

REMARKS DELIVERED BY CLAUDE S. BRINEGAR, SECRETARY OF  
TRANSPORTATION, TO CAPITOL HILL BULL ELEPHANTS,  
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I'm delighted to be here in the Rayburn Building under such pleasant and friendly conditions. Prior to starting my Washington adventures last January I had heard that the halls of Congress were not always friendly to Cabinet-types, and I must admit that some of my trips here as a witness have confirmed that view. But today, clearly, things are different. It's really a great pleasure to be able to meet you and visit with you.

As part of my educational process I've been digging into the large issue of the Nation's transportation system, trying to find answers to such questions as, What are our National transportation objectives? What are the big problems? What is the proper role of the federal government? At this point--or as they keep saying on the Watergate Hearings--at this point in time, I can only report that good, solid answers to these and related questions will come very slowly.

Today I'd like to just sketch a broad outline of what we see ahead on these big issues, and then concentrate on the key transportation matter before us--the Northeast Rail Problem.

In 1972 this Nation's total transportation bill was some \$200 billion, of which about 80% involved highways, either directly or indirectly. It's fair to ask: Did our 1972 transportation system meet the Nation's needs? Was this \$200 billion properly allocated? Though clear-cut answers are hard to come by, there is growing evidence that it did not and that the resource allocation is out of balance. And there is ample evidence that our regulatory framework is seriously out-of-date and, at least in part, is working against rather than for an efficient, comprehensive national transportation system.

To me, at least, it's becoming increasingly clear that our long-term concentration on highways and automobiles--to the point where we now have 3.4 million miles of the former and 100+ million of the latter--is no longer appropriate. Highway growth properly served to tie the country together over the past 30-40 years. But inertia and vested interests now make the needed shift of direction most difficult. However, I believe that the priority demands of the 1970's and 1980's--led by problems of urban congestion, an energy shortage, and air pollution--give us little option but to find the way to make this shift.

As we work to shift this effort, we find that the major transportation issues broadly fall into three categories: The first major one is inter-urban freight and passenger service.

Movement of the Nation's freight by the various modes--rail, truck, water, pipeline, and air--is, of course, of paramount importance to the working of our national economy. Our total intercity freight movement now exceeds two trillion ton-miles per year, and is growing steadily.

Rail still has the biggest share, with about 35% of the total, water is second at 28%, pipelines are third with 20%, and trucks are fourth with some 16%. Air is less than 1%. For the last 25 years rail's share has been slipping--it was over 50% in 1950--and the share held by pipelines and trucks has been rising.

The big freight issue is the conflict between the need for the Nation to have a system that meets its requirements at the lowest possible overall cost, and a system that meets the regulators' and the courts' historic ideas of "public convenience and necessity." This conflict is increasingly producing unfortunate results, especially for the Nation's

railroads. Because railroads have been delayed or even prevented from adjusting their operations to meet changing economic conditions, over half the rail systems of the Northeast--where the need for change is most urgent--are in bankruptcy. Though outdated regulatory policy can't take all the blame for this mess, I do think it deserves the lion's share.

A good (or perhaps bad) example of the regulatory problem can be seen in the data on the extent to which federal regulations affect the various competitive modes: 100% of the rail and air ton-miles are regulated, but only 40% of trucking, and less than 10% of domestic water carriers. The different degrees of regulation are bad enough, but when it's realized that the economic theory behind most of these regulations has its roots in the era of the 1890's, when rail had little or no competition, it's little wonder that we've got problems.

Intercity passenger service poses somewhat of a different problem than does freight. The issue here is less one of encouraging competition and low costs and more one of options and the sharing of costs. How many passenger

options (such as car, bus, train, and air) should there be between each city and who is to bear the costs of those modes--such as rail passenger or the feeder airlines--that are not economically supporting by themselves? Or, it could well be asked, should we even have such non-supporting operations?

The second major transportation issue concerns the intra-urban movement of freight and passengers--the movement within our cities.

The national concern about intra-urban transportation is fairly recent and long overdue. Unfortunately, the result of this neglect is painfully obvious--especially during the so-called "rush" hours. (I suspect that "congestion hours" may now be a more apt term.) We have concentrated for decades on projects for connecting our urban centers with highways and airways and on ways for making the centers ever bigger through easy financing and various other encouragements to urbanization. We have spent billions on getting people and goods from city to city. But moving around within our cities? Quite clearly this question got lost somewhere in the shuffle. But with some two-thirds of the Nation's population now

living in these urban centers, we can no longer avoid facing the issue.

