor allowed to establish their own terms of employment with a minimum amount of federal intervention.

12 See generally, Ralph L. Stanley, "The Department of Transportation," in Charles L. Heatherly and Burton Yale Pines, eds., *Mandate for Leadership III: Policy Strategies for the 1990s* (The Heritage Foundation, 1989) pp. 419-437; see also Matthew B. Kibbe, *Putting Consumers on the Fast Track* (Transportation Reform Alliance, 1989).

13 See James L. Gattuso, "A Proposal to Untangle America's Air Travel," Heritage Foundation *Background* No. 600, August 27, 1987.

14 See James L. Gattuso, "Time to Complete Trucking Deregulation," Heritage Foundation *Background* No. 481, January 16, 1986.

3) User Fees

To a great extent, the U.S. transportation system correctly operates on the assumption that users should pay the cost of the services they use. This not only encourages efficient use of transportation services by sending signals to consumers and suppliers concerning the relative value of those services, but also protects non-users from bearing undue costs.

The Transportation Department should urge that this principle be extended to areas where users are not now charged in proportion to the services they receive, or are now receiving subsidies from the taxpayer or other users. Among the opportunities that Skinner's staff should explore are:

Toll roads. Although highway costs today are indirectly paid for by users through gasoline taxes, direct tolls would distribute costs much more precisely, creating incentives to reduce congestion. States, however, currently are barred by federal law from charging direct tolls for highway use. Skinner should seek repeal of this prohibition. Tolls should be permitted, at least where the revenues do not exceed the sum needed for highway purposes.

Airport fees. Some groups of aviation users, particularly small private aircraft, pay minimal fees for use of airports, sometimes as little as \$25 per landing. These fees should be adjusted so that all users pay their share. While these fees are set by individual airports and not the federal government, Skinner should make clear that the federal government will not stand in the way of any needed adjustments.

Amtrak. The U.S. taxpayer now pays some \$600 million per year to support Amtrak passenger rail service, although the typical Amtrak user has an income well above the national average. Transportation should seek elimination of this subsidy as part of a privatization plan for Amtrak.

Maritime shipping. The American maritime industry enjoys a variety of subsidies, ranging from direct operating funds to mandated cargo preference for U.S.-flag ships in shipments by the federal government. Skinner should order a thorough examination of these subsidies, and suggest eliminating those not needed for national defense. The cost of those subsidies that are found to be needed should be transferred to the Defense Department budget.

4) Local Flexibility.

Federal transportation policy has and should continue to give local governments the flexibility to determine and address their own transportation problems. Many areas of transportation policy, such as highway and urban mass transit questions, are primarily issues of local concern. Local officials, not those in Washington, know best where new roads are needed, or whether and what kind of mass transit system is needed. Local officials, much more so than Washington, can be held accountable by the voters when those needs are not met — or when tax money is being wasted. The federal government in recent years, however, has been encroaching increasingly upon the flexibility and responsibility localities need to properly do this job. Two major areas of concern are:

Highways. Under the interstate highway program, the federal government pays for the construction of, and additions to, interstate highways. The federal government increasingly has used this program to dictate transportation policy. The 1987 highway reauthorization bill, for example, mandates over 100 "demonstration projects" that typically are pork barrel, including an access ramp for an Ohio amusement park and a parking garage in Chicago. The federal government also imposes requirements that increase the cost of highway construction, such as the 1931 Davis-Bacon Act, which effectively requires payment of union wages in federally supported projects even when less costly labor is available.

As a first step toward giving localities greater flexibility in transportation policy, federal requirements such as these should be lifted. More generally, with the interstate highway system nearly complete, policy makers should consider returning highway funding completely to the states.¹⁵

Urban mass transit. The federal government now provides about \$3.5 billion per year to states for construction and operation of transit systems. These subsidies can seriously distort the incentive of local officials to spend funds sensibly. For instance, since the federal government now pays up to 80 percent of the capital cost of a new rail or bus system, such systems may be built even if they are uneconomical or if another type of system is more suitable. Rather than requiring federal funds to be spent by local governments on specific kinds of projects, the Transportation Department should urge Congress to create a transportation "block grant" that localities could spend on whatever systems they find to be best for their urban transportation needs.¹⁶

CONCLUSION

As outlined so far, Skinner's transportation strategy is a welcome statement of what the federal government can and should do to improve the nation's transportation. While Skinner's project has caused many understandable anxieties, his recent speech previewing the strategy indicates that it will be a strong reaffirmation of market principles, rather than a call for central planning. For this he should be congratulated.

