DEPARTMENT OF TRANSPORTATION | NEWS

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20590

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REMARKS PREPARED FOR DELIVERY BY THE UNDER SECRETARY OF TRANSPORTATION JOHN W. BARNUM TO THE NATIONAL COAL ASSOCIATION, STATLER-HILTON HOTEL, WASHINGTON, D. C., JUNE 17, 1974

Transportation accounts for a very significant part of this nation's energy consumption -- roughly one-quarter of total energy consumed. We are all especially aware of the dependence of transportation upon petroleum sources of energy, and indeed transportation accounts for approximately one-half of all the petroleum consumed in this country. This does not, however, diminish in any way our recognition of transportation's need for coal. It is, of course, a direct source of transportation's own energy requirements. Equally significant, it is an alternate source of energy for other industries and consumers which, if coal were not available, would so increase the demand for petroleum that, even if the petroleum were available, undoubtedly there would be a significant change in the price of petroleum. That in turn would have a major effect on the entire cost structure of our transportation industries.

Transportation is also dependent upon coal as a source of revenue. Conversely, coal needs transportation if it is to be

We believe one of the most pernicious of the railroad industry's problems is an outmoded and excessively restrictive Federal regulatory policy. Existing regulatory policy has seriously hampered railroads' ability to adapt to changing economic and competitive conditions in the transportation industry. It has discouraged abandonment of uneconomic rail lines and hindered the industry in innovating new services, in responding to competitive conditions in transportation, and in attracting traffic on which railroads have a competitive advantage. As a consequence, the railroad industry is not operating at maximum efficiency, nor making its maximum contribution to the national economy. Of even greater significance, the regulatory system is sapping the vitality of the industry and undermining its capacity to function as a viable, privately-owned and operated system.

While these problems are not of your making, I'm sure their consequences are a matter of great concern to the coal and coal-affiliated industries. Whatever ails the railroads today inhibits the ability of the coal industry to serve the nation's energy needs and whatever reduces the efficiency of rail operations costs you -- and the consumer -- money. Let me turn, therefore, to some of the actions we are taking in behalf of the railroads and their customers.

The Regional Rail Reorganization Act of last January attacked the railroad's problems where they were most acute -- in the Northeast and, to some extent, Midwest portions of the country. While

a few lines have managed to remain profitable, eight primarily Northeastern lines -- including the Penn Central, the nation's largest, plus more than a dozen of its subsidiaries -- are bankrupt and a few have come perilously close to liquidation.

The road back to solvency is a tortuous one, and because our analyses indicated that uneconomic lines were contributing to the railroad's burdens we identified, in our Rail Services Report issued in February, some 15,000 of the region's 61,000 miles of track as "potentially excess." Apparently the first word in that classification was widely overlooked, because the protests against abandonment have been loud and numerous.

Let me say two things about abandonment policy:

First, there will be no lines abandoned without a full and objective appraisal of the impact on the community involved, or without ample provision for alternative transportation service. The United States Railway Association, established by Congress to structure a viable consolidated rail system, will produce a "system plan" by September. Even after that preliminary plan is drawn it is subject to review by DOT, ICC and the Congress. The function of the new rail system taking shape in the Northeast is to cut losses, not service.

Secondly: a provision of the Reorganization Act protects rail trackage in areas, and I quote, "where fossil fuel natural resources are located." We keenly appreciate, as does the Congress, the coal industry's dependence on the availability of rail transportation,

and we will not recommend or condone any abandonment actions that would adversely affect the mining or movement of coal.

We believe the Reorganization Act is effective, responsible legislation. But it does not go far or deep enough, if we are to avoid a replay of the Penn Central and the other bankrupt railroads' troubles on a national scale. Accordingly, we have sent to Congress the Transportation Improvement Act of 1974, designed to modernize and revitalize the nation's entire system of rail transportation. That bill contains three cornerstone objectives which we believe to be essential to an effective rail reform and assistance program.

One: it authorizes $2 billion in Federal loan guarantees, to help finance equipment purchases and plant improvements, which in turn should help their profit picture as well as improve the service they can provide.

