REMARKS PREPARED FOR DELIVERY BY DEPUTY UNDER SECRETARY CHARLES D. BAKER BEFORE THE MORGAN CITY-BERWICK-PATTERSON CHAMBER OF COMMERCE, MORGAN CITY, LOUISIANA, JANUARY 10, 1970

The first time I was in Louisiana I was an 18 year old sailor. On my next visit, I was a 30 year old businessman from Boston. Since that time, I have been back often and nowtonight I'm here as a 41 year old government employee out of Washington. Thus, I guess I can lay claim to having come to Louisiana in several different suits and several different roles. But one thing never seems to change: Coming to the Bayou State is always a pleasant experience and invariably proves that southern hospitality is no myth.

Now, beyond the fact that coming here is always enjoyable, I'd like to note that in my present role I have some particular interests in St. Mary's Parish. Let me cite a couple: The shrimp business is big business. Last year the U. S. caught almost 300 million pounds and about one-fourth of this came from Louisiana. Something like 10 percent of the Louisiana catch comes from

St. Mary's Parish and that adds up to a yearly catch of over 6 million pounds. Now, in terms of transportation, that's quite a big demand--quite a few trucks leaving the Morgan City processing plants.

Then there's oil and natural gas. In 1960 Louisiana produced nearly 15 percent of the country's crude oil, or about 350 million barrels. By 1968, this more than doubled and Louisiana was accounting for a full one-quarter of the oil produced in the U. S. The growth in natural gas is even more dramatic. Louisiana's two and one half trillion cubic feet in 1960 is up to five and one half in 1968 and the state (like Avis) is closing in for the role of number one. Speaking of #1, at the risk of getting in trouble back in Washington, I have to admit I'd surely have enjoyed seeing L. S. U. take on Texas. But back to transportation .....

St. Mary's Parish is a large factor in all of this. Something like 8 percent of all Louisiana oil comes from this area, and in natural gas, it's even higher, about 10 percent. What do your 56 million barrels of oil and over 500 billion cubic feet of gas mean transportation wise? They mean gathering lines, storage points, pipelines, barges, and, of course, subsequently--after refining at places like St. Charles, Baton Rouge, etc. --a mixed and extensive system of transportation to various consuming markets.

Of course, there are a lot of other transportation aspects of this area--new roads, airports, one of the largest industrial helicopter operations in the world, and so on. However, I'm not trying to list everything in the Parish that requires or affects transportation. That would take us all night. All I want to get across is the fact that this vital area is very significant to anyone concerned with transportation. In short, the concerns of DOT are by no means restricted to New York and like places where "the South Forty" doesn't mean land, it means that street just below Times Square. And so tonight what I'd like to do is tell you something about DOT--let you know who we are and what we're up to. So, over the next three years--strike that, make it seven years--you can stay with us and let us know where you think we re on the mark and maybe sometimes when you think we are out of our minds.

The Department of Transportation is the newest of the Federal government's twelve cabinet-level agencies. Established by law in 1966 and officially activated on April Fools Day 1967, the new Department

brings together under one roof thirty-odd -- make that thirty-some -- activities and more than 100,000 people who were formerly scattered throughout the government. To mention a few: The St. Lawrence Seaway Corporation and the Bureau of Public Roads from the Department of Commerce; the Bureau of Railroad Safety from the Interstate Commerce Commission; the Coast Guard from Treasury; and such once independent agencies as the Federal Aviation Administration. In addition, the Department also includes several new organizations such as the National Transportation Safety Board (which actually operates autonomously--we are concerned with supporting it, but not with directing it) and the Federal Railroad Administration.

So, today, we find the Department with six operating arms:

The Federal Aviation Administration - air transportation

The Federal Railroad Administration - rail **roading**

The Federal Highway Administration - highway construction and motor carrier safety

The Seaway Corporation - the St. Lawrence Seaway and Great Lakes operations

The Coast Guard - domestic and salt water transportation

and

The Urban Mass Transportation Administration - urban transportation

In addition, we have some special offices: The Office of Hazardous Materials is concerned with standards and regulations in transporting explosives and the like. The Offices of Pipeline Safety (oil and gas) focus on safety aspects of this vital form of transportation. There is also the National Highway Safety Bureau whose job is motor vehicle standards (such as seat belts) and cooperative programs with the states (like driver training) so we can do something about a national problem that kills 50,000 Americans a year. And finally, there is the Office of Supersonic Transport which is spearheading the development of the SST which, God willing, will be maintaining U. S. commercial air supremacy in the skies before the decade is out.

To bring these diverse operations together, the Secretary is supported by six staff/policy offices: The General Counsel and the Assistant Secretaries for Policy and International Affairs, Research and Technology, a new office created by John Volpe, of which more in a minute, Environment and Urban Systems, and the Assistant Secretaries for Public Affairs and Administration.

The legislation that set up DOT charters us with a pretty lofty role--developing and coordinating an effective national transportation system that serves the needs and interests of all parts of the country and segments of the economy. Like motherhood, it's pretty hard to knock that, so let's take a look at it.

Examination of your local transportation activities provides some insight on how this works, where it matters, on the local level. Highway construction is something familiar to all of us. Who hasn't been detoured over back roads by our nice red, white, and blue signs that ask you "to relax and enjoy it--you'll love the highway when we complete it."

The Federal Highway Administration, through its Bureau of Public Roads, cooperates with the states and local communities in two Federal aid highway construction programs. The first, and perhaps most widely publicized, is the Interstate Program which is providing approximately $3 billion annually from the Highway Trust Fund to the states on a 90/10 matching basis to complete construction of the 41,000 mile Interstate Highway System. The second, so-called ABC Program, provides about $1.1 billion annually to the states on a 50/50 matching basis for the improvement of the nation's 860,000 miles of urban, primary, and secondary roads.