Real Benefit. Skinner now needs to follow through on this excellent start by including in his final strategy statement, expected in mid-February, recommendations for specific actions and reforms to reach his general goals. Moreover, he and his department should apply these principles routinely in the decisions they make and the policy initiatives they propose, so that they become more than just words in a report. In this way, this policy statement,

15 See Stephen Moore, "The Highway Authorization Bill: Inviting A Presidential Veto," *Heritage Foundation Issue Bulletin* No. 127, February 27, 1987.

16 See, Stephen Moore, "Rx for Ailing U.S. Mass Transit Policy: A Dose of Competition," *Heritage Foundation Backgrounder* No. 542, October 29, 1986.

unlike most such documents produced in Washington, could be of real benefit to U.S. travellers and consumers.

James L. Gattuso
McKenna Senior Policy Analyst
in Regulatory Affairs

All Heritage Foundation papers are now available electronically to subscribers of the "NEXIS" on-line data retrieval service. The Heritage Foundation's Reports (HFRPTS) can be found in the OMNI, CURRNT, NWLTRS, and GVT group files of the NEXI library and in the GOVT and OMNI group files of the GOVNWS library.

THE CHIEF of STAFF
has seen

THE SECRETARY OF TRANSPORTATION

WASHINGTON, D.C. 20590

June 18, 1990

Dear John:

Thanks for your support last week on the DOT/FAA announcement regarding the Pan Am 103 Commission report. I really appreciate the support you have given me generally, but particularly on this matter.

Warmest personal regards.

Sincerely,

A handwritten signature in black ink, appearing to be a stylized 'J' or 'S' followed by a flourish.

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

2
McClure
Podar

Guidance

THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

Discussed
w/ McClure

May 21, 1990

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

Dear John:

As we've discussed previously, here's the information on seniority integration. You may want to have your staff take a look at it, and we can discuss it further.

Sincerely,



Enclosure

cc: Richard G. Darman

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: House Republican Leadership Request for Airline Seniority Protection Bill (2 pp.)	5/21/90	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)(1990)

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

Date Closed:	12/14/2004	OA/ID Number:	29190-003
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)]

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Freedom of Information Act - [5 U.S.C. 552(b)]

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THE SECRETARY OF TRANSPORTATION

WASHINGTON, D.C. 20590

May 21, 1990

MEMORANDUM FOR: John H. Sununu
Chief of Staff to the President

FROM: Samuel K. Skinner *SKS*

SUBJECT: House Republican Leadership Request
for Airline Seniority Protection Bill

The senior Republican leadership in the House of Representatives (Representatives Michel, Gingrich, Hammerschmidt, and Clinger) has asked that the Administration support legislation that would require a fair integration of seniority in airline mergers (a copy of their letter to you is attached). This memorandum discusses the merits of their request.

The issue of whether legislation should require fair seniority integration in airline mergers has grown out of the government's labor policies when the airline industry was heavily regulated. Then the Civil Aeronautics Board routinely imposed standard labor protective provisions ("LPP's") in airline merger cases. Under the standard LPP's, an arbitrator would establish the integrated seniority list if the airlines and employee groups could not agree on a list. The standard LPP's also provided financial compensation for employees injured by an airline merger.

After the industry's deregulation, this Department determined that LPP's should no longer be imposed, since the government should not be determining employee benefits in a deregulated industry (this Department had the authority until 1989 to review airline mergers). This change in policy caused the airline unions to repeatedly request legislation requiring standard LPP's. Congress would have adopted such legislation but for the Reagan Administration's adamant opposition.

The senior Republican leaders in the House, who are supporting a bill requiring only fair seniority integration, would like a commitment that such a bill would not be vetoed.

The following are the pro's and con's of a bill requiring a fair integration of seniority. Since this memorandum only outlines the issues involved in the matter, I would like an opportunity to discuss the matter further with you.

PROS:

- ° LPP seniority requirements establish a mechanism for integrating the employees' seniority lists, a difficult task

that must be done whenever two carriers merge. Where the employee groups cannot agree on an integrated list, the LPP's give each carrier's employees a fair hearing and provide for a decision by a neutral arbitrator.

