



DEPARTMENT OF TRANSPORTATION

NEWS

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REMARKS BY SECRETARY OF TRANSPORTATION JOHN A. VOLPE BEFORE
59TH ANNUAL CONVENTION OF INVESTMENT BANKERS ASSOCIATION,
GREAT HALL, BOCA RATON HOTEL AND CLUB, BOCA RATON, FLORIDA
FRIDAY, DECEMBER 4, 1970, 10:15 A.M.

It is indeed a pleasure to be with you today -- and indeed, it is good to be back in this country. I have just returned from a world trip to eleven nations in 20 days. And as I stand before this distinguished audience, I cannot help but reflect on the economic strength and solidarity of this country compared to some of those I visited.

I know that there have been some low points in our economy in past months. I remember when I first joined the Nixon Administration, one pundit suggested that it might be a better safeguard against conflict-of-interest if I had to buy stock rather than give it up!

But I think we're on the upswing now and my world trip only served to further bolster my confidence in the American capacity to thrive. The basic purpose for the trip involved support for worldwide transportation co-ordination, with emphasis on aerial hijacking-countermeasures, anti-pollution and safety programs.

Everywhere I stopped -- from Vienna and Zurich to Hong Kong and Tokyo -- it was emphasized that mobility in a clean, safe environment is essential to the orderly growth of international progress.

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From the NATO Conference on Oil Spills in Brussels -- where we were able to convince the Committee on the Challenges of Modern Society to pass a resolution calling for the prevention of intentional oil spills at sea by mid-decade -- to the signing of experimental safety vehicle agreements with the governments of West Germany and Japan -- the trip was certainly productive.

I had the opportunity to meet with my counterparts -- ministers of transportation -- in many countries. There was also the chance to visit with heads of state in several nations (Thailand, South Vietnam, the Philippines and Japan) for general discussions of international affairs.

I met with officials of the Asian Development Bank -- sponsors of the largest single regional transportation survey being undertaken anywhere. I visited international airports and discussed hijacking countermeasures and airport security. I visited ocean ports in both western Europe and the Far East.

I met with our ambassadors, our foreign service officers, our USIS people. I was briefed in Saigon by General Abrams and General Weyand.

I visited with our U.S. Coast Guardsmen who have been patrolling the twisting waterways of Vietnam for many months now.

I inspected our FAA Air Traffic Control Facilities that guide a multitude of military aircraft in and out of Tan Son Nhut Air Force Base. I had the opportunity to visit with my old World War II Unit, the Seabees, at Bien Hoa. And I want to take just a moment to comment on what I saw in that war-torn area of the world.

Everywhere I went it was clear that the war is winding down, that the South Vietnamese are assuming an ever greater share of the burden, and that the President's withdrawal program is working.

I am convinced that the President's decision to wipe out enemy sanctuaries in Cambodia was not only courageous, but correct. It prevented the loss of many many American lives.

Throughout Southeast Asia there is solid evidence of a new wave of progress -- through ECAFE -- the United Nations' Economic Committee for Asia and the Far East, through the Asian Development Bank, and through a greatly increased sense of regional responsibility.

The Nixon doctrine of providing seed money, of providing technical assistance, of helping others to get themselves started -- while keeping a low profile -- is paying off.

And in my particular field --transportation -- the evidence of worldwide improvement is literally astounding. The new technology of transportation is spreading rapidly -- whether it be new subways in Vienna, new air traffic control facilities in Hong Kong, container ships in Taiwan, modern highways alongside rice paddies, or high speed trains in Japan.

We are learning a lot from our foreign counterparts that will be extremely useful in developing some of the domestic transport activities now underway in this country. I would like to devote my remaining minutes to one of the most immediate of these activities: strengthening the railroads.

Historian Philip Guedalla wrote in 1936 that "the true history of the United States is the history of transportation... in which the names of railroad presidents are more significant than those of Presidents of the United States."

I think that Mr. Guedalla may have been overstating his case, but certainly no one can deny the glorious history of railroading.

I know you are all aware of the sad state of passenger train service throughout the country today. And most of you know the reasons for the present state of affairs -- dwindling traffic and an operating deficit estimated at some 200 million dollars annually.