Though we've made a late start, our department is addressing the urban transportation problem in several ways. Our major effort is through the Urban Mass Transportation Administration, where we administer a planning and capital grant program that totals approximately \$1 billion per year of general fund monies. We are also hopeful that we can supplement this effort by providing a small measure of flexibility in the ways that a part of the Highway Trust Fund dollars can be used. Recent actions by the Conference Committee are somewhat encouraging.

The third major transportation issue is to see that the important side effects of our transportation systems are properly recognized and dealt with. The three really vital ones are safety--some 60,000 people a year are killed in transportation accidents in this country, mostly in or by automobiles; the full range of environmental concerns; and energy availability and usage.

These are obviously big issues all by themselves. I regret that time doesn't permit me to go into the details of what we're doing, but I can say that we're devoting a

great deal of effort to them, as well as assisting the other Federal agencies, such as the EPA and the Interior Department, who likewise have key--and in some cases lead--roles in these matters.

How, let's shift from generalities to the gut issue that's before us: How to keep essential Northeast rail services in operation without, at the same time, so involving the government and the taxpayers in the solution that nationalization becomes the inevitable outcome? As most of you know, the judge hearing the Penn Central case is moving daily closer to being forced to order liquidation to protect the creditors' estates.

For all of the debate about the Northeast rail crisis, I have found that those who have looked into the matter closely generally agree on these four key conclusions:

- One: despite decades of technological advancement in alternative transportation methods, rail remains an extremely efficient carrier of freight, especially over long distances. Rail also offers special advantages in moving passengers in densely populated areas.

- Two: the Nation very definitely needs a healthy, efficient rail system, not only to serve our steadily-growing transportation needs, but to make the best use of our energy resources.
- Three: the rail industry's economic health varies widely throughout the Nation. While no single rail company is today really earning an adequate return on invested capital, several companies are doing reasonably well and showing signs of getting better. The problems of the Penn Central and the other Eastern railroads now submerged in bankruptcy have unfortunately distorted the public's perception, and perhaps that of Congress, on the state of the railroad industry in general and the industry's potentials. Let me suggest that since a significant number of rail lines are solvent--even under the burden of the same surplus labor problems and outmoded regulatory practices that have overwhelmed six Eastern lines--the prospects for revitalizing the industry--short of any massive Federal financial transfusion--are really quite good. Please believe me: nationalization is neither needed nor is it the answer to our rail problem.



-- And fourth: we have found that sufficient traffic and revenues do exist to support a viable private sector railroad, or railroads, in the Northeast. Given time, that healthy rail system can and will emerge. Unfortunately, we don't have five years to work the miracle. The Northeast rail crisis must be dealt with this year, in this session of Congress.

Last March, in response to a Congressional resolution, we sent a proposed plan for restructuring the six bankrupt Class 1 railroads in the Northeast--of which Penn Central is the dominant company. Two months ago specific legislation to implement that plan was introduced as H.R. 8526. Earlier this month, responding to various criticisms and suggestions, we submitted two amendments to our proposed legislation. One of these amendments would authorize transitional Federal financial assistance to the bankrupt railroads. The other amendment provides for greater public and Congressional review of the restructured rail service. We have made it clear that, as long as the basic objectives can be met, we are amenable to further changes and revisions.

Many of you may be familiar with the various other Northeast rail proposals being considered--H.R. 6591, the so-called ICC bill sponsored by Mr. Staggers and Mr. Devine; H.R. 9069, the bill introduced by Mr. Adams; H.R. 7373, Mr. Podell's proposal; H.R. 9142, Congressman Shoup's bill which the Subcommittee, by a 5 to 4 vote, chose last week to mark up for Committee consideration; Senator Hartke's bill (S. 2188) which would delay action pending a one-year ICC study. To the Administration, all of these proposals, as now written, fail to meet the key objective of legislating a lasting, financially responsible solution--a solution rooted in the public interest. Of these bills, Congressman Shoup's bill now seems to offer the best hope to attain, through amendments, something we can perhaps live with.

I appreciate the fact that I can speak very frankly and forthrightly to this audience of fellow Republicans. As I now see it I would have no alternative but to recommend a Presidential veto of any rail bill enacted by Congress which emphasizes excessive Government support, that lacked incentives for a rationalized system capable of viable private-sector

operations, or that encouraged the perpetuation of those factors contributing to the Northeastern wreck, including uneconomic and redundant service.

In addition to the restructuring plan for the Northeast, our rail transportation improvement program also includes:

- 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.

We will shortly submit legislation to meet these objectives.

Finally, our program includes a concentrated effort to draw together the elements of a truly integrated National Transportation Policy that addresses both our future needs for transportation and our likely capabilities to meet these needs. From this work--which will take many months--we will endeavor to develop additional policies and programs to prevent future system imbalances such as now burden rail.

It has been my pleasure to have this opportunity to discuss these matters with you. I will now be happy to try to answer your questions.

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