- ° Unlike the financial benefit requirements in the standard LPP's, the seniority requirement would not significantly interfere with airline management's ability to oversee airline operations. In past mergers where no LPP's were imposed the carriers have usually been willing to allow the unions to resolve seniority integration issues by negotiations and arbitration among the employee groups.
- ° Several senior Republicans are asking the Administration not to oppose legislation that would require a fair seniority integration in airline mergers. Past LPP bills have received support from most members of Congress, including many Republicans.
- ° Legislation requiring only a fair integration of seniority represents a substantial watering down of past legislative proposals on LPP's.

CONS:

- ° Establishing a fixed procedure for resolving seniority matters is inconsistent with the policy that private parties -- labor and management -- should determine employee working conditions through collective bargaining.
- ° If the legislation did not exclude transactions where the costs of the bill's benefits exceeded a transaction's benefits, some airline mergers could become uneconomical. If the acquiring carrier believed that the costs of the seniority integration requirement were too great or were unacceptable for other reasons, the acquirer might abandon a transaction that would otherwise benefit the selling carrier and its remaining employees.
- ° The seniority integration procedure created under the standard LPP's gives carriers no opportunity to modify an integrated seniority list if the employees' inability to agree on a list forces the issue to be arbitrated. In some cases seniority lists created by arbitrators under the LPP's have subjected airlines to substantial and unwarranted training costs.
- ° Legislation requiring only a fair seniority integration is unlikely to satisfy all the airline unions. While the Air Line Pilots Association might be satisfied due to its members' great interest in preserving their seniority rights, most airline unions would be more interested in obtaining the traditional compensation benefits than in guaranteeing seniority rights.

**THE WHITE HOUSE
WASHINGTON**

DATE: May 29, 1990

TO: Fred McClure
Roger Porter
FROM: **GOVERNOR JOHN H. SUNUNU**

Your comments, please.

Thanks.

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
02. Note	From David Bates to Andy Card Re: Toledo Express Airport Air Cargo Hub Proposal (1 pp.)	4/9/90	P-5	

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)(1990)

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

Date Closed:	12/14/2004	OA/ID Number:	29190-003
FOIA/SYS Case #:	1998-0004-F[1]	Appeal Case #:	
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THE WHITE HOUSE
WASHINGTON

AC HAS SEEN 4/10/90

DATE: 4/9/90

TO: ANDY CARD

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

Per your request, please let me know if you want further information.

Gov. S. —
We will keep
this away from the
WH for the time being.
Andy
4/10/90



**U.S. Department of
Transportation**

Office of the Secretary
of Transportation

Chief of Staff

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

✓ file

MEMORANDUM FOR: David Bates
The White House

FROM: John Gaughan
Chief of Staff

SUBJECT: Toledo Express Airport
Air Cargo Hub Proposal

Burlington Air Express, an air cargo company, is proposing to relocate its air cargo hub from Fort Wayne, Indiana, to the Toledo Express Airport in Toledo, Ohio. For business reasons, they want to make this move as soon as possible.

In order for Burlington to do so, the FAA must approve or assess many aspects of the operations, as is the normal case, and must issue operating certificates to the owners of the aircraft.

The actions require environmental evaluation under the National Environmental Policy Act (NEPA) of 1969. FAA has determined that an EIS is required because the nighttime operations involved with all cargo service would have a significant noise impact on the area around the airport. Some 2200 people would be exposed for the first time to noise levels above those considered compatible with residential land use.

The FAA issued a Draft EIS in December 1989. Extensive comments have been received and the FAA is currently completing its evaluation of all comments and preparing a final EIS, which is expected to be completed in April.

EPA has indicated some concerns over the Burlington proposal relating primarily to the noise impacts. FAA is working with EPA to resolve their concerns. Upon completion of the EIS, there will be a 30-day comment period before FAA can make a final decision. If EPA's concerns are not resolved, they will have 25 days within the 30 day period to refer its disagreement to the Council on Environmental Quality (CEQ) for resolution. EPA has already notified CEQ that this project may be a candidate for referral.

The reaction within the Toledo community to the Burlington proposal has been favorable because of the anticipated beneficial impact on the local economy. However, some local citizens have mounted opposition based on environmental impacts and have threatened litigation.

The Department of the Interior (DOI) comments on the Draft EIS also express concern about noise impacts on parks in the airport vicinity. DOI has taken the position that Department of Transportation's parkland protection statute applies because of severity of noise impacts.

