bility. I think that we have been surprised on that front, at least on one side of the Capitol
dome. In the regulatory area we also want some incentives to facilitate intermodal projects
and approaches to achieve the efficiencies and productivity that we believe are there.

The MPO process seems to us to be one of the linchpins in bringing in a broader array of
players and looking at the intermodal issues from a broader perspective. But we don't want
to bring the private sector in as partners and then eat away at the productivity that has been
accomplished over the last 5 or 10 years.

That gives you a thumbnail sketch of some of the areas. The important thing is this: we have
had ISTEA, this report, and this second TRB conference. We have the U.S. Department of
Transportation actively thinking it. We have to, as transportation agencies and providers, start
thinking outside the mode, about the total trip, and how we come together as one entity—the
transportation business—rather than just as ports, airports, rail, highway, transit, whatever
the mode is that brought us here in the first place. How do we erase that and just have trans­
portation, the customer, and the total trip be our focus? A number of workshops over the next
couple of days will allow you to think outside of your mode and to start thinking connectively
about how we can make our total transportation system work more effectively. I think it is
good for us and our country. And I hope that you'll look at our recommendations.

Thomas J. Donohue

Good morning, ladies and gentlemen. I am very happy to be here with those who have spo­
ken before me, and there is some benefit in speaking last. All the others have made their
points, and now I can tell you what they meant.

What I plan to do is to make some comments on the report and recent political and mar­
ket realities that should either contradict or support what we have encouraged. Then I would
like to make a few comments on what a number of the previous speakers have said.

Let me start with the report. Just think about this. It took us a year to get it finally, for­
mally put into place. But the report was finished on time, ahead of budget, and it was all put
down together with all of the lists and everyone that appeared before us, all of the diagrams
and everything that you find in its 59 pages. That has never been done in the history of com­
misions. Usually it has been done by how you weigh it. I think it is a testament to Rob Krebs,
our chair, who, by the way, having spent a year trying to keep us in order, has honed his own
skills and is now trying to merge with two of the largest railroads in America. Krebs did a
great job. As Anne indicated, the four members were added to our commission when the ad­
ministration changed. I found the perspective they brought very helpful. Particularly I think
Anne's perspective, being a secretary of transportation, was very helpful.

Now, some of my own observations in this regard. First of all, the freight people very
quickly came to some agreements on the directions that we wanted to pursue, and most of
those were market based. It was an education for us to listen to and visit with the people on
the passenger side of the business. And I daresay, it was an education for them to engage in
a discussion with us.

I would like to give you the bottom line first. As far as I'm concerned in American Truck­ing
Associations, I don't care if they take this report now and put it in the round pile. The re­
lationships that were developed among the people on the commission and the people that we
brought to the commission to take part in the debate on how we should proceed have already
brought to the various industries and public services a good deal of benefit. They are proving
useful in the resolution of public policy questions that are before us.

Now let me jump, for a second, to the question of some of the recommendations, because
there are four that I would like to talk about. The first is, of course, the support for the
National Highway System, and within that and future highway bills, to apply federal high­
way money to building intermodal connectors. By the way, an intermodal connector is a road
that connects to a rail, air, or water terminal. It does us very little good to build the finest
roads in the world, up and down the system, if you are 1 mile from a connector and can
hardly get there. You go to Chicago and try to get from the major highways to the rail and
air terminals and you, number one, need a guide dog. And you might as well be following
the Romans in carriages, because some of those roads are just ridiculous. We are encouraging
work to be done and are prepared to spend federal highway money for those purposes. It is
very clear to everyone, regardless of mode and whose money you are out looking for, that
we need to put the National Highway System (which we almost passed just at the end of the
previous Congress) in place right away and get that money out into the system.

The National Highway System, which will cover 159,000 of the more than 2,000,000
miles of roads, is going to carry 75 percent of the freight and a huge amount of the tourism
and personal mobility. We need to get that system in place now. Let me just digress a minute
to tell you something about the market forces affecting that decision and all of the decisions
that were taken in this report. Assume for a minute that between now and the end of the cen­
tury, and by the way that’s 60 months, that we maintain a modest economic growth of
2.8 percent. (Last quarter was 3.9 percent. Alan Greenspan is trying to choke it down to
about 2.8 percent, and God bless him; we’ll see where it goes.) Even if you maintained
2.8 percent, doubled the amount of freight that the railroads are carrying (which they’ll have
a hard enough time carrying), and took the domestic air cargo business, making it a bigger
business than the railroads—even if you do all of that, and without counting NAFTA, GATT,
and a whole lot of freight that is not included, like package freight and local delivery—on the
roads you would still have to carry 30 percent more freight, drive 31 percent more miles, and
put 15 percent more heavy trucks on the road. Now a lot of people say, “But we don’t want
to do that, society doesn’t want to do that.” And that’s fine. Then just figure what freight you
are not going to move, and which jobs you are not going to have, and which standards of
living you are not going to enjoy, and which industries are going to find themselves going
somewhere else. So we deal with the market reality that we have after everything we can think
of intermodally with freight: we are going to have a major increase in what happens on the
roads. So we need to pass the National Highway System. We need your help; you need to
encourage the Congress to do so.

