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DEPARTMENT OF TRANSPORTATION

NEWS

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73-DOT-72

REMARKS BY UNDER SECRETARY OF TRANSPORTATION JAMES M. BEGGS AT THE EMBRY-RIDDLE AERONAUTICAL UNIVERSITY COMMENCEMENT, DAYTONA BEACH, FLORIDA, AUGUST 15, 1972

President Nixon has often referred to the promise of a generation of peace. It was as a part of that promise that he travelled to Peking; and as a part of that promise that he travelled to Moscow. We are concluding our involvement in Vietnam, and are doing so in a way that is responsible, honorable, and constructive for the long range stability of Asia and the Pacific basin. We have ended the political isolation of China and her 800 million people and we are moving from the fearful threat of physical confrontation with Russia to peaceful negotiation and competition in the market place.

The world that is taking shape is far less dangerous than the one you have been growing in. The battle ahead is not one of bullets and bombs but of economic competition and technical capability -- certainly an arena we all prefer and one in which America historically has excelled. A generation of peace does, indeed, lie before us and I, for one, am more than a little envious of you here today, for you are the new generation. You stand on the threshold of the brightest future America has ever known. Endless frontiers of opportunity lie before you.

We are safely past the restless and indecisive decade of the "Sixties." A decade marked and scarred by an artificial wartime economy and the incursive effects of an inflation that raged unchecked. I'm pleased to see, too, that all of you are safely past that inflammatory era. For in the last decade

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a new breed of young men and women shook the nation, writing a record dominated by remarkable good but shadowed with ominous wrong -- civil rights laws and urban riots, campus and academic anarchy; a war against agression in Asia and a war against that war in our own streets; a surge of participation in politics and a wave of terrorist bombings; a rich new diversity in life-style and a grim new plague of drug abuse.

We are safely in the "Seventies" and moving steadily away from divisiveness; away from those who were determined to put down technology, who decried the purpose of free enterprise and the good old American competitive instinct.

We've got problems. True, we've put men on the moon. We're probing the solar system and have communication satellites ringing the planet. We've mapped the ocean's depths in detail and are planning ways to farm the ocean floor. We've turned salt water into fresh water and we've turned deserts into lush farmlands. But while we've performed miracles in transportation -- there are more than 100 million cars on the road today and we're adding about two million a year more than we're disposing of -- we just can't seem to figure out how to get people from one side of town to the other quickly and efficiently. But we'll do it to be sure because Secretary of Transportation John Volpe is determined to fulfill the requirements of President Nixon's mandate that this nation is to have a pervasive transportation system -- both air and surface, within the decade of the Seventies. We should be fairly well along in its accomplishment by the end of President Nixon's second term. And air transportation is high on the list of our priorities.

In this regard the aeronautical arm of the Department of Transportation, the Federal Aviation Administration, has been authorized to spend $5.4 billion in airport building and expansion programs and to modernize and automate the airways system. Matched generally by equal-share funds from the private sector, the FAA will oversee the spending of something over $11 billion in airport and airway development. And not a moment too soon.

The statistics of United States air transportation requirements are staggering. The entire American aviation community has entered an era of expansion and growth. In the decade of the Fifties, first were the DC-4's and DC-6 piston-engine transports; and in the Sixties, the beginning of the era of jet travel via the 707 and the DC-8. Now, new planes are joining the Nation's growing fleet -- the 747's, DC-10's, and the Tri-Star 1011. Airline travel is growing at the rate of about 9,000 new passengers a day. Last year U.S. airlines carried about 170 million passengers: we are predicting 800 million by 1985. There are something over 133,000 aircraft in the general aviation inventory, including corporate and business aircraft. Ten years from now we conservatively estimate the fleet will reach 230,000. Today, general aviation accounts for the intercity movement of approximately 50 million people annually. Ten years from now we believe the general aviation fleet will be moving three to four times that number. And air cargo which has grown steadily at about 15 percent per year by 1985 will reach 34 million tons annually -- 12 times the current volume.