At the Congressional level, DOT/FAA has received a letter from Congressman Gilmore of Ohio and a telephone call from Senator Glenn's office, expressing support for this proposal. It has also received letters from Congresswoman Jill Long of Indiana and the Mayor of Fort Wayne, Indiana, opposing Burlington's relocation.

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
03. Letter	From Sam Skinner to John Sununu Re: Skinner's remarks on 1/10/90 (1 pp.)	1/11/90	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)(1990)

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THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

PERSONAL AND CONFIDENTIAL

January 11, 1990

file

THE CHIEF OF STAFF
has seen

Dear John:

There seems to be some question concerning the thrust of my speech yesterday. This confusion is in part caused by the misleading headline in the Washington Post.

I am enclosing a summary of the speech, which was given to the White House prior to its release. I think a careful review of the speech clearly shows that the thrust of the speech was that state and local governments are going to have to assume a greater share of transportation costs. This is consistent with the position we have taken all year and with Reagan administration policy. There was no mention in the speech of raising federal user fees, and in fact any reference to specific federal user fees was left out so that we did not pre-empt the President's budget or State of the Union address. Additionally, I am enclosing articles in other newspapers which more accurately reflect the themes of the speech.

I hope this clears up any confusion.

Sincerely,

Samuel K. Skinner

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

Enclosures

cc: Richard G. Darman



U.S. Department of
Transportation

News:

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

FOR RELEASE WEDNESDAY
January 10, 1990

DOT 04-90
Contact: David P. Prosperi
Tel.: (202) 366-4570

SKINNER PREVIEWS NATIONAL TRANSPORTATION STRATEGY IN SPEECH TO TRANSPORTATION RESEARCH BOARD

Describing the 1990's as "the decade of achievement," Transportation Secretary Samuel K. Skinner today said he believes the time is right for a national transportation strategy designed to increase reliance on the private sector, stimulate competition, and allow the magic of the marketplace to work.

Addressing the 69th annual meeting of the Transportation Research Board, Skinner praised America's transportation system, calling it "efficient" and part of our nation's "success in world markets."

However, in the face of the expanding international competition, Skinner said, "we no longer can take transportation for granted. We need to maintain, expand, and make our transportation system more productive. We need a better application of management and technology."

In developing the national transportation strategy, one of Skinner's top priorities, the department undertook one of the most extensive outreach efforts ever conducted by a government agency by holding 117 public events in 43 cities and towns across the nation.

Skinner said, "In essence, what we heard was a call for an improved transportation system, a system with greater capacity, a sound financial base, a strong and competitive transportation industry, a system that protects the environment, that supports safety and national security, and that advances our transportation technology and expertise. The American people want new transportation to fit their needs in a new century."

While noting that the national transportation strategy is still in the review process, Skinner presented a preview of five major areas.

-more-

"First of all, we envision a stronger, healthier partnership among federal, state and local governments. We will strive for additional regulatory flexibility and policies that recognize the diversity of conditions and needs in the real world.

"At the same time, a healthier partnership goes hand-in-hand with reduced dependence on federal money. We believe federal recipients of federal transportation aid should pay a larger share of project costs. By upping the ante for state and local governments, we will help bring the principles of market competition to bear in our financing programs.

"Secondly, we're going to be looking for new and creative ways to apply the time-tested user fee principle. We intend to recover from users the maximum practical share of costs they impose. This includes recovering federal costs from user groups that are now getting a free ride. We also want to make it easier for other levels of government to levy user fees for transportation improvements.

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

"As we want to benefit from the creativity and competitive energy of the American people, we must minimize federal barriers to private participation in the ownership, financing, construction, and management of transportation facilities and services.

"Our fourth initiative will be to remove unnecessary regulations. For example, we will continue to push for repeal of the tort-based system of liability and damages under the Federal Employers' Liability Act, so that railroads can operate under state workers compensation systems as other industries do.

"Finally, one of the major thrusts of the strategy will be to promote new technology and more support for efforts in research and development, both in the public and private sector. U.S. industries, such as the rail industry with "mag-lev" and high speed rail, and the auto industry with IVHS "smart cars," have shown the leadership and the capability to fund innovative systems in order to move people and products safely and efficiently.

"Over the past ten years, we've witnessed the benefits to consumers from airline deregulation. Now it's time to complete the deregulation of the trucking industry as well. We also want to remove unnecessary federal requirements that hamstring U.S. flag ships trying to compete in world trade."