Second, we need coordination between transportation, environmental, and related health
and regulatory policies. One only has to look to California to the Federal Implementation
Plan (FIP) to find the dumbest piece of regulation that anyone has ever issued. It was well
intended and has very important objectives, but it was put out under the demand of a federal
court. As a result, we are chasing the cow that’s out of the barn. Just look at this FIP in
California, which, very briefly, requires you to reduce air flights in and out of the state by
35 percent. This regulation also says that a truck going into the state can only stop in one
place in the air quality zone and one other place in the state, and a ship with a warm boiler
cannot come into the Port of Los Angeles or Long Beach, which means, by the way, it will
never come (so you can get your money back on the Alameda Corridor). You know I could
go on for an hour, but I want to bring to the forefront how ridiculous this rule is. This regu­
lation also says that if you have cows in California you must move them all into covered fa­
cilities, not in the fields but into the covered facilities so that you can collect the gases and not
let them get out into the atmosphere. Now who is in charge of this deal? Well intentioned,
very sound objectives, but not very sound in its application. So our very important recom­
endation is that the White House have a counsel that looks at these types of regulations be­
fore they’re released and asks fundamental questions (e.g., What is it going to do for the
movement of goods and people? What is it going to do for the stability of economies, soci­
ey, and communities? What is it going to do, create or eliminate jobs?). We hope that this
president and future administrations will be smart enough to say, “Let’s look at that stuff
before people start to laugh at us.” By the way, while we are all laughing, in February that
becomes a fact that will phase in over many years unless somebody does something about it.

Now we had another very important series of discussions about the international borders,
delays that are going to take place in Mexico and Canada, and other customs issues. You
know we're going up to 6 million border crossings between Mexico and the United States by 2000. At the rate we process freight across those borders because of drug interdiction, those trucks and trains will be backed up to Caracas, Venezuela, as we try to move through the current customs system. What we're suggesting is a whole series of things that would allow the application of new technology to drug interdiction and other matters, at the same time protecting our society and moving the freight. In the trucking industry we've put together a group called the North American Transportation Alliance with the trucking associations and all three NAFTA countries. We are inviting and participating with railroads and others from the private sector to work on this.

Our fourth suggestion dealt with procurement. I think Vice President Gore and others have been focusing on this with a clear eye. We need sweeping changes, the report says, in the rules that govern federal and state procurement processes for transportation. We really think you ought to start from scratch. We spend a whole bunch of the money just in the process of buying it, because we start out in government with the theory that everybody is going to cheat you. I mean if everybody lies, cheats, and steals, then we need to have more regulations than you can imagine. As a result, and by the way we do need protections for the government's money, what happens is we often don't get the best buy for our dollar; we don't get the best quality for our expenditures. We are suggesting that there are tremendous potential savings in money and effort if we were to work together on this.

Anne Canby, Michael Huerta, and others have mentioned the MPOs. We're doing a whole thing as a result of some of these discussions with the rail, air, and shipping communities about dealing with the MPOs. MPOs are pretty smart people, you know. They have a pretty good understanding of what goes on in their community. But as Anne indicated, we have to get them to focus on the movement of freight, because freight is a simple indicator of what kind of economic strength they are going to have in their communities.

Let me make a couple of comments about what all this does as a result of recent elections and the political changes that are going on. I have great sympathy for politicians, mostly because of us, the citizens. Now we are very difficult. Just think what we want. If you were the Congress of the United States, I'll tell you what the people want. They want more federal largesse. They'll tell you till the cows come home that they want spending cut. They want more efficiency, but they want more federal money for their transportation system, university, health system, local community; whatever it is, they want more money. They do not want deficits. They read about that—it's bad. And they do not want any increased taxes. And if you don't deliver more money while reducing taxes and getting rid of deficits, they're probably going to want to get rid of you. Now, we are in that type of turmoil. And politicians and citizens have to work their way through it.

