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REMARKS BY SECRETARY OF TRANSPORTATION CLAUDE S. BRINEGAR AT THE ANNUAL FORUM OF THE NATIONAL DEFENSE TRANSPORTATION ASSOCIATION, WASHINGTON, D. C., SEPTEMBER 26, 1973

I very much appreciate this opportunity to be with you today.

I feel a special kinship with your fine organization, for your objectives and goals quite clearly coincide closely with those of the Department of Transportation. We are both concerned with the adequacy and balance of the National transportation system; we are both concerned with its efficiency; and we are both concerned with its future directions. Bearing these common interests in mind I would like to focus my comments, first, on a general overview of the National transportation system; second, on the specifics of the Nation's most serious near-term transportation problem, the Northeast rail crisis; and third, on a few aspects of what may soon emerge as transportation's next top-priority problem, the threatened energy shortage.

First, the general overview.

In 1972 this Nation's total transportation bill was some \$200 billion, of which about 80% involved highways and automobiles, either directly or indirectly. It's a fair question to ask: Did our 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. There is, also, ample evidence that our regulatory framework -- especially that administered by the ICC -- is seriously out-of-date and, at least in part, is working against rather than for an efficient, comprehensive National transportation system.

More and more, it's becoming 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 and the automobile industry has, of course, provided a vital underpinning to our economy. However, I believe that the priority demands of the 1970's and 1980's -- led by problems of urban congestion, air pollution, and an energy shortage -- now give us little option but to shift our direction.

Before we take up some of the key policy questions posed by possible future directions in our National transportation system, I'd like to offer some general comments on the concept of "National Transportation Policy" and a related idea, "balanced transportation."

During my early months in office I've many times been told: "This transportation problem wouldn't have happened if we only had a decent National Transportation Policy," or "If we only had a balanced transportation system we wouldn't be in this mess," or words to this effect.

I accept, in a general way, this criticism and I intend to work to see what can be done about it. In particular, I see room for improvement in bringing together conflicting policies that are scattered here and there, as well as spelling out policies that are implicit in many Federal actions.

But I must offer these cautions: Whatever policy or policies that eventually come out will not silence such complaints. One person's definition of "balance" or "policy" can be 180 degrees from another's -- depending often upon their particular perspective, or their industry or constituent background. We expect to make progress in shaping policy -- basing our decisions on what we conceive of as the furthering of the National interest. But, realistically, we also expect -- and welcome -- continuing debate over such policy. Clearly, there are no absolute answers and none should be expected.

From this preamble let me now turn to the broad transportation issues before the Nation. I find that they can be grouped into three major categories. The first is freight and passenger service between our urban centers; the second is freight and passenger service within our urban areas; and the third has to do with the issues of safety, the environment, and energy and how they relate to the first two.

The big inter-urban freight issue is the conflict between the need for the Nation to have a system that meets its requirements at the lowest possible overall resource 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 and most of the rest are not earning an adequate return to justify replacing their assets as they are wearing out. 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. Generally speaking, the higher this percentage the bigger the industry's problems. 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 question than does freight. The issue here is not only that of encouraging competition and low costs but also 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? Should we now forcibly encourage energy-efficient modes, such as intercity rail and bus, and discourage inefficient ones, such as air and private cars? These questions pose extremely complex public policy issues and have the potential to push the Federal government considerably further into our daily lives than we are used to.

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 on our city streets during the so-called "rush" hours. 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 and suburbs? 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 a planning and capital grant program that totals approximately \$1 billion per year of general fund monies. We shall also expect some help from the new Federal Aid Highway Act of 1973, which we see as a victory for flexibility and common sense in the use of highway trust funds. For the first time, urban planners can now consider a variety of transportation uses for their portions of Highway Trust Fund money, ranging from the purchase of buses to the building of rapid rail transit -- including, of course, the construction of urban highways if that best fits their needs. President Nixon proposed this flexibility and we worked hard to get it in the final bill.