Skinner noted that the national transportation strategy not only will help shape the major transportation legislative reauthorizations that will be enacted in the next several years, it will drive a series of actions by the Department in the coming weeks and months.

#

U.S. to Seek Lower Federal Role in Transportation

By JOHN H. CUSHMAN Jr.

Special to The New York Times

WASHINGTON, Jan. 10 — In a preview of the Bush Administration's national transportation policy, Transportation Secretary Samuel K. Skinner today called for state and local governments to pay more of the costs of programs that have been financed primarily by the Federal Government.

"We believe recipients of Federal transportation aid should pay a larger share of project costs," Mr. Skinner said in a speech at the annual meeting of the Transportation Research Board, a private, nonprofit organization.

"Reduced dependence on Federal money," he said, would be a fundamental precept of the new transportation policy, which is to be published by the Administration in February after President Bush delivers his State of the Union Message and submits his budget for the next fiscal year to Congress.

Mr. Skinner's speech suggested that the policy, under development at the Transportation Department since Mr. Bush took office a year ago, would bear the hallmark of economic conservatism: reliance on deregulation and on state and local government and private enterprise.

Policy Seen as Compromise

Officials involved in developing the policy said it represented a compromise between the views of Mr. Skinner, who is considered an economic activist, and the President's more laissez-faire economic policy advisers, including Richard G. Darman, director of the Office of Management and Budget.



The New York Times

Transportation Secretary Samuel K. Skinner, who said the national transportation policy will call for less Federal involvement.

But the officials maintained that the Administration's internal review of the transportation policy was not a fight between competing views of economic policy. As evidence, they said Mr. Skinner last month accepted without argument the budget office's outline of his department's budget for the fiscal year 1991. By contrast, some departments

often return to the budget office with a final plea for more money after receiving its recommendations.

Moreover, Mr. Skinner, a former Bush campaign aide who was head of Chicago's mass transit authority, has frequently said that he is committed to the President's declared policies of not raising taxes and of generally freezing Federal spending levels.

In his speech, the Secretary agreed with the mainstream opinion of transportation experts: that the nation's congested and decaying network of roads, railways and airports must be rebuilt, and that the investment of billions of dollars in the transportation system will virtually pay for itself by promoting economic growth and productivity.

The 'User Fee Principle'

But his message is sure to disappoint some in the transportation industry, including the operators of urban mass transit systems, who have been urging a sharply higher level of Federal spending paid for by increases in taxes, including the Federal gasoline tax. That tax helps pay for the construction and maintenance of Federal highways, but it also helps subsidize mass transit systems.

Mr. Skinner said in his speech today that the Government's transportation policy would seek "new and creative ways to apply the time-tested user fee principle." He said this would include "making it easier for other levels of government to levy user fees for transportation improvements."

Ideas favored in the Transportation Department include allowing local airports to charge departure fees on all passengers. The policy will also call for more private investment, like the operation of toll roads by private corporations, Mr. Skinner said, and will seek further deregulation of interstate trucking.

At a Washington seminar on airport financing on Tuesday, several aviation officials endorsed the idea of letting airports levy a departure fee on passengers to help pay for expanding the air transportation system. Airline passengers already pay an 8 percent Federal ticket tax. A departure fee has been viewed as duplicative, and Congress has banned such fees for many years.

WALL STREET JOURNAL P.6A 1/11

U.S. Seeks a Reduced Role In Transportation Projects

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON—The Bush administration will carry on the Reagan administration's drive to reduce the federal role in transportation and shift costs to states and localities.

Transportation Secretary Samuel Skinner said the current administration's formal statement of national transportation policy would stress the importance of a "stronger, healthier partnership among federal, state and local governments." He said that would include requiring states and cities to shoulder more of the cost of road and other projects. In return, he said, states and cities would be given a greater voice in what projects are built.

The policy statement was developed during the past year and is scheduled for release in early February. It now is being reviewed by officials in the White House Office of Management and Budget and other agencies. Mr. Skinner gave what he described as a "preview" of the policy in a speech to the Transportation Research Board, an arm of the National Academy of Sciences that advises the federal government on technical questions involving transportation.