But these elections have significant impacts on how people are going to behave in Washington and the states and on what you and I are going to do in the transportation business. Let me just mention a few. First, we are going to pass a National Highway System, and hopefully do it in the next 6 months. Second, there is going to be some form of the holy trinity legislation, cost justification, societal and health benefit, and private property, passed as they relate to every regulation. We are all going to deal with this, and that's going to affect all of us in the way we conduct our business.

Third, as Anne Canby indicated, the responsibility for different modes is going to move to different committees. The railroads are going to what was House Public Works and will now be Transportation and Infrastructure under Congressman Shuster. These changes and maritime changes are going to affect a lot of what we do. Perhaps the most fundamental change will be the reduction of 30 percent in committee staffs. The flip between Republicans and Democrats will mean that the people we are used to dealing with, the 2,500 Democratic staffers, are not going to be with us. Lots of them are going to be with someone else. They will be looking to you for a job. That's going to make a fundamental set of new relationships necessary. The big problem the Republicans have is they don't know how to run the House. It is just like the Democrats who came to the presidency after they hadn't been there a long time; they didn't have the people in waiting and training to take over the big jobs. The same
thing is going to happen with the Republicans in the House. So this is going to push us to­ward a whole set of educational requirements. We must go and get out to the people who make decisions that affect our lives, and we must explain to them what the issues really mean.

A couple of things are pretty obviously going to happen. You could write this down, the Interstate Commerce Commission is history. It's dead; it's buried; it's gone. The question is where are we going to send the orphaned children? Which things are going to go to DOT? Which things are going to go somewhere else because they are legally required?

Another thing, and our commission discussed this, is the ability to move passengers. By the way, that was one of the most educational parts for me. I have far better appreciation for those problems because they are not market driven. They are societal driven. I believe that Amtrak is going to be significantly cut back as a part of the structural and expenditure changes suggested by the new administration.

Let me wrap up so that we can get to the questions with a few comments about what Mike and others said. I believe that intermodal, as Mike said, does depend on information, cooperation, and partnership. But it works best, and it only works in the matter of movement of freight, when the market demands it. As I listen to every speaker up here, there was one thing nobody talked about, and that was the market. I heard about planning, planning, planning. Now I understand about planning, and I very much admire the professional planners, but that's government. What will drive the transportation system in this country, first for the movement of freight and, eventually, for the movement of people, is going to be market demand. If you don't have market demand, you don't, in the long run, have a program.

A lot of what we are talking about, if we get very honest with ourselves, all during the commission and the discussions here, is. Who has the money, and how do you get a piece of it? Understandably so. If you're running a public transportation operation, if you're the secretary of transportation, as Anne is, the allocation of money is the issue that everybody calls you up about. We are concerned in our business, for example, that the highway money for the most part stay in highways, although we want to build connectors that go to transit, and so forth. I was a little taken aback by Mike's comment about how it is that we cannot structurally take this highway money and go build private rail facilities. Our commission was very clear, led by Rob Krebs. We want to work on rail crossings and stuff like that, but market-driven private railroads will build their own facilities.

I think while you are walking around these halls for the next several days you ought to talk about people and freight and markets. That's the best way to think about where the money is and how to get it. I think that the funding of the kinds of projects we need to do is going to have to come from lots of places, and in some ways from additional taxes that trucks are going to have to pay. Trucks are 4 percent of the vehicles, 13 percent of the traffic, and 50 percent of the taxes. And you can argue whether we should pay 3 percent, or 5 percent, or 10 percent more. I would be glad to get in the argument with you. But we're in this deal arguing about money that we pay every day. So, it is going to be really interesting. Focus on people, markets, and freight and you get pretty quickly to the points of who has it and how you're going to get it.

Let me end with one paragraph. The way to get things done in Washington and in the states is to begin to erase the intramuraol squabbles over public policy issues of common interest to get rail, water, air, and truck together, and in many instances over inclusion of MPOs and transit people. Then find out what our common interests are in clean air, safety, roads, and intermodal facilities. Then go to Washington and to the states together and get them. I believe that 60 to 70 percent of the things that our individual organizations seek we could seek in concert and get them. We can then fight about the other 30 percent. But to let the 30 percent keep us from working together is to let someone else control our destiny. I'm convinced, our industry is convinced, that we should work in concert with the other modes. It is in concert that we survive. We can fight over the other 30 percent on the weekend. I invite you to look for ways to do that. I thank you for inviting me here, and I really appreciate the opportunity we had to be on this commission. We have made some very fine new friends.