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REMARKS BY ALAN S. BOYD, SECRETARY OF TRANSPORTATION,
PREPARED FOR DELIVERY BEFORE THE HAYDEN, STONE
TRANSPORTATION FORUM AT THE COLLEGE HALL, UNIVERSITY CLUB
OF NEW YORK, NEW YORK CITY, SEPTEMBER 21, 1967 AT NOON

In 1872, according to Jules Verne, Mr. Phileas Fogg invested 19,000 pounds of his money to win a 20,000 pound bet on whether he could go around the world in 80 days. Fogg was betting on the speed, safety and efficiency of transportation while his friends in the Reform Club bet on its hazards, delays and snafus.

Things are not so different today--except that astronauts have proved you can go around the world in 80 minutes. There still are many who would bet on the hazards, delays and snafus, but the bets are still being won by the investors in transportation. I might add that today's investors are getting a much more handsome return on their money than Phileas Fogg got.

In this country, there is more transportation in which to invest than in any other country in the world. There is more, not only because we are the wealthiest nation on earth, but because our transportation system is essentially and primarily the product and the province of private enterprise.

Federal expenditures for transportation are minuscule compared to the private outlay. The creation of the new Department of Transportation in no way signals a change in this situation. We do not contemplate replacing to any degree either the private or the state and local government expenditures for transportation.

Throughout the history of our nation, government expenditures for transportation have taken the form of seed money - money for innovation which opened up the possibilities for private investment.

This list is long, and is going to get longer: money for post roads to carry the mails; land grants to the railroads; early subsidies to the airlines; plus the more recent government expenditures to develop high speed ground transportation and a supersonic transport.

In none of these endeavors was it or is it the intent of the government to take over the mode of transportation involved. Nationalization of any segment of the transportation industry of this country is unthinkable.

In transportation, it is the government's role to stimulate the private investment which will do the job that must be done. I do not mean to make that role sound simple or precise. I am the first to admit that there is a thin red tape line between stimulating and stifling. If an industry is over-regulated, over-protected and over-subsidized by the government, then that industry is stifled. The U.S. maritime industry is a classic example of government's involvement having less than a desirable result. Competition, both foreign and domestic, an open marketplace, and eventual non-dependence on government involvement are essential ingredients for a healthy and productive industry.

If we are to effectively answer the transportation needs of the commerce and people who will produce a gross national product of a trillion dollars by 1970, then we (both government and industry) must recognize and support those essentials.

And there is another part of the job. . .for lack of a better heading, let's call it public relations. There should not be an impression that service to the public and service to the stockholders are two separate and/or divergent entities. The public should realize that if an industry operates on a public-be-damned philosophy, the other half

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of that hell will be occupied by the damners. The eventual penalties for disregard for social problems such as noise abatement, air pollution, traffic delays, service discontinuances, public convenience and safety should be obvious.

I would stress that government does have a major role in some aspects of the business of transportation. But just as business must bear the public interest in mind, so must government remember that industry has stockholders. I can assure you that is the way the Department of Transportation will operate.

Transportation safety is a good example of an area in which government has a major role.

Safety is a primary mission of the new Department. This obviously does not mean that everyone other than employees of the department can forget about it. Our job is as overseer and coordinator for all the efforts that must go into assuring the safety of the public whether being transported or being affected by transport. This means achieving, and not merely imposing regulations and standards for not only the facilities or equipment connected with transportation but for the operator who uses them. We intend to work with the states to achieve the most proper means of enforcement whether in highway or pipeline safety. We intend to work with industry to achieve the best and most economic means of designing safety into transportation equipment.

The research and tests necessary to produce the assurance of this kind of safety must be carried out in close conjunction and cooperation with industry. . .for the government can never hope to match the expertise on the subject of design and performance that exists in private industry.

Another example of how government and industry can and do work together is the supersonic transport program. Ever since the President announced the go ahead on that most important program, there has been a torrent of what Gilbert and Sullivan once called "platitudes in stained glass attitudes." From one small but vocal group, we hear that the government has been hornswoiggled into bankrolling an industrial monopoly to create an expensive plaything for the jet set.

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Now I generally regard criticism as a healthy thing --but that is when you have divergent opinions or interpretations of a standard set of facts. In this case, the facts are disregarded in favor of hunches, suspicions, lingering doubts and premonitions. This makes it rather difficult to have a meaningful colloquy. Meanwhile, the government's intent and its proper role in this new collaboration with industry have not received the attention they should.