Skinner Unveils Plan For Funding Transport

By WILLIAM DiBENEDETTO

Journal of Commerce Staff

WASHINGTON — Greater use of user fees and increased reliance on partnerships with the private sector are key elements of the national transportation policy, Transportation Secretary Samuel K. Skinner said Wednesday.

"We're going to move the action closer to the people," he asserted.

Mr. Skinner presented a snapshot of the eagerly anticipated policy in a keynote address before the 69th annual meeting of the Transportation Research Board.

"I'm not talking of a centralized plan," he declared. "Big Brother will not take over management of transportation in the United States."

Mr. Skinner said he is talking about a "set of guidelines, a framework to help federal, state and local officials and the private sector make strategic decisions for America's future transportation needs."

He did not give specifics or estimates on how much money he expects the federal government will provide to fund the policy. He also did not address recent reports in The Journal of Commerce that the DOT and the Office of Management and Budget are jousting over funding for the policy.

He estimated that the bill to revitalize the nation's infrastructure could run from \$1 trillion to \$3 trillion over the next 20 years.

Dealing with all transportation needs — safety, airport development, maritime revitalization, continuation of trucking deregulation and development of new railroad technologies — will be a "tall order," he added.

"There's no way the federal government can do it all alone, nor should it," said Mr. Skinner.

Mr. Skinner previewed "five major strategies" that will be incorporated in the policy, all of which are designed to "increase our reliance

on the private sector and state and local governments":

- A "stronger, healthier" partnership among federal, state and local governments. One way to strengthen the partnerships is through the replacement of "rigid requirements with performance-tested criteria" in federal programs, said Mr. Skinner. He said the department will strive for "additional regulatory flexibility."

- New and creative ways to apply the "time-tested user fee principle." The secretary said the department intends to recover from users the "maximum practical share of costs they impose." He said he also wants to make it easier for other levels of government

to levy user fees for transportation improvements.

- Stimulation of more private investment in transportation. Mr. Skinner used the example of the new Denver Airport where the government commitment and investment "is a small part of the total investment" by the private sector. "Stimulating that kind of private investment, I can assure you, is one of our major objectives," he said.

- Removal of "unnecessary regulations." For instance, he said the department will continue to push for repeal of the tort-based system of liability and damages under the Federal Employers' Liability Act, "so that railroads can operate under state workers compensation systems as other industries do." In addition, "we want to remove unnecessary federal requirements that hamstring U.S.-flag ships trying to compete in world trade."

- Promotion of new technology and more support for efforts in research and development in both the private and public sectors.

Almost all of the policy, he said, has been cleared by the "interagency review process" for consideration by President Bush as administration policy.

The secretary said he expects it to be released formally next month after the president's state of the union message and release of the fiscal 1991 budget.

Skinner to Propose User Fees To Fund Transportation Work

Larger Burden Also Seen for State, Local Governments

By Don Phillips
Washington Post Staff Writer

Transportation Secretary **Samuel K. Skinner** said yesterday that he will suggest "new and creative" user fees to help pay for an overhaul of the country's transportation system. He said state and local governments also should be forced to pay a greater share of the cost.

Skinner, who is scheduled to release a new national transportation strategy in February, raised the politically sensitive user fee issue in a speech yesterday to the Transportation Research Board attended by many members from state and local transportation departments who would be affected.

"We intend to recover from users the maximum practical share of costs they impose," Skinner said. "This includes recovering federal costs from user groups that are now getting a free ride."

He also said the federal share of transportation construction funds—presumably mainly highways and mass transit systems—will drop from current levels, under which the federal government may pay as much as 90 percent.

"It is our principle and will be a principle that by using federal funds to leverage state funds and get greater local involvement, we will get greater participation and greater accountability and greater decision-making by local officials," he said.

Skinner's speech amounted to a warning that federal budget problems will hamstring any dramatic increases in federal spending for transportation, and that much of the burden must be shifted to state and local governments, and to the drivers, passengers and shippers who use the system.

The most familiar current federal user

fees are the tax on gasoline, the tax on airline tickets and truck fuel fees. Skinner, however, was vague in his speech about whether any of these might be raised, or new fees imposed, and carefully stepped around the question in a later interview.

"If I were to have an opinion in that area, you would hear about it from the White House, not from me," he said. When pressed, he slowly gave the same answer.

Skinner's caution reflects the larger political struggle over how to handle burgeoning budget deficits. President Bush has pledged "no new taxes," but has gone along with some minor "user fee" proposals that his political opponents then turned back on him, calling them nothing more than a tax increase by a different name.