Estimates vary on the resources needed to bring the railroads' 200,000 miles of track and roadbed up to acceptable standards, but the investment is large by any yardstick. By our own assessment we believe an additional $10 billion over the next 10 years, beyond what the railroads are currently spending ($1.3 billion in capital expenditures in 1973), is needed. Even assuming that all the trackage would not need to be brought up to acceptable main line standards, a study done for the Federal Railroad Administration recently indicated $4.1 billion in deferred maintenance is due on 70 percent of the nation's rail trackage. The $2 billion in loan guarantees available under our Transportation Improvement Act would

not bring trackage up to standards overnight, but it would help the railroads raise capital for urgent right-of-way investment.

Two: the Transportation Improvement Act would authorize a $35 million investment in a government-sponsored system of car location and control. In recent years individual railroads have made some progress in developing better control over car movements, but we need a uniform system that is capable of coordinating freight car movement nationwide. A master rolling stock scheduling and control system would go a long way toward relieving today's problem of low freight car utilization.

Three: the Bill authorizes the overhaul of outmoded regulatory provisions, primarily to remove constraints that impede economic performance. Let me note in connection with this point that no amount of Federal financial aid can help the railroads over the long haul unless the conditions that have caused the industry's economic problems are corrected. This means, by and large, a greater reliance on the forces of competition. If a railroad can do a certain job better and cheaper than another mode, it should be allowed to do so. At the same time, the railroads should not have to provide service at non-compensatory rates. Indeed, they should not be allowed to provide below cost service.

The Bill contains other provisions of interest to your industry, and I trust the members of the Transportation Committee recently established by the National Coal Association will examine our bill in detail. We will be happy to meet with you to answer

questions or to clarify any portions of the proposal that relate to your special interests. I would like now, however, to highlight how the legislation is directly applicable to the coal industry.

With respect to the conditions of the railroads' physical plants, the movement of coal could be speeded considerably by the use of unit trains of 100-ton cars, by passing rail yards and moving at "freeway" speeds. This is not possible as long as much of the nation's trackage remains substandard and subject to severe speed limitations. An estimated 30 percent of the Penn Central's mainline is under slow orders, and the Rock Island considers 3,500 of its 7,400 miles of track in the "slow order" category.

With respect to the railroads' rolling stock, the precise dimensions of the current hopper car shortage are not fully known, but every railroad in the coal carrying business is experiencing difficulty in providing sufficient cars to meet industry's needs. In fairness to the railroads, this is not due to poor planning so much as it is to the recent and unexpectedly sudden demand for coal. Coal carloadings peaked in 1970, at just over 5.1 million carloads. The widespread conversion of utilities from coal to oil caused coal shipments to decline significantly in 1971 and subsequent years. In 1970, for example, the Penn Central handled 650,000 carloads of coal, but in 1973 only 514,000 coal-loaded cars moved through the PC system. Coal volume fell on the Norfolk and Western from 1 million carloads in 1970 to 800,000 in 1973; on the Chessie system from 1.3 million (four years ago) to just under 1 million last year.

Faced with what appeared to be a shrinking market, many railroads -- especially in the East -- cut back on hopper car orders and retired older cars rather than repair them. As a result, the Class I railroads that owned 389,000 hopper cars in 1970 began 1974 operations with a fleet of fewer than 355,000. This smaller inventory together with sharply increasing demand (up 7.3 percent over the first quarter of last year), has compounded the present hopper car shortage.

The rail industry last year ordered 106,000 new and rebuilt cars, and put 60,000 new cars in service. While hopper cars may remain in short supply during the balance of the ore-shipping season, the railroads -- I am sure -- will succeed in moving the coal just as they moved unprecedented quantities of grain in 1972 and '73. If necessary, we will lend a hand to assure that public utilities and other coal users get needed fuel deliveries.

Despite the Penn Central's severe financial troubles, their car repair shops in Altoona are doing the maintenance necessary to extend the useful life of the line's hopper cars. Our General Counsel recently visited Altoona to check on progress. Under Section 215 of the Regional Rail Reorganization Act, some elements of the bankrupt railroads are eligible for "early purchase" and we consider the Altoona repair facility a prime candidate for purchase under that provision.

I would also note that a number of tactical difficulties in recent months added to railroad problems in moving coal expeditiously.

