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DEPARTMENT OF TRANSPORTATION

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REMARKS PREPARED FOR DELIVERY BY SECRETARY OF TRANSPORTATION WILLIAM T. COLEMAN, JR., TO THE DALLAS ROTARY CLUB, DALLAS, TEXAS, NOVEMBER 12, 1975.

I want to share with you today some thoughts on matters troubling our nation and our nation's transportation systems. My purpose is not to bring you soothing assurances from Washington that all is well or that government actions alone will solve all our problems.

To the contrary, we need greater involvement and participation by the public, by the local community, and by business in meeting the country's transportation needs.

Someone has said that one percent of the people make things happen; nine percent watch or express concern; 90 percent are amazed, surprised or critical.

Perhaps it is against human nature to expect to change by very much the ratio of those who are critical, but I would hope to see a significant change in the numbers who are concerned, and by acting on that concern, make things happen.

President Ford, I know, welcomes the stimulus, the direction and the insight that flow from public opinion. He has been taking his programs to the people - I have been with him recently in Omaha and Seattle - but he is seeking more than public support; he wants public participation so that power and responsibility and resources flow back from Washington to the states, cities and communities of this land. And he wants private enterprise to take a larger role, and government a lesser role, in business affairs.

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Thomas Jefferson, in his first inaugural address one hundred and seventy five years ago, stated concisely what he deemed to be the sum of good government. It is, he said, "a wise and frugal government which shall restrain men from injuring one another, shall leave then otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned."

I believe you will agree that over the years we have fractured, if not broken, some of those Jeffersonian tenets. We have prospered, but a projected $400-plus billion Federal budget can scarcely be called frugal. Our commerce has flourished, but restrictive government regulatory policies have hardly let business and industry alone to compete freely in the marketplace. And the whipsaw effects of inflation and recession have taken their portions of the working man's bread.

A word first, if I may, about the state of the economy and President Ford's budget and tax recommendations.

What we must bear in mind is the insidious danger of a runaway Federal budget. This year, fiscal 1976, the Federal government will spend 370 billion dollars. That is an amount equal to nearly $600 per month for the average family of four. That $370 billion represents a 14 percent increase over last year's $325 billion which - in turn - was 21 percent over the 1974 level. Even allowing for inflation, the growth in Federal spending in constant dollars over the last two years totals 17 percent.

Now, unless restraining measures are taken, next year's expenditures could run to $423 billion, 14 percent over this year's level.

What is generally not understood, I am afraid, is that this budgetary escalation is prompted not by any increase in the Federal bureaucracy, but by obligations the government has incurred in direct benefit payments to individuals. Thirty-nine cents of every Federal dollar expended reflect funds collected from taxpayers, or borrowed, and paid out - in turn - to various beneficiary groups.

Many of these payments are essential and proper, but they produce little in the way of "social capital" - and by that I mean the investment of government revenues in projects that create jobs, promote commerce, invigorate our cities, or improve the environment.

Simply redistributing the national income - collecting cash from certain of our citizens and paying it to others - generates no jobs and produces little in the way of goods or services of economic value.

Yet increases in these areas of govennment service account for $69 billion of the total spending growth over the last two years - a growth now running at an annual rate of nearly nine percent in constant dollars.

President Ford is, in effect, asking the American people to look closely and constructively at this trend in Federal spending, and to support the actions needed <u>now</u> to bring the budget under control.

The President, as you know, has asked Congress to cut individual and business taxes by a total of $28 billion - to stimulate the economy. But at the same time he has urged that the Federal budget be reduced by a like amount - to retard inflation.

These two tactics, in the President's judgment - and in mine - go together. It is time, as the late Adlai Stevenson Sr. said, "to talk sense to the American people" and we must clearly show more sense in our use of Federal dollars.

As for the feasibility of actually reducing a budget circumscribed by so many reportedly "uncontrollable" obligations, I suggest that the same process that generates spending can restrain it - and it is in the power of the Congress to enact the necessary legislation.