These some $4 billion dollars are annually distributed to the states by way of a very esoteric formula which considers such factors as population, area, existing road mileage (for the ABC System), and cost to complete the system (for the Interstate). Now, to you here on the local level, where it seems that there are never sufficient funds to construct the roads you think necessary, let me inject here that this Highway Trust Fund represents over half the Department's total budget.

Now, how do you pipe in on these funds when say, for example, you want to improve U. S. 90? The most attractive way from your standpoint is to get the route designated part of the Interstate System because that means funding at a 90 percent Federal level. My colleague Frank Hawley of the regional BPR office in Baton Rouge tells me that the State submitted just such a proposal in 1968 while Congress was authorizing a 1,500 mile extension of the Interstate System. At that time the proposal was turned down in part because the 250 miles included in the project constituted too large a chunk of the total 1,500 authorized which had to be allocated among 50 states. Actually, most of that 1,500 miles went into relatively short connectors and circumferentials like I-410 around New Orleans which, by the way, got $350 million in Federal money.

The other "route" for Federal aid, as mentioned, is the ABC Program. It is less attractive financially perhaps, since the funds available are fewer and the state must provide 50 percent of the total, but it greatly increases the scope of Federal assistance and is of

increasing utility to areas like this one which are growing rapidly. In fact, this approach is just what the Louisiana State Highway Department has done with the U. S. 90 bridge over the Atchafalaya, that is, applied for ABC funds.

Normally, the state is left to its own devices in determining which of its highway projects to fund with its share of the ABC funds--which in Louisiana runs to about $14 million, divided among primary, secondary, and major urban routes. The bridge project "qualifies" for both primary and urban Federal funds. The total bridge project, I gather, is expected to run about $50 million so I would expect the state to handle the project over several fiscal years.

At this point, let me inject a word of caution. I said that ordinarily the state is left to determine how it wants to spend its ABC funds. Now, it's clear that the Tri-city area is not ordinary in many ways and the bridge project is no exception.

The plan as laid out calls for cutting one of the bridge approaches through the city park. And that, my friends, is at least a "whoops" if not a flat-out "no deal."

Section 4f of the DOT Act states that the Secretary shall not approve any project involving Federal funds which requires use of public land from a public park, recreation area, wildlife refuge, or historic site, unless there is no feasible alternative or the program includes all possible planning to minimize harm to such sites. The controversy which has arisen over the location of a jetport in the Everglades and a superhighway through the French Quarter relate to exactly this provision. As most of you know, the New Orleans project was halted because it was considered that the historic site would be damaged irreparably if a road were allowed to run through it.

I can't make an official pronouncement on your particular situation, but proposals have been made to relocate the park and these are presently under consideration.

Another area that relates specifically to you is the Federal Aviation Administration's airport aid program. This is somewhat different from the highway programs in several ways. In the first place, the level of funding has been significantly lower, averaging about $70 million annually in recent years. (However, our new Airport/Airways bill, presently before Congress, is expected to significantly increase this eventually to a level of $250 million a year.) A second difference is that rather than funds being distributed state by state and some of the programs determined by

the states themselves (as with the ABC System), gross apportionments of FAAP funds are made to states on a population/area basis and the states, in turn, propose specific projects. Since the cost of proposals invariably exceeds the total of a state's apportionment, they must be evaluated in terms of their relation to the national aviation and airport system.

Specifically, it works something like this: A city or an area determines that it would like Federal aid (50/50) for its airport development program and submits a request to the area FAA office. Here the proposal is evaluated with similar proposals from other localities in light of the area plan. Having determined which projects are appropriate to the area plan, they are forwarded to the regional FAA office for a similar appraisal, this time from the larger point of view. Those requests passing the regional heat finally make it to FAA headquarters in Washington for evaluation in the context of the national program. At each level--area, regional, and national--requests are assessed in terms of the airport's location in relation to passenger sources, general aviation aspects, its ability to handle the aircraft forecasted for that area, the level of funding requested--and, of course, safety. Last year two area airports--Acadiana and Lafayette--applied for aid under FAAP with the view of expanding to accommodate jet aircraft traffic for the region. The choice was which project was to be funded and therefore which would be developed as the jet air carrier airport to serve the Lafayette/Iberia/St. Mary's area. (There was also an issue of surplus government property in the case of New Iberia.) In the final analysis, it was concluded that Lafayette is closer to the center of the area's passenger originations and thus would generate more traffic. And so, under the FY 1970 FAAP, Lafayette Airport was allocated $636,300 for development to accommodate jet air carrier aircraft.

Now many of you would have perhaps preferred the Iberia location. However, given that a certain amount of money was going to be granted to Louisiana, we at DOT/FAA had to decide where, in our judgment, it could be best spent. And that came out "Lafayette, we are here." But, I'd like to point out that, as mentioned, our new legislation will greatly increase grant monies, including a much larger amount for general aviation airports, including such as those in the Tri-city area. Thus, in one way or another, I look for a real aviation partnership between the area which produced Harry Williams and our Department of Transportation.

Now there are certainly a number of other transportation programs and areas I could discuss which impact on St. Mary's Parish. But I

think these couple of examples serve to illustrate the already strong interchange between you folks here and our Department. Yours is a growing area, with expanding industry, accompanied by increasing transportation needs. Obviously, we cannot achieve all that we want overnight. Transportation systems take time and take money. But it seems clear to me that the partnership which already exists between St. Mary's Parish, the State of Louisiana, and the Department of Transportation will insure that transportation systems do develop, that the area does grow, and that every year this dinner will be better than the year before.