Attempts of Eastern electric utilities to line up coal supplies in the face of reduced residual oil availability placed severe pressures on the carriers to accommodate these "spot" purchases -- often moving to points that had not seen coal traffic in years. As may be expected, proper car and motive power utilization is difficult to maintain in such circumstances. Over the long term, however, we believe that the financial incentives to coal users associated with regular, volume movement will, when coupled with long-term coal production contracts, largely alleviate these types of problems. In that sense, both industries share a common concern that expensive, long-lived capital assets have some assurance of generating a reasonable return throughout their useful lives.

With respect to efficient car utilization, the average open-top hopper car today makes 25 trips a year, which means it delivers one carload of coal every two weeks. If this turnaround time can be shortened -- if travel, repair and idle times could be reduced, even a fraction -- both the railroads and their customers would benefit. Thanks to a progressive upgrading in freight and hopper car capacities over the years, including a growing use of 100-ton cars, the average load now carried is 80.4 tons (because of this influx of newer cars, aggregate fleet hopper car capacity is slightly greater today than in 1970, when the railroads had 33,000 more hopper cars.)

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* 28.5 million tons today compared to 27.9 million tons aggregate capacity in 1970.

Increased capacity, plus better utilization, plus the improvements in track and roadbed which the financial provisions of the Transportation Improvement Act will help make possible, add up to a potential three-fold gain in productivity to be realized by the railroads under legislative proposals now pending. These are gains the railroads and those they serve can ill afford to see further deferred or denied.

In conclusion, let me reassert the confidence I expressed earlier in the capabilities of the railroads. I believe America's railroads can carry all the coal the industry can produce at competitive prices. The transporting of coal is a prime example of what the railroads do best, and given relief from conditions that burden them today, the railroads will do the job better in the future than they have in the past.

I observe with interest the proposal put before Congress last week for the development of slurry pipelines to carry coal direct from the mine to the consumer. Unless we do come to the early and effective assistance of the railroads, not only coal but other commodities may have to be diverted to alternative modes. With the nation's total freight traffic expected to double in the next 20 years, the unused capacity and energy efficiencies inherent in rail operations make railroads a good choice for improvement and expansion. If your industry expands coal production as forecast, from today's 600 million tons a year to the two billion tons foreseen annually by the 1990's, and if low-sulphur coal is to move east from mines in

Wyoming and Montana, we will need the railroads' maximum capacities, regardless of developments in pipeline delivery techniques or increased barge traffic.

I would like to add one final thought. I have been talking largely about better railroad transportation for the coal industry. Let me remind you that we and the railroad industry are both looking toward more electrification of high density lines, for both passenger and freight. As the cost of petroleum mounts, many of the electrification proposals that heretofore might have been marginal become more attractive. And in terms of long-range plans for energy self-sufficiency, the more we can look to wayside power the greater our flexibility and potential. Coal generated electricity is an obvious candidate. It is also useful to think about increased use of electricity for other modes of transportation. Mass transit is an obvious case in point, and the prospects of electric automobiles and urban jitneys are not so farfetched as to be dismissed in your planning. Again, coal is an obvious candidate.

So the future holds as many challenges for the coal industry as it does for transportation. Many of them are the same, and therefore I appreciate this opportunity to participate in your deliberations. Thank you and good luck.

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REMARKS OF UNDER SECRETARY OF TRANSPORTATION JOHN W. BARNUM AT MEETING OF NATIONAL RAILROAD PIGGYBACK ASSOCIATION, WASHINGTON, D.C., SEPTEMBER 26, 1974

Thank you for this opportunity to talk about intermodal transportation. You know far more about the subject than I. It is the purpose of your organization and daily work of your members. It may be helpful, however, to have a brief run-down on how the U.S. Department of Transportation views intermodal transport, and what it is doing to help grasp the opportunities it presents and to tackle the problems which impede its natural growth.

Unlike some of the other problems with which we wrestle at DOT, intermodal transportation does not involve serious controversy. The intermodal concept makes sense no matter how you look at it. The need for it is incontrovertible. The benefit to all the carriers is clear and unchallenged. The yield to the shipping public in improved service, greater flexibility and lower cost has been amply demonstrated even in intermodal's infancy. The most important beneficiary, however, is the general non-shipping, non-transporting public -- the consumers who benefit from its efficiency and from prudent energy and resource use.