Further, by 1980 there will be more than a million active pilots and four times as many flight operations. Aircraft of all types are coming into the civil aviation inventory at the rate of about 150 per week -- we'll add 67 wide bodies this year. This obviously means burgeoning employment opportunities in all facets of the aviation industry -- in manufacturing, among the airlines and in general aviation; in management, engineering, and in maintenance fields of power plants and electronics. So, too, will this expanding industry require a giant command and control system to see the efficient operation of the National Aviation System and that it does, indeed, safeguard the flying public. As aviation grows, therefore, so must the FAA's supporting workforce. As a matter of fact, the workforce of the Federal Aviation Administration must grow from its present approximate 51,000 men and women to approximately 67,000 by the end of the decade. Primarily, these new aviation oriented employees will come in the main from schools such as Embry-Riddle. I can assure you the Federal Aviation Administration holds high regard for aviation graduates of Embry-Riddle Aeronautical University. This school has so much talent and so many resources, in terms of experience in aeronautical vocational education, that it will be playing a great role -- in the future development of our Nation's aviation technology.

Parenthetically, I might add, while there are FAA career positions available in a number of areas, most openings are, and will continue to be, in air traffic control, and in electronics and other equipment maintenance areas. Controllers and technicians, in fact, represent 60 percent of total FAA staffing.

To cite FAA figures, 348 control towers are presently in operation, and during the next eight years many more will be added, along with personnel to man them as well as our 340 active flight service stations. In addition, there are 31 enroute Air Traffic Control Centers which are rapidly being automated with new computer systems based on the IBM 9020.

Needless to say, pilots and controllers alike rely upon FAA's up-to-date communications and navigation equipment and their total reliability. Keeping the supporting systems operating at peak efficiency and accuracy is the job -- in fact -- the pride -- of the agency's electronics maintenance technicians.

So you can see, professionals from many, many areas will be needed to fill our industry and government aviation workforce; scientists, mathematicians, and engineers to lay the blueprints for tomorrow's technological support systems; lawyers, economists, and planners to assure that public and private interests are being served; biochemists, pharmacologists, physicians and psychologists are needed to study the human factors affecting flight. So the list goes on: control administrators, auditors, secretaries, management analysts. Scores of different specialists weave together in the aviation transportation mosaic. Each is an important profession and career in itself, but becomes even more vital in the context of America's growing dependence on aviation transportation.

Today, America's fabulous economic and technological power has been turned into a peaceful enterprise, conquering hunger, poverty, disease and ignorance across America and around the world. We are learning how to rescue a threatened environment and are forming a higher partnership with nature. We are building a new America, and this is good, for more than half our population have been born since World War II.

However, every good thing has certain disadvantages. Aviation and air transport is no exception. The aviation industry, indeed all industry, is running against a surging anti-technology sentiment. There is an insistent demand that technology pay full attention to the minimization of noise, exhaust pollution and other costs in terms of ecological and environmental effects. The fact is, the public is rightfully demanding that its aviation community be good citizens in every sense. Perhaps in our haste to be first, with the most and with the best, the aviation industry unwittingly has contributed to making the natural world a less attractive and less healthy place in which to live. But I am confident that the ills aviation may have created by omission rather than commission are being corrected -- and rapidly.

It may never be possible to completely eliminate aircraft noise, but engineers have made great strides in reducing it to acceptable levels. I think you will all become aware of this in the near future with the more common operation of our new "gentle giants," the wide-body jets, the Boeing 747, McDonnell Douglas DC-10, and the impressive new Lockheed Tri-Star in as well as the developing of STOL (short take-off and landing) aircraft. And, regarding air pollution, more than a decade ago aircraft manufacturers cut engine exhaust emissions by half, in converting from piston powered aircraft to jets. In 1970, airline planes accounted for only 1.2 percent of all emissions, and that small percentage is decreasing steadily because of improved engine technology.

In conclusion, may I say this: aviation was originally adventure. In a short half-century since, the civil transport segment has become a gigantic enterprise. The number one problem is no longer how to get the planes to fly. We've solved that one. What we're most concerned about these days is ensuring that we get the people and cargo from "here" to "there" safely, expeditiously, and, of increasing relevance, on time and in all weather. The airplane and the airport are inseparable elements of the earth environment. If we are to build an all pervasive transportation system, then the interface between land transport and air transport must surely be perfected.

Through a long tradition of U.S. competitive enterprise, until recently the term "competition" in the transportation industry was understood to imply the business rivalry between different modes of the industry. But in today's environment, international competition has grown to a point where it has much greater influence on the overall economic well-being of the United States. In the world of competition the quality of any nation's transportation system will, to a great measure, establish its relative rank.

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In this great land of ours, it is time we stopped looking at transportation modes as being competitive; one with another. We must rationally resolve how to maximize the complementary nature of unique services which one may offer to enhance the effectiveness of other modes. Only when all parts of our national transportation system are effectively connected, coordinated and working in harmony, will the domestic economy fully benefit while ensuring a more competitive international posture.