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DEPARTMENT OF TRANSPORTATION | NEWS

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20590

01-DOT-70

SPEECH TO THE AMERICAN SOCIETY OF TRAFFIC AND TRANSPORTATION, NATIONAL LAWYERS' CLUB, WASHINGTON, D. C., JANUARY 26, 1970
BY CHARLES D. BAKER

I have been asked today to speak on transportation in the soaring seventies. That's quite an order--at least to comply with any degree of accuracy. I know what I would like to see happen in the next decade and you do too, but whether or not our wishes materialize depends on a variety of factors, some not wholly within our control. However, the Department of Transportation does have some handle on this. We establish technical, safety and environmental standards. We develop legislation for financial support regulation, research and development and so on. And all of this is done--hopefully--within a framework of guidelines determined by current policy. So, it's to the policy directions we should look, to consider the

next decade, insofar as DOT will impact upon it.

Now, as some of you know, we are right now in the process of developing a comprehensive national transportation policy which will set out our positions at some length. But it is not on that level of detail that I want to speak today. Rather, I'd like to comment briefly here on the overall directions; the patterns that are emerging and that will--to my mind--be shaping transportation--or at least the government's role in it--in the years ahead.

One thing that is clearly coming out of the sixties and into the seventies is a desire, nay a need, for more balance in transportation. Our highway programs have been spectacularly successful, but we are looking now to complementing programs. Two pieces of legislation are on the Hill now, which, if passed, will greatly aid 1) aviation in intercity transportation and 2) public transportation in the urban area. And, I think it is likely that the decade of the seventies will see increasing government interest in supporting improved forms of intercity surface transportation. And so I think the first thing we can look for is increasing interest in other modes.

Now, I don't think that many of us would disagree that balanced transportation (like love and marriage) is a good, perhaps a necessary, thing. We might, however, differ as to just how this ought to be achieved. There are a variety of approaches open to the government--investment, establishment of technical and performance standards, economic regulation, and so on. Just which and how we choose to emphasize these approaches, however, will help shape the national transportation complex that emerges over the next decade. Thus, some other related and hopefully complementing patterns should be looked at.

As a starter, I submit that a major consideration is the real emergence of environment as something to be truly recognized in transportation development. To be sure, the environment has not just been invented. Nor, for that matter, is concern for it wholly new. And, overall, the transportation industry hasn't done a bad job. However, the extent of the concern--ranging all the way up to Presidential declaration--and the degree to which it will shape our actions; this is new.

The Everglades Airport is now a story well known. The New Orleans French Quarter Highway is another example. And more arise each day. So, what does this mean for transportation? I think it means that planning of new facilities will have to be better,

more complete. It already means that aircraft noise standards are written from some classes of aircraft and more will follow. It means increasing government interest in research aimed at curbing pollution--from oil spillage to smog. And, it means regulations designed to control, as well as research to prevent.

But if transportation is to be balanced and harmonious with the environment, how is it to be financed? As far as Federal involvement is concerned, the answer is increasingly--although not entirely--user charges.

Obviously, how much is invested and where this investment goes are both important issues. But an equally important one, is where this investment comes from. It is the view of this Administration that, generally, government investments in transportation should be paid for by the principal users or beneficiaries of the system rather than by the tax payers generally. Thus, the concept of user charges, which is basic to the Federal-aid Highway Program and to our Airport/Airways bill presently before Congress. I think that in the future you can expect this particular "investment approach" to government support of transportation when 1) the program in question is to benefit a specific user group such as (the automobile owner or the air traveler), and, 2) when there is a reasonable correlation between paying and benefitting (as with the auto gasoline tax and the Highway Trust Fund). One caveat deserves mention here. There may well be times when social aims militate against strict user charges; as for example, with urban transportation. The Administration's bill, designed among other things to help the disadvantaged, very explicitly avoids the "user charge" concept.

Now a fourth consideration euphemistically refers to as "increasing flexibility in regulation." Our regulatory system was originally set up to achieve a desirable economic goal; to protect the user, and to achieve balance, but transportation has changed radically during this century. Regulations that were originally designed for one purpose, may now no longer serve it, or work against it.

So what will occur in the seventies? Well, certainly not wholesale deregulation which many talk about, but which few would really endorse. However, some changes are indicated and others may develop as the regulatory process undergoes review. The Mixing Rule Bill has undergone some rough sledding on the Hill

and is by no means out of the woods. However, the original bill was supported by the Administration and hopefully agreement can be reached on a version that will update and render more flexible the regulatory process vis a vis the barge lines. The DOT Trade Simplification Act is another example of legislation designed to free transportation from regulatory or legal constraints. In this instance the aim is to foster through movements in international trade. And, overall, it seems unlikely that policy will move in the direction of greater economic regulation. Rather, some revisions and modifications of existing regulations appear more likely.

The increasing emphasis on safety is so well known to you gentlemen that it doesn't need much elaboration here. The transportation industry can and should expect to see stepped up Federal involvement over this decade. The number and scope of motor vehicle standards will surely rise. State and community safety programs will be enlarged. Regulation in the transport of hazardous materials will be undertaken to a much larger degree by the government. And the same trend will apply to aviation, rail and the other modes. In short, the safety quality of transportation equipment and operations will be more strictly viewed and controlled and the Federal government will spend more money in this area than has ever been the case before.

In talking of the decade to come, two other policy considerations must be mentioned. First, is the desire to support local action. Notwithstanding the need for national standards and plans in many cases, there remains a strong inclination to develop programs that help local governments or organizations meet local problems. The public transportation bill is just such an effort to provide Federal funds in support of local action. Expanding state and community safety programs constitute another case. The new Boat Safety Bill is a third. And, so I think we can expect increasingly to see Federal programs designed for implementation by local action.

The final area I'd like to touch on is that of technology. Government involvement in--and support of--development of new transportation systems will increase, and in my judgment, significantly. Greatly stepped up work in air traffic control will impact heavily on air transportation before the decade is out. The Public Transportation Bill suggests $500 million for R&D in urban transportation systems. And other modes will step up their efforts as transportation commences to apply the technology which, in the

main, has already been brought into being by groups as diverse as the television industry and the Department of Defense.