To the professionals in this room it is unnecessary to repeat that the basic virtue of truck-rail intermodal transportation is that it combines the best features of both modes. Yet even the obvious must be demonstrated repeatedly in order to improve "coordinated transportation services."

Take, for example, the Department's role in dealing with the problem of the bankrupt railroads in the Northeast and portions of the Midwest. Under the Regional Rail Reorganization Act of 1973, you will recall, the Secretary of Transportation was required -- under the gun of a brutal time deadline, I might add -- to report his recommendations regarding the scope of rail service required within and between the various zones of the region.

The report issued last February suggested that an alternative to expensive public subsidy for light-traffic rail access lines is wider use of coordinated rail-truck service. The report noted the obvious fact that freight service probably would be improved as a result. It recalled the equally obvious fact that rail transport is from two to five times as energy-efficient as motor carriers in long-haul, high-volume freight service.

The Secretary also reported, however, that "the energy efficiency of motor carriers is greater than that of rail for short haul and very low volume movements." We found it necessary to emphasize in this manner that intermodal operation produces benefits both ways in basic resource use -- that the rail mode is not always the most efficient, and that the rail net as a whole works better in tandem with highway carriers.

The report provoked howls from shippers and politicians who thought they were going to lose rail service. Little attention was paid to the likelihood that a streamlined railroad plus rail-truck service would result in better freight service -- and incidentally help avoid nationalization, something none of us want.

Whether we call it piggyback, or trailers, or containers-on-flat-cars, or containerization, or -- in plain, yardmaster talk -- "PIGS," the long run traffic trend has been upward, thanks to your efforts.

Nevertheless, it is our belief that even the 2.6 million trailers and containers you carried in 1973 do not begin to meet the true potential of intermodal operation. Your piggyback revenues during that year were only 5 percent of the $19.4 billion earned by the regulated intercity motor carriers alone.

Our preliminary intermodal studies thus far indicate that the market for network-type truck-rail service is substantially more than is being captured by the industry.

May I suggest some of the possible reasons for the failure of piggyback business to come even close to matching expectations for its growth?

I think it a fair statement that, with some notable exceptions, both rail and motor carrier managements regard piggyback as a "by-product" of, or an "add-on" to, conventional rail carload movement and truck pick-up and delivery activities. This general attitude toward intermodal operations, coupled with capital fund scarcity, has produced a kind of "make-do-with-what-we-have" strategy.

Until now, no one has contended that the "make-do-with-what-we-have" strategy has been all-bad or unjustified. In the youth of the intermodal business, it has enabled the capital-starved railroads to reach for a new dimension of truck oriented traffic without the high risk of commitment to sunk investment in a new system.

The conventional flatcar for piggyback traffic is a versatile vehicle -- readily transferable to other services. It is therefore easily financed via equipment trusts. Parenthetically, we expect to test an ultra-lightweight TOFC/COFC in 1975 to evaluate its earnings/expense ratio.

The use of conventional or slightly modified semi-trailers has enabled certificated truckers and other users to employ in present-day piggyback service a familar and flexible tool of their trade. As an aside, preliminary DOT studies indicate that, even though the wheel-less container produces line-haul operating cost savings of about 10 percent compared with trailers, accommodating to the preferences of truck carriers and truck users for the conventional "semi" for domestic traffic may be important in building the market.

We must conclude that, whatever its frailties, "make-do" piggyback service has kept on the rails for the long haul a significant amount of high-value, service-sensitive merchandise traffic that otherwise would have been irrevocably lost to movement by highway-all-the-way. It is not unreasonable to assume that possibly 50 percent of the $1 billion worth of TOFC revenues the railroads earned in 1973 would have gone to all-truck. It is wishful thinking to calculate it would have remained in boxcars.

But now we need a bolder strategy. Present-day rail TOFC service, in general, is costly and relatively inefficient. It has not succeeded in attracting a sufficient, consistent traffic base to produce the cost structure and the service standards required to penetrate the "trailer-izable" traffic now moving largely by highway-all-the-way.

