DEPARTMENT OF TRANSPORTATION

NEWS

OFFICE OF THE SECRETARY

WASHINGTON, D.C. 20590

FOR IMMEDIATE RELEASE
Monday, November 8, 1971

DOT -- 22271
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The Department of Transportation today submitted to Congress two legislative proposals designed to update transportation regulation and to provide immediate relief for the nation's railroads.

The measures are the Transportation Regulatory Modernization Act of 1971 and the Transportation Assistance Act. Secretary of Transportation John A. Volpe reaffirmed the basic commitment to a privately owned and operated surface transportation system, saying it must be maintained and enhanced.

"One of our most urgent requirements," Secretary Volpe said, "is the revision and modernization of the complex and increasingly outdated economic regulatory laws and procedures which constrain all modes of transportation, to some degree, in the prices they charge and the services they provide."

The Transportation Regulatory Modernization Act, the Secretary said, is not intended to change the structure or basic procedures of the Interstate Commerce Commission, but does address the need for reform of economic regulatory laws by making a number of amendments to the Interstate Commerce Act.

Five principal areas are affected: rates, carrier rate bureaus and associations, abandonment of uneconomic rail lines and facilities, entry into the motor carrier and water carrier industries, and regulation of rail freight car per diem.

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The Transportation Assistance Act of 1971 seeks to improve the economic health of the industry, under private ownership, at the earliest date possible.

In submitting the rail legislation, the Secretary noted that "while enactment of the proposals contained in the Transportation Regulatory Modernization Act will ultimately strengthen and enhance all parts of the surface transportation system, there is a present and urgent need to focus specifically on the problems of the nation's railroads because of their precarious financial position."

The Administration's proposal points out that although demand for rail services will increase in the decade ahead, there is doubt that the industry can meet the challenge without some near term Federal assistance.

"Because of the poor cash position and rather heavy long term debt situation of the railroad industry," the Secretary said, "the financial community looks at the railroad industry with a great deal of caution." Under the terms of the proposed Act, a Federal Railroad Equipment Obligation Insurance Fund would be established as a revolving fund to insure the equipment obligations of railroads.

The fund would be administered by the Department of Transportation. The ceiling on unpaid equipment obligations would be set at $3 billion. Other provisions of the Act would create a national rolling stock scheduling and control system, for more efficient use of freight cars, and set a limit on the property tax rate states or localities could place on interstate carriers.

The Transportation Regulatory Modernization Act is intended to correct regulatory inefficiencies and inequities resulting from 84 years of "patchwork" legislation governing the economic activities of the interstate surface transportation industry.

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As proposed, the Act will:

1. Permit competition to work more fully and freely in surface transportation.

2. Allow carriers greater rate flexibility to respond to changing conditions.

3. Set regulatory law standards and criteria that are more explicit than in the past.

The provisions of the legislation will revise the regulation of common and contract carriers subject to Parts I, II and III of the Interstate Commerce Act. No changes are proposed, however, in the present exemptions relating to the transport of agricultural commodities, or the water transport of bulk commodities. Similarly, no specific changes are proposed that would affect the surface freight forwarders subject to ICC regulation.

According to the modifications proposed, changes will be made in five functional areas:

1. Carriers will be permitted to change rates up or down, without regulatory approval, subject to certain limitations.

2. Rate bureaus and associations will be restricted to actions consistent with basic objective of the Act: increased reliance on competitive forces in interstate commerce.

3. The way will be eased for the abandonment of branch line trackage which is uneconomic to the railroads and detrimental to the restoration of their financial health.

4. Regulatory control will be modernized for motor and water carriers seeking entry to the market. The present requirement for a demonstration of fitness and ability, along with a clear need for service, is retained.

5. Regulation of railroad freight car per diem rates will be transferred from the Interstate Commerce Commission to the Department of Transportation.

As presently constituted, the Secretary said, "our transportation regulatory system does not well serve the public interest.

"The existing regime of transportation regulation misallocates economic resources on a large scale and results in costs that could be saved if that regulation did not produce the results it does. A regulatory policy and structure which fails to allow the carriers sufficient return to attract investment capital is not in the public interest. Neither is it in the public interest to maintain the present system of regulation which, if revised and modernized, could result in substantial benefits for the nation's shippers and the consuming public based upon a healthy and responsive transportation system."

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