Gentlemen, I have touched briefly on trends or indications in several areas which I think will determine the policies of the next decade. And since these policies will shape the course of government action in transportation, I think one can safely say that they indicate muchly what transportation (or at least the government role in it) will look like during the seventies.

To me it looks demanding, at times somewhat conflicting. It combines the paradox of somewhat greater freedom in some areas and somewhat more constraint in others. But above all, the trends I see are trends related to today's and tomorrow's issues, not yesterday's and last year's questions. So I am looking forward to a difficult, challenging but in the end I suspect highly successful decade for our industry.

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03-DOT-70

EXCERPTS OF REMARKS BY CHARLES D. BAKER, ASSISTANT SECRETARY DESIGNATE FOR POLICY AND INTERNATIONAL AFFAIRS, BEFORE JOINT LUNCHEON OF MISSISSIPPI VALLEY ASSOCIATION AND U.S. PROPELLER CLUB, ST. LOUIS, MISSOURI, FEBRUARY 2, 1970

A year and a half ago I had the pleasure of speaking here in St. Louis to the Annual Convention of the Propeller Club. I am indeed pleased to be here today and have the opportunity to make a few brief remarks on the Department of Transportation's view of the inland waterways and their tremendous significance to the nation.

Waterways have been a major key to the country's development from its earliest days. Without them, Pittsburgh might not exist. The mighty Mississippi is the lifeblood of this golden gateway -- your beautiful St. Louis. Today, some 38 States, with almost 95% of the country's population, are served by commercial water transportation on rivers, canals, bays, and lakes. Over 80 of the nation's cities with a population over 100,000 are located on commercial navigation channels.

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Tie this in with the fact that 1700 companies are in commercial operation on the inland waterways, pushing more than 17,000 barges, and the picture takes on large proportions.

Now the Mississippi Valley Association, a major voice in this vital industry -- or rather aggregation of vital industries -- started off life some 50 years ago concerned with flood control and foreign trade. In the ensuing half-century, I note with interest that not only has the geographical significance spread to a point where it is nationwide, but its areas of concern have likewise broadened. And so today, MVA, with offices in Louisiana and Nebraska, in Missouri and Washington, D. C., is concerned most broadly with water resources or perhaps more accurately with the broad scope of resources associated with our waterways. It is no accident that the 12 gentlemen on the board of MVA came from 12 different States, representing the heartland of the nation.

And as we go into the second half-century of MVA, what does the future hold? Before going into some of the particular issues and how we in the Department of Transportation view them and relate to them, some broad comments seem to me to be in order. First, I think we all recognize that the nation's priorities -- its needs -- are changing; are properly and necessarily being relooked at, reexamined, and being constantly redeveloped.

What in the past many have merely talked about have now become factors to be reckoned with. Consider the very world around us.

If we are to live to see the year 2000 -- and it is a mere 30 years away -- we must face the challenge to our ability to maintain life and mobility as we enjoy it. As I see it, this means the preservation of a decent environment in the face of rapidly advancing technology, including that of transportation.

Most of you know of our decision to revise support for the giant jetport on the edge of the Florida Everglades. You probably read about the decision to relocate an Interstate highway in New Orleans to protect the historic French Quarter. In San Antonio, another highway decision was made which geared Federal and local efforts more significantly toward people and their environment.

We will all be doing more to assist curbing the pollution of air whether caused by air or surface vehicle, and to abate the spoilage of our inland and coastal waters. (In this connection, I am very pleased to note that your organization will be considering many of these issues in the course of this convention).

However, I wish to note here that the priority we are placing on restoring and protecting the environment does not detract from or

eliminate the need for developing and expanding the capabilities of our transportation system! In his statement issued in connection with the Florida jetport agreement, President Nixon made this clear in stating:

> "The agreement affirms the need to conserve our natural heritage; it does not deny the need for new airport facilities in Florida. The Federal Government will cooperate in finding ways to create such facilities without new threats to the environment."

Thus, in my view, we are all faced with a new and broadened challenge; to continue to develop and expand our national transportation system -- for without this we simply cannot continue to prosper as a nation -- but to also do it in such a way that our environment is protected, nay enhanced. And I submit that this challenge is one which our transportation industry has recognized for many years and one to which it will respond with increasing efforts in the future.

And let me here inject just a word on what our national transportation system must do. By almost any estimate we must be prepared to nearly double our capability as the nation goes into the Eighties. (Some analyses suggest an even larger increase) and to put this in financial perspective, the private sector of our national transportation complex will invest some 30 billion dollars in the next decade!

Another general observation seems in order, having to do with the subject of regulation. Our regulatory system was originally set up to achieve a desirable economic goal. This meant the user would be protected and balance would be achieved between the supplier and the user and among the several modes. But transportation has changed radically during this past century.

Regulations that were originally designed for one purpose, may now no longer serve it, or might even work against it. Section 303(b) of the Interstate Commerce Act prescribes mixing rule provisos. Aside from the basic issue of mixing in a tow vs. mixing in a barge -- and I personally favor relaxing the constraints -- I think all would agree that a classification of commodities made up in 1939 is ready for updating.

Thus, I think the process of regulation will come under increasing scrutiny. I am not suggesting wholesale de-regulation which some discuss, but which few would support. I am suggesting that our transportation industry, including the vital shallow draft part of it, will be involved in some re-looks and up-dating of the regulatory process.

I have remarked on some of the challenges and opportunities our industry faces. Let me comment for a moment on how DOT fits into this.

The Department opened for business on April Fool's Day -- an auspicious beginning -- 1967, on the theory that the various Federal involvements in transportation would function better under one roof than several.

When the Department of Transportation was being created, no major interest opposed the legislation as such. Many groups did express some quite understandable, but nonetheless parochial concerns. It is no secret that some waterway interests were among that number. And Section 7 of the Department of Transportation Act, dealing with the development of investment criteria is with us today as proof of that concern and clout. Some two and one-half years have gone by now; waterways are still here, the Corps of Engineers is alive and well, no really major Section 7 issue has been fought out, and, for better or worse, life goes on.