What are some of the weaknesses in present-day piggyback service which retard its growth? Recognizing that, in the railroad industry, basic inefficiencies often affect adversely both the service package and the cost basis -- which together win the traffic -- I will not attempt to weigh their influence. Suffice it to say that, in the intermodal business, what is good for service is almost always good for profit, and, strangely enough, also for costs.

1. Most TOFC traffic is handled, for all or part of its transit, mixed with carload traffic in conventional trains. This subjects competitive TOFC freight to the same road and yard delays that plague carload freight. It also means that both trailers and flatcars are insufficiently utilized. Our studies show that the cost of ownership of the equipment required for intermodal service is a surprisingly high proportion of operating expense -- something like 33 percent. It means also that trailer-bearing flat-cars must be sufficiently massive to withstand the shock of movement in long trains, along with bulk freight perhaps, and frequent yarding.

2. Under present fleet utilization practice and mixture of TOFC with other freight, flatcars for intermodal traffic must be heavy and expensive, with no opportunity to reduce air drag -- even though the latter factor constitutes well over a third of total train resistance, even at relatively low speeds. The obvious consequence is the need for high-horsepower, high-profile locomotives and excessive fuel burn.

3. In fact, however, the few dedicated TOFC trains the railroads do operate are too often under-powered. In addition, they are delayed waiting for innumerable connections, annulled, or otherwise rendered less than effective competitors.

4. Currently the railroads operate some 1,400 TOFC terminals for interchange between rail and road. This total is down from the peak of 1,600 in the 1960's. We realize that some of the terminals listed are for rating purposes only and are not used for transfers. Nevertheless, the total spread currently gives an average of about five trailers per terminal per day at 1973 traffic levels. Presently, 10 percent of the terminals handle more than 50 percent of the trailers.

5. Many of the terminals are poorly located with respect both to major highway access and expedited train operation. They may be located in some otherwise unused corner of a yard, positioned and laid out for an entirely different function.

6. The level of traffic available at most terminals does not justify the mechanization and provision of adequate handling and storage area required for fast, low-cost handling. In terminals that do justify mechanized transfer, transfer equipment currently available frequently damages trailers and containers and their contents and is difficult to maintain.

You could summarize these last three points by saying the present-day TOFC "terminal" is indeed a terminator instead of what it ought to be -- a through-port for quick and cheap through-put.

The highway side of present-day piggyback service suffers from comparable frailties. The motor carrier performing the local haul of the trailer for piggyback service has not always been tuned in to the requirements of what is really a new kind of business -- truck-rail. Thus far, the long-haul truck operator who uses rail piggyback is not so much a participant in a coordinated service as a customer-user of a rail service on a standby basis, with no responsibility for terminal investment or operation.

The inevitable consequence of this service-cost mix is dissatisfaction and inhibition of incentive to expand intermodal service or to use it consistently.

Potential users profess to be dissatisfied with reliability, frequency and transit time of the typical piggyback service available today. Their sales resistance is prompted particularly by their experience with traffic interlined between railroads.

Many users of piggyback -- including private shippers as well as certificated truckers -- tend to patronize present-day piggyback chiefly for peak and over-flow traffic they can't handle efficiently by highway. This practice, in turn, produces a costly imbalance in TOFC traffic. Today empty trailer and flatcar moves constitute over 40 percent of this traffic. In contrast, the normal ratio in over-the-road common carrier trucking is 5 to 10 percent.

I leave it to you in the business to say which is operative: is it the thought that piggyback service is inherently unprofitable which turns off rail management, or does the present cost-equipment-service-patronage mix inevitably produce a less-than-satisfactory return?

Service or incentive, cause or effect, the vicious circle must be broken before intermodal comes into its own.

How does the Department of Transportation stand on this?

In a recent statement before the House Appropriations subcommittee, Secretary Brinegar declared:

> "A major cause of inefficiency in both passenger and freight transportation is the lack of close coordination among the various modes. This problem is compounded by the historical development of separate systems of terminals by each of the modes. A priority program is needed to lift unneeded restraints to intermodal cooperation and to encourage the joint use of terminal and other facilities by all transportation modes."