The tax cuts and budget restrictions President Ford is proposing comprise a thoughtful, economically productive program that will put nearly $21 billion more of disposable income into the pockets of individuals, and $7 billion in the hands of business for development and investment. The tax cut will spur the economy toward full production and increased employment; the budget cut will lessen the necessity for government borrowing in competition with the private sector.

In addition to curbing inflationary government spending, we need - secondly - to reassert our reliance on private enterprise and increase our dependence on private incentive and resources.

President Ford firmly believes that the road to national recovery does not lie along the path of lopsided government intervention in the affairs of business.

In evidence of that conviction, the President is urging historic and unprecedented reforms in the economic regulation of our railroads, airlines and motor carriers. Two of these legislative measures have gone to Congress; the third, the Motor Carrier Regulatory Reform Act, will be sent to the Hill tomorrow.

Let me touch first on the railroads and what we are trying to do to bring about their salvation without nationalization.

For 90 of the 100 years that the railroads have linked our country - the East with the West, the North with the South - they have functioned under principles of economic regulation geared to 19th century circumstances and conditions. While the times and our economy have changed - dramatically - regulatory policies have not. The railroads, as a result, have gone progressively downhill, and in the East eight rialroads are foundering in bankruptcy.

The Administration has made three specific proposals to assist the railroads. Time doesn't permit me a detailed explanation of each, but let me indicate to you what we are trying to achieve at the lowest cost, and risk, to the taxpayer.

First, there is the necessity to reorganize and restructure rail freight service in the Northeast and the Midwest. We began with the assumption that the Federal government should act as both the analyst and the catalyst in this endeavor, but not the banker. It has been our contention that rail service in the region can be restructured so that the new operator - ConRail (the Consolidated Railroad Corporation) - can become profitable. It is not the Administration's intention to go into the rail freight business, or to "back into" nationalization through a process of successive and unending subsidies.

After an 18-month study and analysis of the problem, the United States Railway Association - the quasi-public organization established to formulate a solution - came up with its Final System Plan, its recommendations for financing, and a package of amendments to put the plan into operation.

The Senate Subcommittee on Surface Transportation has been taking a different approach to the rail issues. For one thing, the committee's draft bill would authorize $4 billion in Federal funds for ConRail, and that's double what the System Plan calls for and twice what we believe is necessary.

The date draws near when Congress must vote the funding necessary to implement the Final System Plan. We shall continue to resist legislation that would put into the hands of a private company more government funds than it needs or wants, or that would permit that company to profit at taxpayer's expense. We believe ConRail is essential, but not at any price.

The second action the Administration has taken in behalf of the railroads is the Railroad Revitalization Act, which seeks through basic regulatory reform and a program of Federal loan guarantees to enable the railroads to stand on their own two feet financially and competitively.

The committee has seen fit to incorporate its concepts of regulatory reform into the Rail Services Act, which also contains the committee's proposals for recovery of rail freight service in the Northeast, as I already discussed. Again, we disagree with the committee's approach, not because it goes too far but in this instance because it offers too little.

The bill provides a great deal of upward pricing flexibility for the railroads, but it stagnates on the down side. The committee's propositions, in my opinion, constitute half measures. And in an issue as vital as the recuperation and rejuvenation of the nation's rail freight system, halfway measures simply won't do.

The third rail proposal we are sponsoring - and just sent to Congress last week - relates to rail passenger service in the Northeast. Our recommended program for the rehabilitation and improvement of passenger travel between Washington and Boston is of little direct consequence to you here in Dallas, but I mention it for a particular reason. It illustrates my conviction that when currect facts prove prior policies wrong, those policies should be changed.

Since 1971 we have presumed that rail passenger service in the Northeast Corridor could be upgraded to 150 mile per hour speeds for an investment of $400 to $700 million. That didn't sound right to me, and a re-examination of the situation revealed that the actual cost would be in the vicinity of $4 billion. Consequently, we are recommending that a modified Northeast Corridor program be pursued, one that will assure reliable service and a comfortable ride but at lower speeds and for about one-fourth the cost.

Along with the rail challenges confronting us, we are attempting through the Aviation Act of 1975 to eliminate the anti-competitive aspects of government regulation over the airlines. We believe, in other words, that the private sector can provide better and more efficient air transportation, given the incentives and the freedom to do so.