Today, our economy is nearly at the one trillion dollar mark. Its continued growth rests in the final analysis on our 88 million member labor force. How well this force is used, how well this force which you are preparing to become a part of, is prepared for tomorrow, are crucial questions for our Nation. They are particularly important questions in the decade before you. This is a time of stiff economic challenge but a time of great economic opportunity.

For those educationally and vocationally equipped, and I'm confident this Embry-Riddle graduating class is excellently prepared in both categories, it's "All systems go."

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DEPARTMENT OF TRANSPORTATION

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OFFICE OF THE SECRETARY

WASHINGTON, D.C. 20590

74-DOT-72

REMARKS BY UNDER SECRETARY OF TRANSPORTATION JAMES M. BEGGS TO THE 25TH ANNUAL CONFERENCE OF THE AIRPORT OPERATORS COUNCIL INTERNATIONAL, DENVER, COLORADO, WEDNESDAY, SEPTEMBER 6, 1972.

Last summer, a whole host of newspaper pundits, economic analysts, and political figures joined together in the last rites for America's economy. They bemoaned its demise and buried it forever.

Today -- just one year after President Nixon put his New Economic Plan into effect -- that same economy is not only alive but it is growing and flourishing in booming good health.

The state of that economy is of direct interest to you gentlemen here today. The start of a business boom brings a quick upward surge at your airports. The airline business for the first six months of this year was up 13% over the same period last year. That's a pretty good beginning.

We in the Department of Transportation expect this growth to continue. We look for total airline passengers to reach the 200 million mark in 1972 -- up from 170 million for last year.... That's 30,000 new passengers every day -- every day of the year for the next three years. But after 1972, the projected curve shoots up to an incredible 400 million -- 400 million by 1980. And after that, it's again full throttle to a staggering 800 million by 1985.

Gentlemen, are you making plans to handle 800 million human beings?

Happily, there is a bright side to this picture of the future. The sheer massiveness of our task will be balanced by the large volume of our resources.

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These spectacular forecasts of aviation's growth were the motivating forces behind President Nixon's decision to formulate and move forward with his historic Airport/Airway Development Act of 1970. The President realized that at the rate air travel was moving ahead of its supporting systems, chaos was inevitable. Hence this great assist to aviation.

One comparison will give us a sense of the magnitude of the benefits resulting from this new law. In the present decade, the government's investment in aviation, joined with state and local sharing funds, will run about $11 billion. That is more than all the funds spent on aviation during the past 35 years.

For airports alone, since the Act was passed, we have obigated $456 million and have set aside an additional $280 million for the current fiscal year. This Administration is determined to meet the needs of the very important aviation industry.

The Act is serving well. Several recent spectacular developments, however, necessitate additional measures.

You have been meeting this morning on a full agenda on aviation security. I want to add to that discussion the information that the Administration is fully aware of the seriousness of this matter and has taken action to help. We sought from the Congress, successfully, some $3.5 million to purchase metal detection devices. We shall be providing these at full Federal funding to assist in the screening of passengers and cargo. The necessary funds have been included in our appropriation.

We are also recommending an increase in the Federal share of certain airport security items such as fencing and lighting.

I want to emphasize here that this task of insuring the security of our air transportation system must be shared by all parties concerned. We in the Federal government have a responsibility. So, too, have the airlines and also the airport operators and state and local communities. A community derives financial benefit from an airport. It is just, then, that local authorities and the airport operators should provide the police needed for law enforcement and security within the airport's boundaries. I can conceive of no way any one of the parties could do the job by itself. We must, rather, work together.

There is another feature of the act designed to meet the special needs of our times -- our planning grants. I hope all of you are giving this program your close attention. We want to help you plan. We want you to be prepared -- to be ready for this big future.

These planning grants, moreover, will help you meet the environmental challenges; you can develop ways of minimizing environmental harm. And you can use ADAP funds to provide these means. Some of you have already done this. At Logan International, for example, an entrance road will provide a park-like effect between traffic lanes. At the Laurel, Mississippi airport, barren wasteland and sand dunes will be graded and seeded to from a park around the airport. In Atlanta, oil, debris and other pollutants found in the drainage area are now collected and processed in treatment plants. At Minneapolis, a tree belt will beautify the airport and help muffle aircraft noise. These projects were financed in part by funds from the Airport Development Aid Program.

We in the Department also have a selfish interest in these airport plans drawn up by local authorities. They will, when assembled together by us, give us for the first time, a very sound and authoritative inventory of the nation's needs. That will be most valuable to us.