Elsewhere in this testimony Secretary Brinegar asserted:

> "Through institutional changes and the development of new rail car technology, we would like to see trains become more efficient freight 'wholesalers' with close coupling to truck lines which would serve, at least in part, as 'retailers.'"

What has DOT done so far?

About two years ago, the Federal Railroad Administration of the Department initiated a feasibility study for a national network of intermodal service capable of significant penetration of the total merchandise traffic market available now to rail and truck carriers.

The Department of Transportation is continuing to pursue its research efforts aimed at exploiting the economic potential of piggyback to the fullest. And with the continued support of equipment manufacturers and shippers, I am sure the future of piggyback is bright.

Dave DeBoer gave you the Phase One findings of that study at your meeting in San Francisco in January. I repeat only that the study shows the intermodal market to be the largest and most likely source of traffic growth for the railroads; and advanced TOFC/COFC service will build intermodal traffic by at least seven times the rate of growth you have experienced in piggyback traffic over the last decade.

We have just received a draft of a new study element which we hope will serve as a "Planning Manual for Intermodal Terminals." The study has not yet been accepted, but if and when it is the members of this Association automatically will be supplied copies.

Doubtless you will agree with its observation that, while the nature of the line-haul movement is used to characterize a transportation service, the essential heartbeat of a common carrier's operation is the terminal function. You will probably also agree that terminal operations largely determine a carrier's total service capabilities and a significant portion of its total costs.

It is obvious that, in the distance range of most of the potential traffic, the cost of truck-rail service must be marginally less than all-truck, since the transit time is likely to be marginally longer. It follows that the cost of all transfers between road and rail and line-haul should be below the line-haul costs of truck, over the same distance range.

Studies currently underway in the Department indicate that concentration of the transfer function into a limited number of high-volume, low-cost-per-unit "through-ports" is an essential ingredient of a saleable intermodal service.

Last year, FRA, the Department's Federal Highway Administration and the Secretary's staff joined in a study of the impact of advanced truck-rail service on a representative traffic corridor of the country along the Pacific Coast. From this we expect to be able to determine how a truly modern intermodal service will affect such national concerns as highway capacity, fuel consumption, and manpower needs. I anticipate some of the findings will surprise some people.

What are the next steps in the DOT program? In fiscal year 1975 we are proceeding on several fronts. First, we are participating in a joint test of a lightweight test car with a car builder, truck manufacturer, and major carrier. The object will be to gain cost and maintenance experience with a lightweight car and to test newer premium freight truck design. Secondly, we are refining our cost data to analyze line haul vehicles, terminals and operating methods of intermodal services. Thirdly, we are examining equipment and management control systems necessary to operating an intermodal service at a reasonable cost.

Beyond FY 1975 our activity depends upon the results obtained from these efforts. We are considering several possible approaches to testing truck-rail service in order to identify its full potential. Among these approaches is that of a demonstration of the commercial means of improving truck-rail service between two selected end points. This would involve testing a dedicated type service with expeditious movement, avoiding classification yards. We would cooperate with the railroads and the shippers in evaluating the results of the demonstration and if the new service concept proves successful, the technique of implementation would be developed in conjunction with them. We are optimistic that this experiment, if undertaken, could be extremely valuable in demonstrating the vast untapped potential of truck-rail service.

What kind of intermodal service do our feasibility studies, equipment and through-port designs, tests, and revenue demonstrations anticipate? Since we're still working out numerous alternatives, and since we may run up some blind alleys, it is impossible to characterize the particulars of what we expect to be the optimum system.

In general, however, we see a necessity for integrated national coordinated truck and rail service. It will attract sufficient traffic density to provide frequent, dedicated train service, in specially-adapted low-weight, low-cost, fast-moving locomotives and cars, between major merchandise origins and destination areas equipped with unified high-volume through-ports.

Our survey has developed cost profiles for an advanced system which is not burdened with the unusable portion of present-day rail facilities. We look on intermodal as a separate and distinct mode of freight transportation, standing on its own feet, using the best aspect of an all-truck and all-rail system.

It is conservatively estimated that the total freight market for rail and truck will increase 50 percent by the turn of the century. If the trend of the last few decades continues, however, the railroads' share of this expanded total market will drop a further 8 percent between 1972 and the year 2000.

The best and most immediate hope for a change in that adverse trend is participation in a modern intermodal service.

