



DEPARTMENT OF TRANSPORTATION

NEWS

OFFICE OF THE SECRETARY

WASHINGTON, D. C. 20590

NEWS CONFERENCE STATEMENT BY SECRETARY OF TRANSPORTATION
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JANUARY 10, 1974

On January 2 President Nixon signed the Regional Rail Reorganization Act of 1973. That Act set in motion a special process to deal with the complex issues arising from the bankruptcy of Penn Central and six other regional railroads.

Today we are proposing broader rail legislation -- the Transportation Improvement Act of 1974 -- legislation to improve the regulatory climate and the financial health of the entire rail freight system. The key objective of this legislation is to take preventive action now to avoid a later replay of the Penn Central problem on a National scale. We also, of course, must avoid a replay of the Penn Central problem with the restructured Penn Central.

Last year, the rail industry had total operating revenues in excess of \$13 billion. Yet despite this volume of business, many of the railroads were not able to generate sufficient earnings to make needed improvements, in track, roadbed or facilities or to acquire an adequate number of freight cars. Return on capital for the entire industry was a discouragingly low three percent.

The railroads, though always vital to our economy, now take on an even greater importance in light of their fuel efficiencies and favorable environmental effects.

The bill we are proposing today will help the rail industry -- and, in turn, the Nation's economy -- in three important ways.

First: This bill authorizes up to \$2 billion in Federal loan guarantees to assist railroads in making needed investments in track, terminals and rolling stock. The loans would have to contribute to the establishment of a rational, efficient national railroad transportation system. Any railroad requesting the loan must have the ability to repay it; and the project being financed must be a good investment in terms of projected return and improved efficiency.

Second: The Transportation Improvement Act will amend the Interstate Commerce Act, removing those out-dated regulatory constraints that unnecessarily restrain competition and adversely affect rail's economic performance. The amendments would be directed toward giving rail management needed authority to manage, to be able to innovate with new freight rates and services and to more quickly adjust their operations to changing economic conditions.

Third: The Transportation Improvement Act authorizes \$35 million to design and implement a National program for efficient scheduling of freight cars. The Nation's total freight car fleet of some 1.7 million cars is not used as efficiently as it should be in our view. Most cars, for example, spend most of the time -- 85% or more -- waiting to be moved. With today's sophisticated communications and computer capabilities, surely we can utilize these cars better.

These are the highlights of the proposed legislation. We are releasing the bill today in order to permit the necessary Congressional staff work to get underway and to obtain comments from the various interested groups. These comments will assist me in preparing the final bill that I will ask President Nixon to submit to Congress when the new session convenes. We are all looking forward to working closely with Congress and others -- as we did on the Northeast rail bill -- in order to obtain prompt passage of this important and needed legislation.

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