



DEPARTMENT OF TRANSPORTATION

NEWS

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REMARKS DELIVERED BY CLAUDE S. BRINEGAR, SECRETARY OF TRANSPORTATION,
AT DEDICATION CEREMONY OF SOUTHERN PACIFIC'S NEW FREIGHT CLASSIFICATION
YARD, WEST COLTON, CALIFORNIA, JULY 19, 1973.

It's always a pleasure to return to my native California, but doubly so for such an event as we have here today. To Southern Pacific -- its management, its employees, and its owners -- I offer my congratulations on this \$39 million vote of confidence in the future of America's railroads.

Milestones of history are rarely recognized at the time, but let us hope that today's dedication of the most advanced freight-classification yard in the world is such a milestone in railroad history. Let us hope that innovative, privately-financed investment marks a change of direction in railroading that will soon spread across the Nation. Such a change would be welcome news indeed -- welcome to shippers, to carriers, to workers, to investors, and to the Nation's taxpayers.

Together with my staff advisors I've spent considerable time in recent months focusing on the vital transportation questions before the Nation -- especially on key questions about railroads and their future role in America's transportation system. Recent events on the East Coast, where seven railroads are in bankruptcy and the Nation's largest -- the Penn Central -- is teetering on the edge of court-ordered liquidation have added much urgency to this inquiry.

I think it would be appropriate to take a few minutes to outline our findings thus far and also to indicate some of the changes that are before us in terms of federal transportation policy.

First, we have found that, despite decades of technological advancement in alternative transportation methods, rail remains an extremely efficient carrier of freight, especially for long distances. It also offers special advantages in moving passengers in densely populated areas. Clearly, the Nation very much needs a healthy, efficient rail system to help meet its steadily growing transportation needs and to help conserve its scarce energy resources.

Second, we have found that the rail industry's economic health varies widely around the Nation. While no single rail company is today really earning an adequate return on invested capital, several companies, including Southern Pacific, are obviously doing fairly well. It's unfortunate that much public and, I think, at least some Congressional perception of the rail industry and its future has been badly distorted by past rail passenger problems and by Penn Central and the related bankruptcies. While these problems partially reflect industry-wide trends, they have by no means proved, as too many now believe, that the private sector is incapable of providing a rail industry that is efficient, competitive, and responsive to the Nation's needs. Careful study of the two alternatives--private sector vs public sector ownership and operations--quickly proves that nationalization is by far the worse of the two, at least for America. European experiences with nationalization have repeatedly shown that it is much more a method of spending public money than it is a method of improving rail operations.

Third, we have found that there is a serious danger that Congress will so involve the federal government in the solution that, in time, nationalization becomes virtually unavoidable. The various Northeast Rail proposals being pushed by such key people as Senator Vance Hartke, Congressman Harley Staggers, Congressman Brock Adams, and ICC Chairman George Stafford go much too far in this direction--so far, in fact, that I would be forced to recommend a Presidential veto if any one of them is passed by Congress. Frankly, I've been surprised and disappointed that the leaders of the rail industry and the major users have not been more concerned about the consequences of these proposals and more willing to publicly oppose them.

The Administration has submitted legislation to deal with the Penn Central crisis--legislation that we believe properly balances the responsibilities and needs of the public and private sectors. I would like to use this occasion--an occasion that so well demonstrates the strength of the private sector--to again ask for active private-sector support for our approach.

Fourth, we have found that among the causes of the rail industry's problems high priority must be given to the uneven hand of the federal government--a hand that has, through various policies and programs over the past 30 or so years, encouraged the growth of truckers and airlines, while largely ignoring the health of the railroads. These actions have been at least matched in impact by the even heavier hand of the Interstate Commerce Commission, as it has endeavored to administer an Act that has its roots in economic ideas of the 19th century. Tedious and complex ICC regulatory procedures have made rail abandonments, route changes, and rail consolidations necessitated by changing economic conditions either impossible or so time-consuming as to virtually negate the expected benefits. Likewise, complex regulatory procedures have discouraged much-needed efforts by rail managements to offer new types of rail service and innovative pricing. These procedures have protected rail's status quo for so long that at times I fear that some rail managements have come to prefer it to the uncertain but vital world of competition.

What are the implications of these findings in terms of forthcoming federal transportation policy?

In its broadest terms, we must find a way to lift from rail the heavy and uneven federal administrative and regulatory hand. We must encourage a better competitive balance between the alternate transportation modes. We must strike a better balance between the shippers and communities' needs of "public service" and the competitive efficiencies that flow from independent private-enterprise decisions. We must encourage transportation innovation, flexibility, and investments in future growth. And we must do these things in a way that does not solve one problem by simply creating worse problems elsewhere in the system.

These are obviously assignments that cannot be achieved quickly. Problems that have been decades in the making are not easily solved. But we do think the Administration's current legislative program offers the proper initial step forward. This program includes:

- A restructuring program for the bankrupt railroads of the Northeast. As indicated, this program is designed to make maximum use of the skills and resources of the private sector.
- Significant revisions to the Interstate Commerce Act to permit simplified rail abandonments, greater flexibility in rate making and innovation, as well as other needed regulatory reform to increase rail's abilities to compete and to adjust to changing economic conditions.

- A program to see that adequate financial resources are available to those railroads that are unable to finance essential improvements and additions to plant and equipment--especially those investments that will improve operating efficiency and reliability.
- Federally-financed research and development of advanced rail technologies and operating techniques, including better management of the rail industry's freight car fleet.
- A concentrated effort to draw together the elements of an integrated National Transportation Policy that addresses both our future needs for transportation and our likely capabilities to meet these needs. From this work we will endeavor to develop additional policies and programs to prevent future imbalances such as now burdens rail.

As you recognize, these various steps will not come easily. All require cooperation by the groups involved. While it will not come easily, with so much at stake we believe it is possible for these groups to set special interests aside and to take a long-view of the public interest. With such a perspective we are optimistic that we can, in fact, move forward with a truly balanced national transportation system.

Today's event celebrates a forward move by an aggressive, able, private-enterprise rail company. Let's hope that before too long such events will become so common-place that they are no longer causes for individual recognition.

When that day arrives we will have something worth celebrating across the Nation, as well as at West Colton.

Thank you for the opportunity to be with you today.

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