Today, the Department of Transportation's roles and missions are many. As they affect those concerned with water, they include the numerous activities of the Coast Guard, the role of the Bureau of Public Roads in bridge construction and in solving the problems of soil erosion, the St. Lawrence Seaway Development Corporation, our role as a member of the Water Resources Council, improving the quality of the environment, and the problems of economic regulation. I have named but a few of our interests and before I proceed further, I want to say a word about our relationship to the outside world.

Times, I think, are changing and in my view for the better. One real change is the enlarging dialogue that has developed between the Department of Transportation and the many groups and interests affected by its actions. (Perhaps we have all followed the President's thought in his Inaugural Address and lowered our voices just a little). Hopefully, we are listening as well as hearing.

Where once the Department was viewed with apprehension, we now have, I think, a close rapport with most, if not all, of those with whom we deal. Indeed, this fellowship is such that many would like to formalize it even further by joining with us on an organizational basis. Our trucking, shipper, and waterway friends would like to see the creation of new operating administrations to represent their interests. Our forwarder and pipeline friends have also made similar views known.

Whether we take this approach (which seems doubtful because in large measure we are not their administering programs) or whether we establish some (industrial) relations focal point in the Office of the Secretary, it is clear that all concerned have recognized the importance of transportation to our national life and want to work to improve it. For Secretary Volpe's part, the door is open. We want to hear from you on a frank and open basis, no holds barred. We are staffed to recognize your problems, place them in what we trust is the proper national context, and proceed from there. Undoubtedly, we will disagree at times but let us do so honestly and with a minimum of recriminations.

As to the waterways, I think we have made a good beginning. I think we have heard every possible waterway viewpoint on the pending Amendment to the Water Carrier Mixing Rule in Section 303(b) of the Interstate Commerce Act. If within our lifetime we can resolve this long pending controversy, perhaps we can further get to the business of making the regulatory process flexible enough to respond more promptly to economic, technological, and social change. (Somehow, I find it hard to accept the fact that in 1970 we need to be bound by a custom of the bulk trade established in 1939). Since I think you agree with this proposition, I am sure we can proceed to other areas in need of organizational, program, and substantive reform.

In other important matters affecting waterways and water carriers, we have worked closely with industry. I would cite our horizontal and vertical bridge clearance activities, the development of our recreational Boat Safety Act, the new rule of the road for navigation, and our legislative efforts to license tugboat operators and to develop bridge-to-bridge communications. Your interest and concern -- expressed by many waterway interests -- in the relationship of the Coast Guard and the Department of Transportation is appreciated, and is an example of industry concern with a joint problem.

Before leaving the subject of DOT and its concerns and missions, I would like to comment specifically on the nation's oldest Armed Service, the Coast Guard, which the Department can proudly point to as one of its largest and most important components. This Service's responsibilities that relate to you are many. Port security and safety -- pollution prevention and control -- certification of tank barges -- navigation aids and regulations; these are just some of the things that Admiral Smith's splendid command pursues. And so, I cannot resist the observation that while your industry is critical to us and to anyone concerned with transportation, so also I think are we critical to you, not simply in legislation, regulation and the like, but also in the fundamental operations of the shallow draft industry.

I've discussed the industry and the government. We have looked at some of the emerging issues. And so what does this mean for the future and for all of us? The fact is that technology is continually changing, and not just on the river. The technology of your land transportation competition is changing also. Even the river is changing! The Corps of Engineers two years ago made this evident. They reported that, the Missouri, for example, is 100 miles shorter than it was in 1955. This means the current is swifter and the power needed to push barges upstream is greater. The Mississippi, too, has shortened itself more than 100 miles since 1942, and swifter currents have resulted. And as technology is changing so are the priorities and perspectives that I mentioned earlier. Concern with safety is properly increasing and our Coast Guard has its very significant Boat Safety Bill on the Hill now. We've already mentioned the mixing rule, but there is other legislation, some with wide support, some controversial, but nonetheless of consequence.

In the face of all this, I think several things are called for.

--all of us must recognize the major issues of environment and safety

--we must concurrently accept the transportation challenge we face and gear up to build and invest

--I think we should all accept the proposition that regulation should not be principally an exercise to intrigue lawyers but should be a fairly straightforward movement toward desirable economic goals, and if revisions will better achieve those goals, let's explore them

--and finally I think we in Government need you in industry to work with us, to tell us what you think, to help avoid that worst of all possible worlds -- an uninformed Washington.

We need new ideas in transportation, and in some instances change. Goals and thinking should not be limited to updating precedents of a bygone day. Rather, they should encompass all areas of transportation including environmental quality, pollution control, technology and safety, manpower and management, the need for new organizational apparatus, the status of transportation planning, investment and financing, and the special problems of international transportation. It is this type of development that I think the nation needs and which we -- you and I -- must deliver.

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DEPARTMENT OF TRANSPORTATION | NEWS

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20590

04-DOT-70

REMARKS PREPARED FOR DELIVERY BY DEPUTY UNDER SECRETARY, CHARLES D. BAKER, AT THE FOURTH INTERNATIONAL TRANSPORTATION SEMINAR-PACIFIC, IN HONOLULU, HAWAII, FEBRUARY 9, 1970

Gentlemen, the Gross National Product is now at the trillion dollar level. Of this, $200 billion, or an incredible 20 percent is the (national) transportation portion. When one adds in the other costs of total distribution, such as inventory and warehousing, the figures go to $250 billion or 25 percent. In the face of facts like these, your focus here on "total distribution" is not hard to understand. On the contrary, it would be surprising, nay disappointing, if your seminar did not look explicitly at this subject.