The United States has long enjoyed supremacy on the international aircraft market. American-made planes make up the majority of the world fleet. Our domestic aircraft industry has been the leader with each new technological advance so that this supremacy has been maintained, and that industry is a major contribution of the nation's employment gains and capital advances.

I mentioned Phileas Fogg earlier. Well he, or his nonfictional counterpart went around the world in 80 days --quite an improvement on the first global circumnavigation which took Magellan's ships 36 months. In 1933, Wiley Post flew around the world in a little under 8 days. An SST can encircle the globe in 16 hours.

This next step from our present aircraft technology is the biggest and most expensive yet--the step from the current operating jets to supersonic jets.

Other nations, Britain, France and Russia, seeing a chance to cut into the American share of the market quickly undertook the research and development necessary to get such a plane into production. Our choice was one that we traditionally have made--use government research and development funds to enable private enterprise to compete successfully on the world market.

So the government took the lead and called for open and competitive bids on the development of a prototype supersonic transport--hardly the usual method of creating a monopoly. This was done and the contracts were awarded so that in this initial phase, two prototype planes could be produced.

The government agreed to put up \$1.25 billion to finance this first step--a step that could hardly be taken by private industry alone in this country. This was done in order to effectively compete with those nations having fully subsidized aircraft industries.

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Had we insisted that the Boeing Company undertake the investment on its own, its refusal would be completely predictable. The \$1.25 billion required is more than twice the reported net worth of the corporation.

Like any other major investment, the risks are being shared and proper incentives and penalties are provided. The government will recoup its investment through royalties on the sales of SST's--sales made on the basis of efforts during this first initial phase in which the government is involved. If 500 planes are sold, and there are very good economic reasons to believe they will be, the government will receive \$1.1 billion in addition to recovering its total investment of \$1.25 billion. That is a mighty good investment.

The picture often painted of this endeavor is one showing several high government officials meeting in a back alley with a couple of moguls of industry and making a secret deal.

Actually the roster of those involved with this program will include two prime contractors, 20,000 subcontractors and vendors, 12 U. S. air carriers, 14 foreign air carriers, 65 research and development firms, and 7 government agencies. Most important of all, before the SST goes into production, the program already has been intensively reviewed by five Congresses. That is hardly making a deal in the dead of night -- as anyone who has faced only one Congress can tell you.

The SST program is a prime example of how business and government can together achieve the goals of the nation. It is not an exception to any ideological rule, but a new application of the great tradition which gave us the transportation system we have today -- the highways, the railroads and the airlines. The just plain bigness of this nation must be squarely faced -- the bigness of our industry, of our government, of the role we must play both at home and abroad, and of the problems that we must necessarily deal with.

In closing, let me return to a theme which is implicit in these remarks but which should, perhaps, be made explicit.

In his message calling for creation of the Department of Transportation, President Johnson noted that one major problem with transportation in America is that it has grown

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haphazardly, with little thought given to creation of a coordinated network. Transportation, he said, grew as the nation grew, "now restlessly expanding, now consolidating, as opportunity grew bright or dim."

And the first item on the list of responsibilities which the President assigned to our department is to "coordinate the principal existing programs that promote transportation in America."

We intend to carry out this mission with research, with development of prototypes, but primarily with persuasion. Ours is the only major nation in the world with a privately owned and privately operated transportation system. We are determined to keep it that way and this places a strict limit on the power of government to determine the shape of transportation in the future.

Whether we can achieve a more efficient, safer system of transportation depends, in the final analysis, on private industry and on where it chooses to make its investments.

If you join us in working toward a coordinated system by making selective investments, we will have one. And I issue you an invitation today to become not only interested but involved in planning such a system.

I believe we have progressed a long, long way from the rhetoric of the thirties and forties about government fighting business and business resisting government. This chasm that once separated the business man and the bureaucrat has narrowed to the width of a handshake.

Certainly most of the credit for at least the government's work to bridge the gap belongs to President Johnson. The support and involvement of the business and industrial community have produced social and economic gains never thought possible. If one were to give this progressive collaboration a slogan (and the temptation is irresistible), I would paraphrase Calvin Coolidge's remark when he said "The business of America is business," and say the business of business is America.

The goals of government are not separate from the goals of business and industry; they are intertwined. The success of one's pursuit of those goals is going to depend of how successful the other is.

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Nowhere is this principle more important than in the field of transportation. Given the unique history of government fostering private enterprise in transportation, and the commitment of this Department to that principle, it will be possible to achieve great things at a time when they are most needed.

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