Certainly, we continue to need more and better highways throughout America, and this bill should not be misconstrued as an attack on our fine highway program. But at the same time, urban highways alone are not solving our very serious urban problems. Clearly, the revival and growth of high-quality urban public transit is a necessary step to lessening our excessive dependence on private automobiles, as well as in helping our cities meet the tough EPA clean air standards.

Our department is working both with the EPA and with the large urban areas on urban transportation planning. We are also conducting research and development work on possible new urban transportation technologies, such as various kinds of people-movers. As a matter of interest I think it's worth noting that while most people think "subways" when they hear the term "mass transit," it's my personal guess that subways, because of their very high capital costs, should be limited to the dozen or so really large cities. In most cities I see increasing usage of specialized, high-quality bus service for commuters, using exclusive lanes and possibly coupled with jitney-type home pick-up and delivery service. I also see, in time, cities fitting various kinds of automated "people-movers" into their downtown areas -- areas that then will sharply limit the use of the personal automobile.

Our third major transportation issue is to see that the important side effects of our transportation systems are properly recognized and dealt with. The three 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.

We are at work -- along with other Federal Departments -- on all three. Time does not permit me to cover this effort, although I will have some special comments on the energy issue shortly.

Let me now shift to one near-term issue of such immediate and overriding National importance that it demands attention now. This is the problem of Penn Central and the related bankrupt railroads in our Northeast.

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 key conclusions:

- One: despite decades of technological advancement in alternative transportation methods, rail remains an extremely efficient carrier of freight. Rail also offers special advantages in moving passengers in densely populated areas, such as the Northeast.
- Two: both for National security and for a workable economic system the Nation needs a healthy, efficient National rail system. Because of the inter-connections of the various rail lines, weakness in one section will, in time, affect all sections. We cannot tolerate weak links in this chain.
- Three: the rail industry's economic health varies widely throughout the Nation. But while no single rail company is today really earning an adequate return on invested capital, several rail companies are doing reasonably well.

- Four: compared to other Nations, virtually all of which have fully nationalized rail systems, we are blessed with the most-efficient, lowest-cost rail freight system in the world. Our job, which at times seems right out of Mission Impossible, is to make it all healthy, prosperous, and self-supporting.
- And fifth: the Northeastern area -- an area from New England to Chicago -- does contain sufficient traffic and revenues to support at least two viable private sector railroads taken from the assets of the bankrupts. Given time, that healthy rail system can and will emerge.

Congress now has before it various legislative proposals to resolve the Northeast problem. The vital points -- the ones that we feel the final legislation must cover, are these: (1) it must protect the public interest in seeing that adequate rail service is provided where warranted, (2) it must provide for a restructuring that involves the bankrupt carriers as a group, (3) since we want to avoid a future replay of today's crisis, the restructured system must be economically viable, at least in the long-term, and (4) Federal financial assistance should be coupled with private sector involvement -- it must be a joint effort, not just a burden on the taxpayers. We believe that these are reasonable and attainable goals.

The legislation that yesterday was passed by a House Subcommittee -- H.R. 9142 -- offers a general framework that we are hopeful is capable of meeting these objectives. While we are encouraged by this progress, we do, however, have problems with the legislation in these areas:

First, it is essential that the transfer of assets from the old to the new system be arranged by negotiation. We are opposed to legislation which mandates the direct or indirect Federal taking of bankrupt properties, as H.R. 9142 does. A mandatory procedure would, in our view, be dangerously close to nationalization, and could lead to excessive values being placed on the assets. We believe the proper way to establish the fair and equitable value of these bankrupt assets is by negotiation -- not by legislation. We are confident that once the process is started, the various parties of interest can find a way to work it out.

Second, we are opposed to any plan which commits the Federal government -- in advance -- to an extensive financing program. Let's find out what is needed and then come back later for specific funds and guarantees.