Since I have the privilege of being your keynote speaker, I'd like to take the prerogative of doing two things. First, I want to cite what appear to me to be the issues -- the things we all should worry about in total distribution. Then, I want to make a few specific observations on what the government is doing about some of these issues. And before I begin,

I think I should warn you that I'm not going to restrict myself to defense matters. I can see from the agenda that you'll get plenty of that, and it's not my orientation anyway. Further, I think your group does and should concern itself with logistics generally, and not solely with the explicitly defense oriented aspects. By so doing, your perspective is in the full context of the national distribution system, and is not artificially constrained to a particular segment or application of that system.

So, let's proceed. What are the real issues that must be considered in total distribution? The laundry list is long, but in the broadest sense I think we can narrow it down to three primary concerns. In a "total distribution" system we want the maximum availability of material when it is needed and we want to store and move this material at the lowest total cost. And, finally, we want to accomplish this with a system which provides us optimum ease and reliability.

But that stuff's for the ivory tower theoriticians. Specifically, these goals translate into a variety of concrete and sometimes mundane issues on which we must make decisions day to day. What, for example, are the direct transportation or freight costs? The costs on the invoice? There's the old equation of time equals money, which varies of course depending on the market or the commodity involved. So what is the time required to get the shipment from origin to destination--and here time may involve time in transit, warehousing and inventory time, and the like. What is the value to you of shortening that time? And how convenient, or how easy to deal with, is the distribution system? When do you get, perhaps even "can you get" (and understand), the rates and services provided? Answers to these questions have a lot to do with the value of "the system."

If you can get a container when you want it, will it be compatible with the various modes involved on an international, intermodal trip? How, if at all, do you trace containers as they wend their way from origin to destination via truck, rail, ship, and overland again? And, finally, be you shipper or receiver, how do you determine responsibility when (heaven forbid) your shipment arrives damaged or doesn't make the scene at all. This is a problem with the simplest of distribution systems, but unless problems are anticipated and systems are well organized it can be a pandora's box when international, multimodal trip issues are concerned.

Transportation, like all parts of distribution, must of course respond to changes in business dynamics and to technological innovation. But in

responding to these, there are a host of issues raised and decisions that have to be made. The LASH and container ships loom on the horizon as a great boon to total distribution. But will our trading partners want to accommodate to these new systems? Or can we provide the requisite facilities "at both ends"? There are many institutions who are wont to keep the quo status! Containerization has been hailed as the greatest innovation in ocean shipping since steam replaced the sail, but in the present environment are shipper savings realized from increased speed, security, and ease of routing? Are transportation and other distribution costs reduced? Do these offset the tremendous capital outlay required for ships, equipment, and port facilities? To deal with total distribution, we have to be able to answer these questions and be able to calculate with some degree of accuracy the actual impacts.

The advent of the 747 and other wide-bodies should, in theory, lower the costs of sending freight and people by air, but increased capacity in the air and lower D. O. C. could be offset by greater boggle on the ground. In short, a lot more than just the plane is involved in distribution by air. Air freight is often a most attractive alternative if speed from origin to destination is really achieved! Speed from chock to chock alone isn't worth much.

Taking another tack, let's look at that area known as "brown money costs." Green money is easy. You can see it. For example, the freight invoice is visible money out of pocket. But other, less visible, items are costly too. For example, take paperwork. Everyone knows that it's there, that there's a lot of it, but very few actually bother to determine its real cost. In point of fact, however, the paperwork and administrative costs associated with this country's import-export trade are estimated by some to be nearly ten percent of the total value of that trade. By any measure, that's a lot of money.

Warehouse costs and the investment in inventory are additional issues. What does it cost to have inventory? How do you achieve maximum availability of material where needed, while at the same time keeping minimum inventory? How do you calculate the costs of having a system that will distribute perishable commodities to "new markets"? Another item that certainly shouldn't be overlooked is the cost of insuring that shipments arrive on schedule and that stock-outs don't occur. Or, on the other hand, what's the price tag for keeping a large inventory as insurance?

The foregoing seems to me to be some of what you should be worried about in distribution. Now, I'd like to shift gears and comment on a couple of specific things going on in the government that seem to me to

bear on all this. To be sure, my discussion will be heavily transportation oriented because that's my principal area of concern. And again I'll not by any means restrict myself to the purely defense area.

There are a variety of government bodies involved in one way or another in transportation. On the one hand, we have the regulatory bodies such as the ICC, the FMC, and the CAB and, on the other, the promotional agencies such as the Maritime Administration and the Department of Transportation. All of these are thinking about and, indeed, acting upon, the issues I have previously outlined.

President Nixon (and the Maritime Administration) have recently sent to Congress a new maritime program which we hope will restore the merchant marine of this country to its once dominant position in the shipping lanes of the world. The new program will have a lot of impact on some of the things I have just mentioned because it will mean new ship systems, and more of them--in short, new, better, and more ways of doing business.

The program is a recognition of the fact that the old way of doing things hasn't done all the job, and hasn't been the answer for our seamen, for our shipbuilding industry, for operators, or--in these times of strict budgetary constraint--for our government. And, perhaps most important, it hasn't been the answer for the Nation's users of transportation.

The shipbuilding program is designed to meet both problems which lie behind the recent decline in the field: low production rates and high production costs. By introducing a long-range building program and new approaches to construction subsidy, we hope to encourage builders to standardize ship design and introduce mass production techniques which have kept other American products competitive in world markets. And with these cost reductions, we expect that ship operators will be able to make the requisite capital investments over the next decade to build the new, high-technology ships--ships that will heavily determine the efficiency and competitiveness of our future international distribution systems.

Also, the program includes a variety of provisions, which don't need detailing here, for aiding ship operations and for enlarging and redirecting the maritime research and development activities of the Federal government.

DOT is also responding to the needs. Containerization is in theory at least a through, or door-to-door, service. But is it really, and does it live up to its potential? I think not on both counts and we are attempting

to develop some solutions which I think are of interest. As I see it, three areas in particular in international trade need improvement:

(i) the shipper should have available a total (through) rate from origin to destination and not, as is often the case, a confusing set of rates.