These grants will also permit airport operators to take time to explore new approaches. And we must be ready to welcome the new and the different. There is no way of handling 800 million passengers by merely doing more of what we did in the past. One thing is certain. The growing volume of passengers and our population changes will require that air transport must increasingly complement an intermodal transportation system.

These population changes are significant. Our expanding cities are growing together into systems of densely populated corridors. These corridors are analagous to a spinal structure. Several major cities form a linear pattern while their metropolitan areas expand in interlocking radial networks around them. You know these corridors -- Boston to Washington, Chicago to Pittsburgh and Los Angeles to San Francisco. There are others developing as well.

This urbanization process needs a new companion transportation system. Life in a megalopolis uses time for its measure -- not space. The travel question is not how far -- but how long will it take. These corridors, moreover, require two transportation systems -- for movement within the corridor and for movement between the corridors.

Travel between the corridors will increasingly depend on air transportation. But travel within the corridors -- including access to airports -- will utilize an integrated intermodal network. This will consist of highspeed ground vehicles, short haul quiet short take off and landing vehicles and large transport air buses. In such a system, we can no longer afford to increase the efficiency and capacity of one mode without regard for the progress of others. Improvement in airway and airport facilities will become meaningless if airport access is not given priority in urban transportation planning. One startling comparison will dramatize this: Los Angeles International Airport has the potential for handling 80 million passenger a year. The highways which support it, however, have a capacity for only 40 million passengers per year.

This intermodal system will also increasingly require airport operators to utilize remote off-airport terminals in or near urban areas as multi modal exchange points. These remote terminals will offer fringe parking, heliport facilities, airline baggage processing, and commuter interchanges for automobiles and high speed trains.

And so we must carry our planning beyond the fences of our airports. It would be outrageous if the growth of aviation were constrained by the limitations of supportive transportation systems. I remind you, therefore, Federal funds for urban transit systems are available under our historic Urban Mass Transportation Assistance Act of 1970. Additional funds will be available if the Congress continues its progress on the President's revenue sharing proposals.

I hope, too, that none of you are deterred in your planning for the future by the special challenges of our times. We must meet those environmental and social challenges and we must satisfy them so that air transport can expand and meet the demand for its services.

It is important that we grow for there is more involved here than the future of air travel. We are also touching on the whole matter of an expanding economy.

I mentioned earlier in my remarks the parallel expansion of air passenger miles and economic growth. Let's look at that economic growth for a minute. Under President Nixon's New Economic Plan, the Gross National Product increased in the second quarter of this year by an incredible 9.4%. Growth of that size has happened only once before in the last 12 years. But what is really astonishing is that this economic boom was accomplished with no increase in the rate of inflation. In fact, the rate of inflation is decreasing. In 1969, consumer prices rose by a little more than 6%. In the past 12 months, under the President's wage and price controls, consumer prices rose only 3%.

My concern today is not for the immediate future. Our economy now has a full head of steam and it is moving ahead. I am concerned with the long run, however. Any failure to achieve needed expansion in transportation could have, in time, a dampening effect on our economic growth. This is the deeper significance of our concern for transportation progress.

I sometimes think all of us in transportation tend to overlook this deeper meaning of our work. We are so busy with vehicles and schedules, with arrivals and departures, that we forget what happens when products and people move. I am convinced our historical American commitment to transportation progress is a major factor in the development of our native American resourcefulness and productivity. Philip Guedalla, the historian, wrote that, "The true history of the United States is the history of Transportation." We Americans always did like mobility. Our economy was build on a nationwide system of freight transportation. Back in 1831, the French observer Alexis de Tocqueville found us a nation of "restless craving." Of the American of that day, he wrote, "He crosses the country in every direction; he visits all the various populations in the land." Even today, a man of action is, in the native vernacular, a fellow with a "lot of git up and go."

We can not measure the effect of all this travel. There are no statistics. We can, however, learn from history, and history tells us that every great age of man depended on significant efficiencies of transportation.

