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# DEPARTMENT OF TRANSPORTATION

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# NEWS

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REMARKS PREPARED FOR DELIVERY BY SECRETARY OF TRANSPORTATION WILLIAM T. COLEMAN, JR., TO THE NATIONAL PRESS CLUB, WASHINGTON, D.C., MARCH 9, 1976

Because it has now been 12 months since I came to office, and nine months since I last had the privilege of visiting the National Press Club, I thought I would take up today where I left off last June, and report on our progress -- or lack of it -- in analyzing the solving the nation's transportation needs. I'll be brief, because I want to allow ample time for your questions.

To begin with, let's look at what has been accomplished.

First, we have given the nation's rail freight system the opportunity for a new lease on life. The recently-enacted Railroad Revitalization and Regulatory Reform Act was as complex a piece of legislation as its name implies, but absolutely essential to the survival of the railroads within the private sector of our economy. The Rail Act is a product of long and hard deliberations, tough negotiations, and difficult compromises by the Congress and the Administration.

Those of you who followed that legislation through the political process will recognize that five Administration objectives survived intact. From the outset of deliberations, we believed (1) that while passenger travel can be accommodated by other modes, there is no practical alternative to an efficient, economically viable private rail freight system; (2) that federal assistance in the realization of that system should be adequate but not excessive; (3) that the taxpayers' investment must be protected to prevent the possibility of private profiteering at public expense; (4) that there had to be reasonable assurance that the public investment would be repaid, with interest; and (5) there would have to be significant regulatory reform.

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The rail bill made constitutional history. It was the first piece of legislation to be passed by the Congress and then withheld from the White House in the face of a threatened Presidential veto.

The measure passed by the Senate last December 4 was extravagant legislation. It called for \$10 billion in railroad grants and assistance, nearly double the Administration's request of \$5.8 billion. The figure agreed on December 19 by both Houses - \$7.6 billion - still exceeded what we considered just and reasonable, and contained provisions unacceptable to the Administration. I was advised by many people that the situation could not be resolved, but through a series of very strenuous negotiations - over the Christmas holidays - we arrived at a mutually acceptable bill priced at \$6.4 billion in federal assistance.

On balance then, I feel that the rail act is a good, workable piece of legislation. However, we have encountered a major disappointment in the failure of solvent carriers, thus far, to acquire certain portions of the bankrupt properties. I shall comment further on that issue in a few minutes. But the long-sought legislation is at last on the books, and we have the foundation on which efficient, economic, competitive rail freight service can be reconstituted. We have achieved the first significant regulatory reform since 1940.

Additionally, we have submitted to the Congress our recommendations for regulatory reform of the air and motor carrier industries. As an aside, let me point out that we are talking about regulatory reform - not deregulation, as is sometimes reported. Our primary objectives in the Motor Carrier Reform Act - as in all of our regulatory reform proposals - are to foster greater efficiencies, provide better service for shippers, reduce costs for the consumer, and permit well-managed companies to earn a fair return on their investments, generating the capital needed for expansion and the creation of more jobs.

We feel that with more permissive market entry and exit provisions, shippers would have access to a greater variety of motor carrier services and prices. We would like to see premium, high-speed service available for those who need it and can afford it, and lower-level proportionately-priced service for those whose needs are more moderate.

Our Aviation Act is designed to afford the airlines greater flexibility in making route and fare decisions, and to gradually "liberate" the industry from regulatory overkill - constraints that tend to discourage innovation and impede efficiency. Our bill would benefit consumers through lower fares and by making the speed and convenience of air transportation accessible to more people.

There is by no means a consensus within the air carrier industry on the merits of our proposal, and the issue will be debated further when Congressional hearings begin early next month. This is the correct democratic process.

Let me simply say at this point that the nation's trunk airlines lost an estimated \$98 million in 1975; in addition the industry as a whole is suffering from economic anemia reminiscent of the capital deficiencies that have long plagued the railroads. We must be concerned about the ability of our air carriers to earn reasonable profits, if their capacity to finance future equipment acquisitions is not to be seriously impaired.



In other areas of transportation progress, I have been encouraged by the expansion of our urban mass transportation assistance program. We are now funding more than 2,400 projects across the country, representing an investment of nearly \$2.5 billion in fiscal 1977. That is up from fewer than 700 active programs, representing less than a billion dollars in federal investments, just four years ago.

I am encouraged also by the progress that has been made in the development and production of more fuel-efficient automobiles, and in the reduction of highway fatalities. In the two years since the posted legal speed limit has been set at 55 miles per hour, fatalities have declined more than 17 percent. This translates into a saving of 18,000 lives.

Throughout this past year we have been generally asking questions and seeking answers on all forms of transportation policies and problems, trying to find out how the American people can be served better by their transportation systems in 1976 and beyond.

My greatest encouragement, however, is that in this post-Watergate year I have been able to attract bright young men and women, without prior government experience, into public service. I have considered it of prime importance that we get outsiders and the young into public life.