(ii) the shipper trying to move goods in international transportation should not be confronted by a flood of paperwork, both costly and confusing.

(iii) there ought to be available to the shipper a simple and uniform system of carrier liability covering all segments of the journey. If cargo is damaged in the course of an international movement it is often impossible to tell where the damage occurred; from the standpoint of the shipper, the place of damage is immaterial and yet because a carrier's liability differs greatly under railroad, steamship, and airline tariffs, the place of loss, rather than the fact of loss, governs the shippers recovery.

The Trade Simplification Act of 1969 which has been submitted to Congress by this Administration deals directly with the first two problems and addresses the question of liability indirectly. This bill:

(i) would permit carriers of all modes to publish joint rates to be quoted to shippers for through international transportation; under present law, land and sea carriers are not permitted to publish a single joint rate for through transportation.

(ii) makes an initial attack on the paperwork jungle by allowing all the carriers participating in a through movement to issue a single through bill of lading for the entire journey, door-to-door.

(iii) attempts to create a mechanism which will allow competitive market forces to work toward uniform liability; carriers will be encouraged to assume full responsibility for loss or damage and to reflect their costs in the joint rate.

Thus we have here a legislative proposal designed to deal with some of the very cost/value issues I think you people---involved in total distribution--- are specifically concerned with.

Air transportation is another area where "the system" has not kept up with growth nor fully exploited technological change. Last year more intercity passenger miles were accounted for by air than by any other mode of common carriage. In 1968, scheduled airlines flew over 150 million passenger trips, triple that of a decade ago, and, at the same time, the general aviation fleet almost doubled, while the use of air freight quintupled.

And this growth is likely to continue over the next decade. Obviously, the purpose of air transportation is to save time, but the ability of the aviation system to accomplish this purpose is being challenged--not in terms of quality, but in capacity. Our airports and airways simply cannot accommodate past growth, let alone what is to come.

Early last summer, DOT sent to Congress an Airport/Airways Development Program which we think will go a long way toward solving our air transportation problems. Broadly speaking, the program proposes:

(1) For airports, a 10-year, $2.5 billion grant-in-aid program and a planning grant program not to exceed $10 million.

(2) For airways, annual authority for acquisition, establishment, and improvement of air navigational facilities "at no less than" $250 million a year, as well as an R&D effort at $60 million per year. This program is to be funded under a revised and expanded schedule of user charges. We expect the bill to improve air service in general--for the airline passenger, for the private aircraft owner--but of specific interest to you will be the improvement of service in the movement of air freight which this expansion program will make possible.

I've spoken of aviation and the merchant marine, but now let me add a few comments on overland transportation. The problem of railroad freight car shortage has been with us for some time. It's one that the Department hasn't, in the past, been too heavily involved in, but one which certainly requires attention. There have been a variety of attempts to alleviate it, but none have been very successful. The car service (or supply) problem is really several problems--the total supply of particular types of car in the system; the distribution of cars within the system; utilization; and car condition. So it's not just one but a variety of problems that have to be solved. The recent Tax Reform Act addressed several aspects of the question by dealing with amortization on railroad rolling stock and right-of-way improvements and expenditures in connection with certain railroad rolling stock. In our Department we have underway a study which is looking at some of the economic considerations involved in freight car distribution, and we may expand the scope of this study to include some specific recommendations on just how car utilization can be improved. And we have a number of other efforts under consideration, such as research to provide better information about the location of cars and to improve control of their assignment.

Gentlemen, transportation and distribution in total are undergoing massive changes, managerial, technological and in some ways regulatory. We are increasingly becoming aware of new things to worry about, new decisions to be made, new uncertainties to be dealt with. In short, life is not very simple and grows daily more demanding. But, with all this comes new opportunity and new resources to exploit these opportunities. I think we are involved in one of the most exciting times. The future is demanding to be sure, but I think it is also unlimited in opportunity. Thank you.

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EXCERPTS OF REMARKS MADE BY CHARLES D. BAKER, ASSISTANT SECRETARY-DESIGNATE FOR POLICY AND INTERNATIONAL AFFAIRS BEFORE CATRALA, LAS VEGAS, NEVADA
FEBRUARY 18, 1970

There must be some reason for my being here other than to participate in the wonders of Las Vegas and Ceasar's Palace -- nothing's that easy. The most obvious, of course, is that I'm here to fill you in on what the Department of Transportation is doing that is relevant to you. I want to do just that -- discuss some of the things that you should be worrying about and some of the things that we in the government are doing about them. But first I want to digress or rather go backwards a bit and cite some of the things I view as indicating the real nature of the car and truck renting and leasing situation.

Probably the most significant characteristic of your industry over the past decade has been its tremendous growth. And related to this are trends in the transportation industry generally. For example, let's look at the growth in automobile usage. In the past decade, private automobile ownership has increased from 62 million to 89 million, approximately 3 to 3.5 percent annually, while the population has risen at something less than half that rate.

At the same time, however, there has been a movement away from public transit usage! While the number of buses in service has remained fairly static -- at 50,000 -- over the past decade, the ridership has dropped from 6.5 billion passengers in 1958 to 5.6 billion in 1968. Interestingly enough, in half that time, from 1963 to 1968, taxi volume increased 70 percent; from 1.9 billion to 2.7 billion riders. And so here we have a dramatic increase in automobile ownership and taxi operations, while public transit is in decline. What about leasing and rentals?

Although the statistics vary depending on the basis used, the growth in automobile renting and leasing has been tremendous by any measure. Taking the number of new automobiles sold annually to rental and leasing agencies, the growth from 1963 to 1968 was from 281,000 to 678,000! An increase of 140 percent!

The rental and leasing of trucks showed a similar startling growth. While common, contract, private and exempt carriers in total have grown at a rate of approximately five percent over the past decade, truck rental and leasing has increased about 20 percent annually.