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Historians attribute the riches of ancient Egypt to the fortuitous cicumstance that Egyptian traders could let their dhows drift down the Nile with current, and then, with raised sails, sail back upstream with the prevailing wind. In the Golden Age of Greece, the second home of every Athenian was a ship. Rome conquered the world with military might but the success of its Empire rested on highways. Venetian ships started the Renaissance and the tiny island of Bitain ruled the world with fleets of merchant vessels. I can not help but think that historians will look back on our American times and note the coincidence of the great volume of air travel and the steady march of economic and social progress we Americans are witnessing today. I am certain, moreover, that they will find, in retrospect, a cause and effect relation. Good transportation means progress, for good transportation means freedom, both for the individual and for society. Restrict the mobility of an individual and you restrict his choice in what he can see or do. Freeze the mobility of an economy and you promote stagnation. Conversely, enlarge and improve the mobility of an individual and you increase the number and diversity of his opportunities. Provide better transportation for the economy and you contribute to its growth.

Gentlemen, this is mighty important work you are doing and we want to see you succeed.

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DEPARTMENT OF TRANSPORTATION NEWS

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REMARKS BY U.S. UNDER SECRETARY OF TRANSPORTATION JAMES M. BEGGS TO THE U.S. CHAMBER OF COMMERCE, CHICAGO, ILLINOIS, WEDNESDAY, SEPTEMBER 20, 1972

I'm delighted I can be here today for this very important examination of our agricultural export situation. The necessity for a good delivery system is, perhaps, self-evident. But a transportation system is not something that can be built once, put into operation, and forgotten -- assuming that it will forever function proficiently and economically. Yet we have very nearly followed that practice in the use of America's railroads.

I recall the story of the itinerant preacher, criss-crossing a bleak and rather desolate section of mid-America who, after passing a succession of unpainted barns and run-down farms, came upon an attractive, well-kept farm, with green fields, painted buildings, and a spotless new barn. Seeing the farmer toiling in the field, he paused to exchange a few words. "My, God certainly has blessed your farm," commented the preacher. The farmer wiping his perspiring brow with a bandana, said: "Well, yeah, but you should have seen the place when He had it all to Himself."

Our railroads have been left to their own resources, and chained to out-dated regulations far too long. It's as though we wound up our railroad system in the late 19th century and went away to let it run -- and run down -- on its own. It's been running faithfully ever since, but unless we begin some needed policy and fiscal repairs, time will run out, our railroads will run no more, and our economy will be dangerously crippled.

Our national economy is heavily dependent on the surface freight transportation industry. Every year more than a hundred million tons of petroleum products, farm machinery, fertilizers, household goods and other farm production commodities move to farms and ranches across the United States. And every year 425 million tons of farm crops move from farms and ranches to domestic and foreign distribution centers.

The cost of moving food products from U.S. farms to domestic consumers is estimated at nearly six billion dollars a year. So far as I know, there are no statistics available relative to the volume of food products moving from U.S. farms to points throughout the world.

Clearly, it's a sizeable amount, and a substantial portion of the $42.8 billion in 1971 U.S. exports which, as this audience well knows, fell below our total imports for the first time in 78 years.

Since demand is largely a function of price, and transportation is a key factor in the price of products, we can help restore a positive balance of trade by improving the efficiency and productivity of our transportation system. We can in short, strengthen our economy by building a better delivery system.

How do we do this?

Well, President Nixon came to office committed to the attainment of across-the-board improvements in all facets of transportation. With the President's leadership and strong bipartisan Congressional support, eight major pieces of transportation legislation have been enacted -- new resources and resourcefulness applied to the cause of transportation progress.

The Urban Mass Transportation Assistance Act sharply increased funding for public transit, to a billion dollars a year, and gave impetus to a real revival in public transportation.

The Federal investment in airports and airways has doubled. Flight delays have been cut in half, automation of the airways has been accelerated, and funding for future developments assured through establishment of a trust fund financed by user charges.

The President has launched a crack-down on the highway safety problem, with aggressive programs underway to make cars, drivers and highways safer.

With enactment of the Rail Safety Act of 1970, we began to make real progress in reducing railroad accidents. And just a few weeks ago Secretary Volpe proposed a 10-year $750 million program calling for the improved protection of 30,000 railroad grade crossings. We are also engaged in an interagency Government and industry program to curtail and control the theft and pilferage of goods in transit.

Safety and security, however, do not comprise the extent of our concern with the railroad industry. Not by a long shot. Rail passenger service was close to extinction in our land when President Nixon proposed and Congress passed legislation setting up the National Rail Passenger Service Corporation - AMTRAK. In its year-and-a-half of operations, AMTRAK has not brought back the golden days of railroading, but it has accomplished some minor miracles of sorts. First and foremost, a useful and needed form of public transportation has been preserved. Long overdue refurbishment and modernization of rail passenger service is underway. Ridership of the Metroliner between New York and Washington continues to increase. The high density Northeast Corridor line has reached the breakeven point (there's real progress for you!) and -- as Secretary Volpe announced last Saturday -- the second TurboTrain will begin operating on the Boston-New York route October 1st.