For my part, I have tried to open up the system, through public hearings, and by keeping an open mind and giving an attentive ear to all sides of an issue, reach decisions in a fashion that will be understood by all concerned. I hope to continue and expand that practice, wherever possible.

But with its accomplishments and satisfactions, of course, the past year has also brought disappointments. Most notably, and recently, I have been distressed by the inability of the labor unions and the Southern Railway and the Chessie System to arrive at agreements that would have enabled those solvent roads to acquire 2,400 miles of track from bankrupt carriers.

This, in my view, is unfortunate for several reasons. One, while ConRail will acquire and operate some of the properties in question, only a fraction of the trackage will become part of the mainline system. The balance will not be rehabilitated and improved as they would have been as part of the Chessie and Southern systems. Two, the Southern and Chessie purchases would have meant the infusion of 530 to 860 million dollars of private capital into the Northeastern Rail System, in addition to the \$2.1 billion the government is investing in ConRail.

Three, properties that would have afforded the Southern Railway a link to new markets on the Delmarva Peninsula, and the Chessie System an expanded route structure, will - under ConRail - constitute largely redundant or purely local service properties. As such, they will be candidates for abandonment. The outlook, therefore, is for reduced service on the one hand, and the probable loss of thousands of railroad jobs on the other. In addition, industry along the way will be hurt and more jobs will be lost.



A fourth reason I consider this turn of events unfortunate is the loss of incentives which a competitive spur would give to ConRail, and a diminution of that happy combination of federal assistance and private initiative which could be the salvation, in my judgment, of the railroad industry in the Northeast

Frankly, I am appalled by the scope of this failure to come to agreement, and by the potential dimensions of the resulting tragedy which affects all concerned. The failure of labor and management to reach agreement simply doesn't make sense; no one benefits from the present impasse, if it continues beyond the March 12 date when the United States Railway Association must certify to the special court concerning the transfer of the bankrupt properties.

Despite the nearly round-the-clock discussions Secretary of Labor Usery and I held with the top representatives of both management and labor - deliberations that ran 16 hours on February 25 and on into the wee hours of the morning the following day - we were not able to get the parties to resolve their differences. I am afraid that all concerned will live to regret this failure to iron out differences and come to the agreement that could and should have been accomplished. We have not given up. In fact, negotiations will begin again in my office at 3 p.m. But I believe the April 1 start-up date for ConRail should not be delayed, so it is clear that we are rapidly running out of time.

I would not be completely candid if I did not confess that I am disappointed, too, that we have not done more within the transportation sphere to conserve energy or use it more efficiently. While President Ford signed the Energy Policy and Conservation Act last December, he noted that the legislation sent him by Congress was - in his words - "by no means perfect." While the Act affords some short-term relief and fuel supplies are plentiful for the moment, the legislation lacked the full price and tax disciplines essential to meaningful energy conservation. I do not believe, for example, that sufficient incentive exists to cause law-makers and urban planners to proceed expeditiously to those decisions and actions which will lead to the development and use of the most fuel-efficient transportation alternatives.

Let me turn now from achievements and disappointments to the third area I want to discuss today - issues of immediate and future concern.

One such issue relates to the proper role of rail passenger service in the nation's transportation system, and the appropriate level of federal support for that service.

In 1971, Amtrak was created as a for-profit corporation. But since then Congress has appropriated more than \$1 billion in grants and authorized \$900 million in federal loan guarantees for Amtrak. With the National Railroad Passenger Corporation now requesting \$460 million in operating subsidies in fiscal 1977, it is time to consider whether Amtrak - in its present form and with existing route patterns - represents the best use of public funds.



As we testified before the Senate Commerce Committee last Wednesday, and are testifying in the House today, we believe that Amtrak presently provides, and can continue to provide, a useful service in a number of intercity markets. But we have to analyze the situation on a cost-benefit basis.

We must face the hard reality that, on average, the federal government currently pays more money to Amtrak than Amtrak receives from its passengers. To put it another way, Amtrak now gleans from general tax revenues one dollar and twenty-five cents for every dollar it collects in passenger revenues - and the gap is getting larger every year!

From Amtrak's start in May, 1971, through the end of fiscal year 1975, operating grants have funded 44 percent of Amtrak's operating expenses. The percentage is increasing. Projections indicate that by the end of this fiscal year federal grants will have covered 47 percent -- almost half -- of Amtrak's operating costs since its inception. The figures for 1976 alone show that the federal share of rail passenger costs will be even higher - accounting for 55 percent of Amtrak's costs.

Looking at the extent of the federal subsidy still another way, we see that in 1974 - when the federal grant was \$140 million and Amtrak had 16 million riders - the direct federal subsidy amounted to \$8.70 per rider. But for 1975, when the federal operating grant was \$276 million and Amtrak had 15.9 million riders, the subsidy per passenger was \$17.36 - a 100 percent increase.