When word leaked in December that the administration planned an excise tax on recreational vehicles, camping equipment and pleasure boats, earmarked to fund conservation programs, it was withdrawn a few weeks later under protests from industry and recreation groups.

His attitude also reflects a struggle in the White House over revenue-raising plans, which likely will be revealed in the federal budget later this month rather than in the transportation policy report.

Congress, which must act on any user fees, is likely to react strongly to any administration suggestion for major user fee increases. Skinner acknowledged that he and House Ways and Means Committee Chairman Dan Rostenkowski (D-Ill.), both veterans of Chicago machine politics, do not see eye-to-eye on user fees.

While Skinner would not discuss specific federal user fees, he encouraged states to raise gasoline taxes.

"You know, 18 states have raised their gas



SAMUEL K. SKINNER

... to release new strategy next month

tax this year and last year, which is a state user fee," he said. "And I've gone all over the country encouraging them to do so . . . I think the local share has to be greater. I think local control has to be greater."

Skinner said his plan will also encourage greater participation by the private sector in building transportation facilities. He used as an example a proposal to build a privately funded toll road in suburban Virginia.

He said his plan will also propose removal of "unnecessary regulations." He said it was time to complete deregulation of the trucking industry, remove unnecessary requirements that "hamstring U.S. flag ships trying to compete in world trade" and push for product liability reform.

And he gave a major boost to the railroads in their battle with the unions to repeal the Federal Employers' Liability Act, which allows railroad workers to sue rail lines in injury cases. All other U.S. workers are compensated under state workers' compensation systems. Skinner singled out the law as an example of regulations in need of repeal.

USA TODAY • THURSDAY, JANUARY 11, 1990 • 3A

AIR TRAFFIC PLAN: Much of the government's plan to modernize the air traffic system is already obsolete, the Aircraft Owners and Pilots Association said. Its alternative: satellites for communication, navigation and aircraft surveillance. The 300,000-member group said the high-tech system would save \$250 billion. FAA spokesman Fred Farrar said the modernization plan, conceived in 1981, "is designed to make full use of satellite technology."

USA Today P.4A 1/11
ALSO WEDNESDAY . . .

► Transportation Secretary **Samuel Skinner** previewed his U.S. transportation policy — which, given the deficit, unsurprisingly calls for state and local governments and private industry to shoulder more of the costs.





THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

Sir:
This is per your
request-- copy
attached.

jc

JANUARY 30, 1990

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: SAMUEL K. SKINNER
SECRETARY OF TRANSPORTATION

THE CHIEF of STAFF
has seen

**SUBJECT: MEETING WITH LEE RAYMOND, PRESIDENT OF EXXON,
ON RESUMPTION OF EXXON VALDEZ CLEANUP EFFORT.**

In response to your request for an update following my meeting with Lee Raymond, I have the following information:

I. Summary

Exxon and the Coast Guard will initiate consultations on a generic cleanup plan in mid-March. Surveys of the shoreline to determine what additional cleaning needs to be done will commence in mid-April. The formal cleanup plan from Exxon is expected on the 20th of April. The Commandant of the Coast Guard, Admiral Paul Yost, will travel to Alaska on the 21st of March to assess the status of the shoreline after the winter's storms and to meet with impacted Alaskans and State and local officials. Members of my staff will accompany him.

II. Discussion

Mr. Raymond indicated that Exxon will enter into consultations with the Coast Guard to formulate a generic cleanup plan for this summer's effort in Alaska. They anticipate delivering a specific proposal on the 20th of April. In addition, Exxon hopes to conduct joint shoreline surveys starting in mid-April to determine the extent of the remaining oil. All reports indicated that the exposed shorelines have little, if any, oil remaining on the surface due to the severity of the winter's storms, but the more sheltered shorelines vary in their cleanliness.

From the preliminary reports about the severity of the winter storms and the condition of the shoreline, the required work this summer should be substantially less than last year's. I expect substantial media attention from the one year anniversary of the spill (March 24), to Exxon's April 20 cleanup plan, and the April survey of the shorelines.

The trial against Hazelwood, the captain of the Exxon Valdez, started this Monday and is expected to last about six weeks. If it concludes in that time frame, the verdict may coincide with the one year anniversary of the spill. In expectation of substantial national attention on the anniversary, I have asked Paul Yost to travel to Alaska prior to March 24 to assess the situation and meet with officials and impacted Alaskans.