But our railroads face even tougher problems in their freight operations. And let me say here and now that we do not believe nationalization is the answer, although it might come to that unless the capacity of the railroads to compete and to profit is significantly improved.

Last November, the Administration proposed to the Second Session of the 92nd Congress surface transportation legislation with a twofold purpose:

1. To update and modernize the present system of regulation so as to provide better service at lower cost to shippers, and at the same time improve the financial health of the carriers in a free enterprise environment; and
2. To provide immediate short-term financial help to the railroad industry.

President Nixon, in his State of the Union message last January, strongly endorsed the necessity for modernizing railway equipment and operations, and updating regulatory practices. "By encouraging competition, flexibility and efficiency among freight carriers," he said, "we can save the American people billions of dollars in freight costs, help curb inflation, expand employment, and improve our balance of trade."

We cannot build that better freight delivery system unless we take action -- prompt, decisive courageous action -- to unshackle our railroads from a tyranny of traditionalism, from excessive regulation, from creeping obsolescence, and from errors of the past and judgments of a by gone day. We must face the fact that what began many decades ago as useful bylaws to promote mobility and the growth of our nation has turned into a noose that is gradually strangling one of our most essential industries -- and one that affects every cornerstone of our economy. The most regulated industry in the United States is also our sickest industry.

Accordingly, we have proposed that carriers be allowed to raise or lower rates within a zone of reasonableness. We have recommended that railroads be permitted to abandon branch line trackage that is surplus or uneconomic. We believe that railroads should be relieved of discriminatory state taxation. And under the Transportation Regulatory Modernization Act, we have also urged that rate bureau agreements be set aide in favor of increased reliance on competitive forces. Under the terms of the Transportation Assistance Act, we would provide $3 billion in loan guarantees to surface carriers, and a $35 million grant to develop and demonstrate an inter-railroad freight car management and information system.

We have not backed off or backed down from any of these proposals. We believe these provisions, as Secretary Volpe said in a speech in Akron a few weeks ago, "would best serve the long range interests of the surface carrier industry." But, as Mr. Volpe noted in that same speech -- and in the same breath --there is alternative legislation now before the Congress which would supply part of a loaf. And to a segment of the transportation industry hungry for reform, part of a loaf appears better than none.

The fact remains that for an industry suffering as severely as the railroads, piecemeal therapy may not suffice.

Six railroads are now in bankruptcy -- two went down this year alone. Others are teetering on the brink of insolvency.

The freight car situation is critical. The industry can probably get through this year, but the situation next year could be catastrophic.

Since 1950 the railroads have managed a 30 percent increase in plant investment, while pre-tax earnings fell 50 percent in the same period. The railroads' return on investment in 1970 hit an all-time low of 1.47 percent. Total outstanding debt for the nation's railroads at the end of 1970 stood at nearly 11 billion dollars.

Given these conditions, and the tremendous growth in demand we see ahead (for all their troubles the railroads have been averaging increases of some 38 million ton miles of freight a day and this will grow by 30 percent before 1980), we firmly believe that there are minimum legislative requirements which must be met at the earliest possible time. While the bill proposed in the House by Congressman Brock Adams (H.R. 16281) would not accomplish all that the Administration has proposed, it would produce relief or reform in five areas vital to the health of our railroads.

<u>One</u>: the bill would ban rates below variable costs. The Interstate Commerce Commission would not be permitted to require that railroads carry products at a loss -- below their "out-of-pocket" costs. Or, in other words, no one shipper could be charged part of the cost of moving another shipper's freight.

The subsidy of certain shipments by means of higher-than-required rates on other shipments is unfair to the shipper, and is not in the overall best interest of the carriers. Moreover, by establishing a floor for rates at the compensatory level the railroads stand to save the $480 million a year we estimate they now lose in supporting traffic at rates below the compensatory level.

Two: the bill would provide for the expeditious abandonment of track used so little that it is no longer economic to the railroad or essential to the shipper.

In 1971 the railroads operated nearly 205,000 route miles of track. Of that total, about 10 percent could be described as "light density" branch lines generating less 25 carloads per year and averaging less than nine. Yet the maintenance and operation of those 21,000 miles of low-volume branch lines cost the industry a net loss of nearly $60 million.