Third, we are opposed to an excessively-detailed legislative labor settlement. We do not think it appropriate to legislate rigid labor protection or exact settlement terms. We recognize that future job protection is necessary and that displaced employees need adequate compensation -- all established rail industry practice. But we would prefer to agree on general guidelines, and then have the specifics worked out after the restructuring is underway and the magnitude of the labor problem is better understood. Such flexibility cannot help but produce a better and more equitable overall settlement.

And fourth, we do not believe the Federal Government should become burdened with a commitment to provide operating subsidies for local rail service which has little hope for becoming self-supporting.

Hopefully, the legislation Congress finally produces will responsibly deal with these issues. It is urgent that we promptly move forward, for the Penn Central trustees cannot delay the threatened liquidation and shut-down much longer. The judge overseeing the Penn Central case has now set October 12 as the date for his next hearing on the question of shut-down or continued operations.

In addition to the restructuring plan for the Northeast, we will also propose the following to help the entire rail industry:

First, significant revisions to the Interstate Commerce Act to permit simplified rail abandonments, greater flexibility in rate making, more timely rate changes, and the opportunity for more rate innovations. We shall also seek other needed regulatory reform to increase rail's abilities to compete and to adjust to changing economic conditions.

Second, 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.

And third, 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.

Let me now focus for a few minutes on the energy situation and what it means for the transportation sector.

Although petroleum industry spokesmen, as well as a few others, have been raising red flags about future energy supplies for several years, only quite recently has the Nation itself begun to face up to a few sobering facts:

First, fossil fuels -- oil, gas, and coal -- are a limited, non-renewable energy source. When viewed over the long-sweep of historical perspective, the fossil-fuel age will, in retrospect, have proven itself to be a fairly brief period in world history.

Second, crude oil -- the energy source that transportation is built around -- is rapidly becoming one of the world's really scarce commodities. Our Nation has now moved into a substantial deficit position -- about one third of the total must now be imported -- and this position will worsen as U.S. oil production continues to decline from now on. Since the only region with a current capability to fill our growing oil needs is the Middle East we obviously must be prepared for increasing prices and increasing difficulties in securing adequate oil supplies.

Third, because the United States has been blessed with low-cost energy for decades we have been lulled into complacency. We have built our life styles and our economy around this abundance. We must now recognize that changes are called for and move forward to accommodate ourselves to them. We should stop looking for the energy "conspiratorial culprit," for there is none, and stop seeking simple answers, for none exist. Energy is a complex, world-wide issue.

Fourth, the time has come for our Nation to urgently and cooperatively move forward with two obvious steps: increase domestic oil supplies -- through increased crude oil exploration and increased refinery capacity, and decrease unnecessary oil usage -- through stepped-up conservation. The former will require increased incentives to the private companies that are best able to carry out these programs, and the latter will require a public acceptance of the need for a new ethic -- the ethic of energy conservation. While our Department's program to expand mass transit and to increase the strength of the National rail system are worthwhile steps in the right direction, nothing can really make the necessary fuel saving unless we significantly improve the energy efficiency of the family automobile -- the user of over 50% of our transportation fuels. Let's face it, our cars are too heavy, too inefficient, and are driven too much. In the National interest we must recognize that we cannot long continue in this direction. Though I prefer to see voluntary actions do the job, specific National goals may be necessary if we are to have the needed and prompt redirection of National effort. As part of reaching these energy goals we may find it necessary to back-off somewhat on those Clean Air Act standards that significantly reduce automotive fuel efficiency. I'm confident that this can be done without compromising our overall environmental protection program.

Let me conclude on a hopeful note.

I've outlined several problems in the National transportation system, as well as some programs to deal with them. With concentrated effort -- with the help and support of such organizations as yours -- I'm confident that we will move forward in solving them, or at least in learning how to live with the changing conditions.

Hopefully, as we draw these various efforts together we will, in fact, end up with a fair understanding of -- and, I hope, agreement on -- the key elements of a National Transportation Policy.

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