THE PRESIDENT HAS SEEN

TRANSPORTATION

January 30. Skinner will meet with Lee Raymond, President of Exxon Corporation. Topic: resumption of the Exxon Valdez cleanup effort in the Spring.

TREASURY

January 29. Secretary Brady will join Director Darman and Chairman Boskin in the press conference to release the President's FY 1991 budget.

February 1. Brady will testify before the Senate Budget Committee. Topic: the President's FY 1991 budget.

February 2. Brady will testify before the Joint Economic Committee. Topics: the state of the economy and the 1990 Economic Report of the President.

VETERANS AFFAIRS

February 2. Secretary Derwinski will travel to Erie, Pennsylvania to tour a Veterans Affairs medical center with Congressman Tom Ridge.

ACTION

January 31. The President and Mrs. Bush will participate in a White House ceremony to honor the 25th anniversary of the VISTA program.

ENVIRONMENTAL PROTECTION AGENCY

January 30. Administrator Reilly will address the "Synergy" conference sponsored by the National Wildlife Federation. Topic: the Administration's Clean Air proposals, particularly those relating to air toxics.

January 31. Reilly will address the Business-Government Relations Council. Topic: Clean Air.

February 1. Reilly will be interviewed by Good Housekeeping. Topic: general environmental issues.

February 2. Reilly will be interviewed by Charlie Rose of the CBS program "Nightwatch." Topic: general environmental issues.

SAM

Give me a
one-pager
after this
meeting please
CJB
1-28-91



THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

file

January 5, 1990

MEMORANDUM FOR: John H. Sununu
Chief of Staff to the President

FROM: Samuel K. Skinner
Secretary of Transportation

SUBJECT: Collective Bargaining Agreements in the
Automobile Industry

I am writing to apprise you of certain aspects of collective bargaining agreements currently in force between the United Automobile Workers and Ford Motor Company, General Motors Corporation, and Chrysler Motor Corporation. Certain provisions of the agreements, particularly the job security provisions, bear upon Administration policy toward the automobile industry.

- o In October 1987, Ford Motor Company and General Motors Corporation agreed with the United Automobile Workers (UAW) on new three-year collective bargaining agreements. The agreements expire on September 15, 1990.
- o Chrysler's collective bargaining agreement was negotiated separately in the autumn of 1988, but will also expire on September 15, 1990. Chrysler's 28-month agreement returned uniformity to the domestic manufacturers' collective bargaining agreements with the UAW. (From 1979 to 1988, Chrysler employees had operated under significantly different agreements to help the company overcome financial difficulties.)
- o All three agreements are nearly identical in material respects and provide for significantly enhanced job security for the companies' manufacturing employees.
 - The agreements contain Guaranteed Employment Numbers (GEN) provisions that require the companies to "maintain current job levels at all units in all locations and will prevent layoffs for virtually any reason except carefully defined volume reductions linked to market conditions."
 - In short, the company may not close any plants for the life of the agreement, and must provide jobs for all of its employees for the life of the agreement unless automobile sales decline significantly or the cost of providing the jobs exceeds an agreed-upon amount (\$500

million for Ford; \$1.3 billion for General Motors; and \$210 million for Chrysler) over the course of the contract.

- The companies may not lay off employees due to changes in technology, product requirements, or outsourcing of production. Employees displaced as a result of these types of changes are retained on active production rolls and are assigned to a "bank," from which they can be reassigned to other work for which they are qualified.
 - The companies may only shrink their job forces by attrition, and even then only at the rate of one guaranteed job for every two employees that depart.
 - In exchange for the promise of job security, labor agreed to relatively modest wage increases, to participate in labor-management committees which explore ways to increase productivity, to reduce restrictive work rules and the number of job categories, and to adopt the "team concept" of manufacturing.
- o Because the collective bargaining agreements severely limit the circumstances in which the automobile companies may lay off employees without pay, they make it much more difficult for companies to reduce variable costs, even during times of slack demand.
 - o The layoffs recently announced by Ford and General Motors were justified by the companies under the "decline in sales" provisions of the agreements. Labor and management are currently at loggerheads regarding a plant shutdown in Michigan (which General Motors characterizes as a "temporary idling") and Chrysler's plan to shut down the Jefferson Avenue plant in Detroit.