The branch line concept has been obsolete for 40 years, succeeded by our ever-growing network of paved roads and motor truck fleet. As FRA Administrator John Ingram put it recently, "many branch lines today are really operating museums of 19th century transportation, paid for in 1972 dollars, benefitting a very few at a high cost to many."

Three: the House bill would also make capital available to the railroads to improve their right-of-way.

There is general agreement on the part of all concerned that the railroads need financial assistance to refurbish and augment their freight car fleets, but the renovation and modernization of roadbed and right-of-way is equally compelling. Freight trains today average incredibly low "rolling" speeds, and too often they do not roll at all -- shunted to sidings, sidelined in freight yards, or delayed while tracks are repaired. Freight sometimes moves faster across the ocean than from Boston to Chicago. Moreover, since freight cars usually travel on more than one railroad's tracks, overall service is at the mercy of the "weakest link" in the system -- and the railroad with the most decrepit facilities is usually the one least able to finance improvements.

Then, <u>fourth</u>: the bill being considered by the House would permit some changes in the practices of rate bureaus.

While rate bureaus clearly perform a number of important functions, they also tend to have a retarding effect on carrier competition by discouraging flexibility and innovation in pricing and services. We believe that without the protective umbrella rate bureaus provide, the carriers would be motivated to conceive and implement competitive measures which, in the long run, would improve service and lower costs. At the very minimum, we believe that (1) rate bureaus should be prohibited from protesting a rate proposed by one of their member carriers; and (2) that rate bureaus should be required to decide on a proposed rate change within 120 days after it is filed.

<u>Fifth</u>, and finally: the bill now awaiting consideration by the House Commerce Committee would outlaw discriminatory taxation by state and local governments.

Under existing law, state and local taxing authorities have assessed transportation properties at higher rates than other properties in the same areas. We estimate the railroads would realize at least $69 million a year in savings through the reduction of such taxes. The correction of this inequity would also ènhance the ability of railroads to improve their financial situation and to attract private capital.

As I have said, the Administration <u>can</u> and <u>does</u> support these five provisions, all contained in House bill 16281. We continue to believe that the full slate of provisions contained in the Administration's surface transportation legislation proposed last November aremore responsive to the long-range interests of the industry and the transportation needs of the Nation, but what is more important is that legislation is needed now. And we intend to work hard to get it, before Congress adjourns.

Yet for all the import and the urgency we attach to the needs of our railroads, and the industry in general, we <u>cannot</u>, and <u>do not</u>, support some of the principal planks in the Senate Commerce Committee version ot the Surface Transportation Act. In my judgement, is is an unacceptable bill, with untenable provisions which, if enacted, would set the cause of surface transportation reform and revival back 50 years.

For example, the Senate bill would acknowledge the logic of abandoning non-productive branch lines, but proposes a 28-month moratorium on any actual abandonment proceedings. Rail abandonments could be postponed even further under complex regulatory review procedures written into the Senate bill.

It is not our intention to impose any hardship on the users of low volume branch line rail facilities by suddenly depriving them of their access to markets. The House bill calls for a one year notice before any line is abandoned, and that time can be extended -- if necessary -- while alternative carrier services are arranged.

But to prolong the process is to add to the burdens borne by the railroads, and that to me is unnecessary and unrealistic.

As another example, the Senate bill provides that the Government pay a subsidy of 70 percent of any operating deficit on low density lines. While this would afford some relief for the railroads, it could mean the commitment of millions of Federal dollars annually, shifting the weight of a bad practice from private to public shoulders. Similarly, providing loans to states to acquire and "rehabilitate" low density lines could, again, involve large Federal outlays and serve only to perpetuate, by means of subsidy, operations already proven uneconomic and non essential.

Finally, the bill reported by the Senate Commerce Committee severly restricts the conditions under which the regulated rail, water and truck carriers can qualify for the $3 billion in Federally-guaranteed loans. The bill requires, first, that the Department of Transportation compile a schedule of the "essential surface transportation services and facilities" needed to "meet the transport needs of the United States." That, in itself, would take a year, so the proviso could effectively delay the loan guarantee program until at least 1974. Then, second, the Senate bill attached so many strings to a carriers eligibilty for a loan that the transportation companies could barely make a business decision without consulting the Department of Transportation.

The House bill poses no such restrictions. It simply allows that the funds secured by the loan guarantees can be used for any necessary transportation investment -- tracks, rail yards, computer systems, etc.