Clearly we must endeavor to size and structure Amtrak on a more rational and cost-effective basis. Amtrak may be of the greatest benefit in the corridors that link highly-populated metropolitan areas, serving those markets sufficiently strong in traffic-levels to support passenger rail service. If Amtrak improves the quality of life in those corridors, and reduces the need for additional highways or airports, then such service may indeed merit public support.

But I believe that elsewhere - in low density or thin markets - we must define the proper Amtrak system based on a clear understanding of the costs of providing rail passenger transportation contrasted to the costs of providing alternate service. We have fine intercity bus and air transportation systems, neither of which is operating anywhere near capacity. The buses and airlines could easily absorb any additional traffic caused by a reduction in Amtrak service. In fact, a recent study of short-haul air transportation markets indicated that 18 million additional passengers could be accommodated annually by specialized airlines providing high-volume low-fare service to 60 medium size cities.



Perhaps, in response to the argument that we need a national rail passenger system, we should consider what we mean by "national." Do we infer a system of passenger trains which, like the Interstate Highway System, reaches all parts of the nation? Or do we mean by a "national system" one that serves the public interest in terms of national goals, priorities and fiscal responsibility? If we mean the latter, then it is indeed time to question the wisdom of taking care of the less than one-half of one percent of intercity travelers who travel by train - at a cost to the taxpayer that is growing at a perhaps unconscionable rate.

But Amtrak is just getting its new equipment, so perhaps now is the time to watch the situation closely. I am not saying that the Administration position has jelled either way, but I do feel it's proper to raise the issue to the level of public consciousness.

The recently passed Rail Act authorizes \$1.6 billion for upgrading rail passenger service between Washington and Boston, and another \$150 million - on a cost sharing basis with the states and communities - for station improvements.

I believe, on the basis of long and careful examination, that this total funding of \$1.75 billion represents an adequate investment in the reconstruction of the Northeast Corridor.

When I came to Washington I was told that the cost of upgrading the Northeast Corridor to high-speed passenger traffic standards had been estimated in 1971 at \$460 million. A 1973 report had raised the cost for upgrading and for the rolling stock to \$700 million.

Frankly, I doubted the realism of either of those figures, and when I asked a few questions it turned out that the cost would be nearer \$5 billion, and that would not necessarily include the cost of acquiring the B and O line, and a few other little options like that.

So when you get down to the fine points of realistic economic analysis, the cost of providing 150 mile-per-hour rail passenger service in the Northeast Corridor is approximately \$5 billion, at today's labor rates and prices. Now I just don't believe it is prudent to spend \$5 billion for passenger traffic on top of the \$2.1 billion we will be spending for improved freight transportation in the same region.



Moreover, I am not persuaded that steel-on-steel transportation technologies have progressed to the point of reliable, low-maintenance, cost-effective service. Hundreds of Japanese laborers are out every night, resetting track and performing the other maintenance necessary to keep Japan's high-speed trains operating. Such labor-intensive support would be prohibitively expensive in the United States.

Congress has entrusted me with the responsibility of achieving improved Northeast Corridor passenger service at a total price that is reasonable and acceptable. With the funds provided in the rail act we can eliminate the deferred maintenance that has accumulated along the corridor since 1969, rehabilitate the bridges, and improve signalling and control systems to permit safe travel at speeds of 120 miles per hour. We will, in effect, achieve smooth, reliable service which will permit consistent trip times of two hours 40 minutes between Washington and New York, and three hours 40 minutes between New York and Boston, all at less than half the cost of the investment required to reduce those times by another 10 minutes Washington to New York and 40 minutes New York to Boston. Once the corridor is rebuilt, with full accountability for the use of public funds, it can then be leased or otherwise turned over to Amtrak. But it would be a mistake, I fear, to sell the line to Amtrak at this point.

I said I would keep my prepared remarks brief, and I am afraid I have already exceeded that promise. On one concluding subject, let me say in response to questions I have been asked relative to regulatory actions that I believe it is my responsibility to see that the regulatory process works; it is not my function to intervene in that process or to over-rule those responsible for making regulatory decisions. When a regulatory document comes to my desk I will act on it, but I do not propose to usurp the role of the regulatory agency. The process, I believe, should be allowed to work.

In summary, I would say that I have been encouraged over this past year by my relations with Congress, with the American people, and with the ladies and gentlemen of the press. You have treated Bill Coleman fairly and reported him accurately. Not all of you have agreed with my decisions but you have clearly studied the explanations I have appended to all my decisions.

Justice Louis Brandeis, I recall, considered the function of the press to be "almost holy," as he termed it. "It is the means through which the people may freely know what is going on," he said. "To mis-state or suppress the news," he believed, "would be a breach of trust."

I have tried, during this year, as in all my years of private and public life, never to suppress what is legitimately public information or to violate the public trust. I hope you have found me accessible and available to answer your questions. In that spirit, let me now try to answer, forthrightly and to the best of my ability, whatever questions you may have today.

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