



DEPARTMENT OF TRANSPORTATION

NEWS⁷⁾

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OFFICE OF THE SECRETARY

WASHINGTON, D. C. 20590

STATEMENT BY SECRETARY OF TRANSPORTATION CLAUDE S. BRINEGAR
AT PRESS CONFERENCE, FEBRUARY 1, 1974.

The bankruptcy and threatened liquidation of Penn Central, plus the bankruptcies of seven other railroads that serve the 17-state Midwest and Northeast area, poses a serious threat to the economy of this region and, in fact, to the entire Nation. To deal with this threat Congress passed, and the President signed on January 2, the Regional Rail Reorganization Act. The purpose of this Act is to set in motion a 21-month process to restructure this overbuilt rail system into a streamlined, financially sound new system. This upgraded new system is necessary in order to provide the proper levels of rail service to both shippers and passengers.

Today we are submitting the report called for in the Act covering the Department of Transportation's recommendations for future levels of rail service in the region. This report, which is the first step in the several step planning process provided by the Act, will be the subject of public hearings by the ICC and will then be used by the new United States Railway Association as the starting point for its work in actually designing the new rail system. In time, of course, Congress will be asked to accept or reject the final system plan.

Our report proposes establishing a streamlined high-volume interstate railroad network. This network would be based on the concepts of consolidated facilities and coordinated rail service. It would also involve consolidated common trackage to be used by competing railroad lines. We believe that only through such a plan can we obtain the concentration of traffic and the high productivity needed to enable the railroads in the region--both the ones now in bankruptcy and the existing solvent railroads--to operate profitably. Because this high-volume interstate network will require much in the way of coordinated service, we are

recommending that all carriers in the region join in and become partners in the planning and restructuring process.

To create this network, we are proposing that duplicative tracks and under-utilized tracks and facilities be eliminated or downgraded on many interstate routes. The resulting streamlined system would promise high usage and thus warrant a major modernization program.

Our plan calls for the maintenance of competition between railroads operating between major traffic points on this high-volume network. Our criteria for these major points is that they generate substantial rail traffic in trainload lots which move in the same general direction. Those points which do not receive competitive service would retain single railroad service. The plan provides that no single service point shall be far removed from competitive service.

It is, of course, essential that the existing highly duplicative feeder and local-service network be modernized and streamlined. Our analysis of freight shipments by each of 184 local-service zones indicates that it is possible to cut back on light-density trackage by about 25% and still

serve at least 96% of the region's local originating and terminating rail traffic. With the subsidy provisions of the Act or in combination rail/truck service, it's, in fact, likely that the rail freight cut-backs will be less than 4%. To us, the fact that the necessary line cut-backs are possible with so little overall impact on rail freight shippers is a most encouraging conclusion. It also confirms our earlier analysis of the main causes of Penn Central's problems: too many miles of track hauling too few rail cars to be economically viable. It should also be noted that our analysis of the impact on energy usage shows that shifting light-density freight movements from rail to truck will, overall, save energy.

The improvements recommended in our report should also benefit passenger service. Some lines that carry both passenger and freight will have improved track, signals and other facilities. We would expect that the heavy concentration of passenger operations in the Northeast region will require that this service be given special consideration in the formulation of the final system plan.

I should again stress that this report is not the final streamlined core, but rather our recommendations--

based on economic and other criteria detailed in the report--on where we must start. I encourage local governments and businesses to study our recommendations carefully and to make their comments and suggestions known in the public hearings. Through this carefully laid out process we believe it will be possible to design a new private-sector rail system that meets the areas needs for high-quality rail service, and at reasonable costs both to the users and to the taxpayers.

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