Now, why this growth? The first and obvious answer is ease and convenience to the user -- whether it be to the travelling businessman, the tourist, or the trucker who wants to be a trucker and not a garageman. There are also financial advantages -- to the fellow who doesn't want to tie up his capital in equipment (or who doesn't have the capital) or who wants to see all his transportation costs on one sheet of paper. And tax advantages, too. For these, and a variety of other reasons, users over the past decade have found it increasingly more convenient or more advantageous financially, or both, to rent or lease rather than to buy or use some alternative means of transportation. So, I think the last 10 years shows a picture of success for your industry. Now whether it continues to grow depends on whether the package you offer continues to be more attractive than the alternatives -- financially and from the point of view of convenience.

Now, I'm not going to dwell here on how you should merchandise your product, or how you should exploit new markets. You'll get plenty of that before you leave Nevada. What I do want to do is comment briefly on some of the things that the government does or is doing that affect you.

The government -- at the Federal, State, and local levels -- impacts on your activity in a variety of ways -- ranging from levying taxes to defining operating authority. But there are two areas of Federal Government activity I think are particularly relevent in today's environment, if you'll overlook the pun! The first is air pollution. I don't think I'm letting out any trade secrets when I say that the government is becoming increasingly concerned about the environment. President Nixon in this year's State of the Union Message exhorted the Nation and committed his Administration to improving our environment. A lot more attention and considerably greater resources will be focused on this problem in the future.

Air pollution is only one facet of our environmental problem, but it is a major one. And by far the largest contributor to air pollution is the motor vehicle. (The Department of Health, Education, and Welfare says that pollutants emitted from automobiles account for 60 percent of all air pollution, but some authorities place this as high as 90 percent in certain urban areas.) In any attack on air pollution, the automobile -- and other motor vehicles -- will be a likely target. And here I think it is interesting to note that air pollution as caused by motor vehicles is a locational, and not a gross emissions problem. The problem exists primarily in cities because here a great number of vehicles are concentrated within a relatively limited area. If automobile emissions were spread uniformly over the entire area of the U. S., we probably wouldn't even know that a problem exists. But the problem does exist in the cities and we are going to have to do something about it.

As President Nixon has said, the price tag on clean air is high. But it is a price that is going to be paid! And in the final analysis, the consumer/user is bound to bear some, if not all, of the burden of this cost. To date, the Federal Government has dealt with the problem of vehicular air pollution primarily by setting Federal standards that limit the emission of pollutants (carbon monoxide and hydrocarbons) from the vehicle. The first such standards went into effect on automobiles and light trucks with the 1968 model year; a revised set will go into effect on 1970 and 1971 model year cars. But this is only the beginning! It is estimated that it will cost the consumer an estimated $100 to $300 extra per vehicle to meet antipollution standards by the mid-70's. As the standards get stiffer, the costs will too! And since you people are in the vehicle acquisition business quite as much as the vehicle renting business, these figures are important to you. This item alone may increase your equipment investment costs by ten percent.

But purchase price is not the only cost that will be affected by pollution control standards. There is evidence that necessary control devices will cause a less efficient use of gasoline, and as miles per gallon go down, operating costs go up. And other added costs will come from enforced inspections of the control devices as well as from increased maintenance and repair costs. (As an aside; a recent study indicates that the anti-pollution standards recently adopted by the State of California will require an annual public expenditure somewhere in the neighborhood of $500 million merely to cover inspection, maintenance, and repair costs required to enforce pollution control standards on the States 20,000,000 cars.) These figures are by no means official but they do indicate what I'm trying to get across -- that your cost trend is upward.

Now, all these figures, of course, are based on the premise that the automotive industry stays with an internal combustion engine. If you move into the less conventional propulsion systems, data become more controversial and also harder to substantiate. Steam engine buffs, for example, proclaim that it would cost less than today's I. C. engine, while Detroit figures steam would cost up to $300 more! And you can find an ample body of "disinterested" professionals that will support both sides. Gas turbine engines present similar difficulties in estimating. But, overall it seems pretty clear that we will be using reasonably conventional engines in our vehicles for most of the 70's and these engines are going to cost more to buy and more to operate.

Now in addition to the blue sky bit, you are also going to be affected by the increasing emphasis on the part of the Federal Government on safety. Here, the Department of Transportation is directly involved through its Bureaus of Motor Carrier Safety and the National Highway Safety. We are responsible for establishing and enforcing national highway and motor vehicle safety standards.

Since the enactment in 1966 of the National Motor Vehicle Safety Act, the Department has compelled the introduction of such safety devices as laminated windshields, safer fuel tanks, energy-absorbent steering columns, better brakes, and lap and shoulder harnesses. (And, since the Federal Safety Program has been underway the rate of annual increase in traffic fatalities has decreased albeit only slightly as yet.)

Now at last count it was estimated that during calendar years 1968 - 1970 automobile safety features resulting from National Highway Safety Bureau standards increased the price of an automobile 2-1/2 percent (over $80 at retail). And, we intend to do a lot more. We are undertaking research on anti-skid devices, car-to-car approach rate detectors, and proximity brakes. We are working on developing better standards for vehicle stability, lighting, instrumentation and controls. All these are bound to have an effect on your purchase costs -- although probably not (as in the case of anti-pollutant devices) as much on the cost of operation.

Now a word for truck rentals and leasing. While initial thrusts in the safety area have been aimed at the automobile rather than at multipurpose vehicles, I think that in the future, we can and should expect similar attention on buses, trucks, and trailers.

I could, of course, discuss a number of other activities of the Department that are of vital importance to you. Most of these you will be discussing in the course of your seminars over the next couple of days. The two issues I have discussed -- safety and pollution -- give you an indication of the complex problems we are going to be facing in the future. These problems are difficult to be sure, but they are also exciting. They will require new thoughts and concerted effort on the part of us all for solution. Thank you.

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