We are advocating that air carriers be permitted to practice price competition, at least within reasonable limits; and that entry to and exit from the market be less restricted.

Critics of this bill tell me it will disrupt our national air transportation system. I don't think so. And when I say that I always remember the witness who kept ansering the prosecutor's questions by saying, "Well, I think this and I think that." The prosecuting attorney finally interrupted him. "Don't think," he said, "tell us what you know, not what you think!" To which the witness replied: "Well, I'm not a lawyer; I can't talk without thinking."

So let my say I am "reasonably sure" that the bill we propose will not cause chaos in the industry.

What the critics fail to acknowledge are the provisions in our legislation which permit the gradual introduction of price and route competition, and the time-phased move into a free market. We are not urging a sudden change in marketing policies and pricing practices, but it does seem clear that changes are in order and must not be too long delayed. It is one thing to protect an infant industry against competition. It is something else to insulate a mature industry against fair competition and free market forces.

I believe there is a place for price and route competition in an industry that will soon mark its 50th anniversary under private ownership - and has come a long way from the day when the primary purpose of regulation was to shield a fledging industry from predators.

The third entry in our trio of proposals is the Motor Carrier Regulatory Reform Act. Again, we are hoping - through eased entry and exit and pricing regulations - to breed greater efficiency in the motor carrier industry. Details on the bill's provisions are spelled out in the announcement the White House will be releasing tomorrow.

I suspect that the time you have allotted me has expired, but I trust you will spare me another minute or two for three concluding comments.

One: with respect to the future of our highway program, we are advocating a proposal that will provide ample funding for the highways that states need and want, but at the same time allow communities alternatives to urban highways that can't or won't be built. As for the motor vehicle and its future, I said in my recent Statement on National Transportation Policy that the automobile is and will continue to be the most universally accepted form of transportation in America. But to maintain its utility, we must make the car more fuel efficient and socially responsible - and sooner or later, I suspect, some of our most car-studded cities will have to restrict auto usage in congested urban centers.

Then, second: we must face up to the necessity for fuel conservation and the cost of increased energy exploration.

Until a few years ago, the prospect of running out of petroleum was difficult to imagine. Perhaps in Texas, it still is. The fact remains that if world consumption continues at present rates, the earth's supply of oil could be exhausted in 35 years.

If that eventuality seems distant or remote, consider the price we are paying for our gluttony. In 1973 we were importing about 2.75 million barrels of OPEC oil a day and spending less than $3 billion a year for all our oil imports.

Today we are buying nearly four million barrels a day from OPEC countries and spending $25 billion a year for the oil we need but can't produce domestically.

The great merit of President Ford's long proposed energy program is not that is would restore artificially low and no longer realistic prices for gasoline and other petroleum products, but that it would put much of the necessary investment to work here, creating jobs, technology and social capital, instead of sending it abroad for foreign oil and to enrich foreign payrolls. We need to impose the demand-restraint measures President Ford has called for, and to encourage the search for alternative energy sources.

Third, and finally: I would conclude where I began, by urging your larger participation in the affairs and fortunes of this nation. In my associations with Justice Felix Frankfurter he reminded me repeatedly that "the processes of government are essentially educational processes." We need new solutions to current problems, not continued reliance on outmoded policies and time-worn practices. We need, in short, to sustain the education process.

In my policy statement, I invite public comments and criticisms, noting that transportation policy must be a continuing process, reflecting an evolving consensus of what the American people want, expect and deserve from the transportation systems that serve them.

Overall, I would urge greater public involvement in the political process and less government involvement in the economic process. I continue to be amazed at the number of decisions I am asked to make which are basically business decisions. There are things government does best, but there are also things government best not do. President Ford's desire, and mine, is to correctly discern the difference, and by putting greater faith in the vitality and ingenuity of private enterprise relegate government intervention in the conduct of commerce to a position of last resort.

I hope we may so act that the difference between the one percent of the people who make things happen and the 90 percent who are surprised when they do will be narrowed and ultimately obscured by a broad and vigorous public interest in the course of this republic.

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