I am convinced, however, that there is a very real need for intercity passenger service and that such service can be provided on an economically self-sustaining basis. By the end of this decade, the total demand for intercity transportation service will put serious strains on our highway and airway systems. This will be particularly true in the major population corridors, such as those on the west coast, in the northeast, and in a broad band across the midwest.

Furthermore, I am convinced that fast, clean, economical, and safe trains can attract passengers on their own. The Metroliner operation between New York and Washington illustrates what I mean. Over one million people have now ridden the Metroliner. And in 1969, total rail patronage between New York and Washington increased 46 percent over the preceding year.

So I am very optimistic about the future of the new quasi-public rail passenger service corporation. In accordance with the provisions of the Rail Passenger Service Act of 1970, which establishes the corporation, I announced on Monday of this week my recommendations for a basic national rail passenger system.

Those recommendations included the points between which intercity passenger trains will be operated, the corridor routes those trains will take, and basic service characteristics.

By the end of this month, I will receive the views and recommendations of the ICC, the state commissions, and representatives of railroad labor and management -- which I will review in every detail -- before submitting my final recommendations to the Congress on January 30.

In the meantime, the National Rail Passenger Corporation will be created by three to seven incorporators appointed by the President with the advice and consent of the Senate. The President is now in the process of selecting those appointees.

The Corporation will have a board of 15 directors, eight appointed by the President and approved by the Senate, and seven chosen by the stockholders. Common stock will be issued at the outset to railroads affiliated with the Corporation and cumulative preferred stock will be offered to the public at an appropriate time.

The Corporation is empowered to operate or provide for the operation of intercity rail passenger trains; to acquire the necessary facilities and equipment; and to conduct research and development related to its mission.

On or before May 1, 1971, the Corporation is authorized to contract with each railroad company to relieve it of its intercity passenger service.

It is important to note that upon contracting with the Corporation, the railroad will be released of all responsibility for rail passenger service, including that performed outside the basic system. In many cases, the Corporation will discontinue the service outside the system. The Act does provide, however, for the maintenance of such service if state, regional or local authorities are willing to compensate the Corporation for any deficits incurred.

As part of their contracts with the Corporation, the railroads are obligated to make payments in cash, or by the transfer of equipment or the provision of future service. These payments are expected to aggregate \$200-million. The railroads will receive common stock in return.

In addition, I am authorized to guarantee loans of up to \$100-million to the Corporation -- and to make or guarantee short term loans of up to \$200-million to assist railroads in satisfying their contractual commitments.

These, in brief, are the highlights of the new Corporation. Although the new system will become fully operational on May 1, 1971, I want to caution against the expectation of any dramatic changes over night.

I urge you, however, to investigate the possibilities for investment in the Rail Passenger Service Corporation. It is not our purpose just to sustain rail passenger service. We want to make it a superior service that will successfully compete in the transportation marketplace. Your support will be essential to the accomplishment of that goal.

The railroad industry is a vital industry -- as I am sure you are aware. But over the years -- with the development of fast modern highways and with the acceptance of air transportation as commonplace -- the concept of rail passenger service has become tarnished and nearly forgotten. As a result, the essential service of moving bulk commodities and low priority consumer goods has suffered while the rails tried to cope with mounting passenger losses.

Now the tide has turned. Now ... thanks to the foresight of President Nixon and the understanding of a creative Congress ... this nation has recognized the distinct difference between rail freight and rail passenger service.

Now, there is no confusion between the necessity of moving freight and the desirability of providing an alternate mode for passengers.

Now, Americans have -- for the first time -- a nationwide, coast-to-coast operation established for ...and dedicated solely ... to moving people; and that is an establishment and dedication sorely needed in this nation.

Do I think the system will work?

Will it attract passengers?

Will it turn a profit?

Obviously the answer is "yes", or we would not be making this much work for ourselves.

We are enthusiastic. We are eager to start. For the first time now in many many years the adventure, the excitement, and the challenge of railroading is no longer a concern of the passenger, it is the concern of a creative management team.

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