We believe that any action which provides for subsidy without getting at and removing its cause, and any proposal which injects Government deeper into the operational responsibilities of business is detrimental to free enterprise and counter productive to our desires to make the transportation industry healthier by making it more competitive. And to keep our transport industry in private hands, more vigorous competition <u>is</u> needed between the modes. For not only does competition produce lower rates, it breeds efficiency, better service, and better allocation of national resources.

That is the basis for building a better delivery system in the United States.

That's what the Administration's surface transportation legislation would do. And it's what any transportation legislation that's passed by the Congress <u>must</u> do -- if we are to avoid the multi-billion dollar cost of nationalization and at the same time triple the capacity of our transportation facilities.

We see in the bill now before the House three-quarters of the loaf the industry needs and deserves. But for all its good intentions, the bill being considered by the Senate seems to me worse than no loaf at all.

I am hopeful, however, that the end product will give us what we need -- an open door to progressive and productive surface transportation reforms. Building a better delivery system is part of building a stronger economy. Our standard of living -- our standing in world commerce -- depends on our continued ability to move products rapidly, safely and efficiently. The transportation industry has never let us down. We do not propose to desert the industry in its hour of need.

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DEPARTMENT OF TRANSPORTATION

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REMARKS BY U.S. UNDER SECRETARY OF TRANSPORTATION JAMES M. BEGGS BEFORE THE CONFERENCE ON STATE TRANSPORTATION, ISSUES OF THE SEVENTIES, FRIENDSHIP INTERNATIONAL AIRPORT, BALTIMORE, MARYLAND, FRIDAY, SEPTEMBER 29, 1972

Mr. Moderator, distinguished panelists and participants, it is a pleasure to join you today in furthering the cause of intergovernmental relations.

It is the philosophy of the Nixon Administration that the functions of government should be performed and the decisions of government made as close to the people as possible.

In the area of transportation, the Federal Government cannot and should not dictate solutions to local transportation problems.

It is the role of my Department to encourage and guide state and local transportation agencies to attain high standards of efficiency and competence. And in many cases, to provide the resources to do the job.

A major impediment to the transportation decision-making process at the state and local levels is the uneveness of the flow of Federal funding channeled as it is through our categorical grant programs.

Far too frequently Federal financial support is unavailable to meet the most pressing local transportation need, while at the same time more than sufficient funds are at hand for less important projects.

It has been in the effort to place management of resources at the decision-making level that I have frequently endorsed the concept of a single transportation trust fund.

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A modest step in that direction is the Federal-Aid Highway and Mass Transportation Act of 1972. We are encouraged by the recent success accorded that proposal.

This Bill passed the Senate with a provision which, if enacted, will greatly increase the flexibility of state and local governments in determining how Federal transportation funds will be used in their urban areas.

The Senate version of the Bill would allocate up to $800 million annually from the Highway Trust Fund for urban transportation purposes. That is, it would be up to state and local officials to determine what proportion of the $800 million would be spent for highways in urban areas and what share, if any, would be allocated to public transit capital expenditures -- either bus or rail.

Although scaled down from our original request of $1 billion for urban transportation, the Bill as passed by the Senate would provide that flexibility in solving urban transportation problems we believe essential. It would bring funding and responsibility closer together.

Our success in the Senate came after initial defeat of the urban fund concept in committee. As you probably know, under the bipartisan leadership of Senators Cooper and Muskie, the urban fund was restored by amendment on the floor. It passed by a vote of 48 to 26.

If we are to win this one, we will have to have a repeat performance of the minor miracle of overturning a powerful committee recommendation. The House Subcommittee on Roads and the full House Public Works Committee have by convincing margins voted against the use of Highway Trust Fund money to support transit systems other than bus-related highway facilities.

Whatever the outcome, it is apparent there is a much greater awareness of the interrelationship of highway and transit needs.

The momentum for meeting transportation challenges on a systems basis grows. It is a momentum not well served by the narrowness of our categorical grant programs. The efforts in Congress to increase flexibility in transportation planning surely will continue. To succeed, those efforts will require increased coordination between the elements of the transportation field -- particularly in the intergovernmental area.

Apart from legislative success and defeat, we have moved in this Administration to work more closely with you and your counterparts in all of the states.

I submit that we in the Nixon Administration have shown a willingness to go the extra mile in cooperating with you to solve your transportation problems and to help you meet your challenges.

The effectiveness of our good intentions almost exclusively depends on how well you capitalize on them. I believe better use of our willingness to help will be a major accomplishment of this conference.

I look forward to discussing our legislative programs in more detail as this panel progresses.

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