The Department is determined to play its appropriate research and development role. We hope to have some concrete projects for your review at a subsequent meeting. Meanwhile:

Continue to tell us what you need from our studies.

Continue to help us get the data we need and counsel us on its interpretation.

The future course of intermodal transportation will depend principally on your continued willingness to draw selectively from the best of ongoing research and to modify it to your specific operating requirements.

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REMARKS BY UNDER SECRETARY OF TRANSPORTATION JOHN W. BARNUM TO THE CITIZENS' ADVISORY COMMITTEE ON TRANSPORTATION QUALITY, WASHINGTON, D.C., OCTOBER 7, 1974

I want to talk to you briefly about the possibilities and problem of removing abandoned cars from our highways, but first let me give you an overview of the whole highway beautification effort.

The Federal-aid highway program is one of the country's longest running and most successful public works programs. As with any such program, it has changed and developed over the years - reflecting changing perceptions of the highway's role and its relationship to other objectives of our society.

One example of this sort of development started in 1965, when Congress passed the Highway Beautification Act to provide for scenic development and beautification of the Federal-aid highway systems. This legislation authorized Federal programs in three general areas: control of outdoor advertising, junkyard control, and landscaping and scenic enhancement.

In general outline, the beautification program calls for States to develop programs for what is termed "effective control" of both billboards and junkyards. Effective control means that, after specified dates, billboards and junkyards cannot be newly located within certain distances of Interstate

and Federal-aid Primary highways, and existing billboards and junkyards in those adjacent areas must be removed or brought into conformance with the Federal requirements. The legislation provides 75 percent matching Federal funds for the costs of removing billboards and for the costs of screening or removing junkyards which were lawfully established but which do not conform with the Federal requirements. In addition, Federal funds can participate in the costs of landscaping, roadside development, and scenic enhancement along Federal-aid highways.

As I noted, this legislation was passed initially in 1965. In 1970 it was renewed. However, authorization of Federal funds to carry out the program has been rather sporadic. There were not any funds authorized for beautification purposes during 1968 and 1969, and only minimal funding in 1970. The only years in which there has been anything like adequate funding were those immediately following passage and renewal of the legislation: 1965 to 1967 and 1971 to 1973. The Senate this year has passed a bill which would provide funding as well as change some of the provisions of the law. The House has several similar bills before it, but has not yet acted.

Nevertheless, the following results have been achieved under the beautification program to date:

- All States have enacted laws to control outdoor advertising in conformance with Federal requirements.

- All but Wisconsin have enacted laws to control junkyards in conformance with Federal requirements.
- Over 200,000 billboards have been removed from areas adjacent to Interstate and Primary highways.
- More than 10 percent of the junkyards in areas adjacent to Interstate and Primary highways have been either removed or screened so as to minimize their visibility to highway users.
- More than $120 million in Federal funds has been spent on scenic enhancement of Federal-aid highways.

We still have much to do under this program, which has been rather stymied because of the lack of Federal funds, but there has been considerable progress.

It is important to remember the underlying purposes of the beautification program. Scenic blight along our highways - whether it takes the form of sprawling junkyards or commercial billboards - is an aesthetic eyesore which spoils the natural beauty of our countryside, and also a threat to driving safety because it is distracting to the driver. Congress stated that control of these matters was necessary "in order to protect the public investment in ... highways to promote the safety and recreational value of public travel, and to preserve natural beauty."

With that brief overview of our existing highway beautification program, I would like to turn to a problem which is related but on which, under current legislative authority, we haven't much of a handle. That is the problem of abandoned cars.

We estimate that every year approximately 1 million cars are abandoned on public or private property. One million every year. Why are these cars abandoned? Well, there are a number of reasons: in most instances, probably, the car simply is no longer in operating condition and the owner is either unwilling or unable to go to the trouble and expense of disposing of it properly. Many of these old cars are owned by the poorer members of our society. A towing charge which may be required to get the car to a junkyard or wrecker - if one can be found which wants the car - would be a serious financial burden. There may be a certain amount of red tape involved in clearing the title of the car before it can be taken by a junkyard or wrecker. Many people are, no doubt, uninformed about the methods of properly disposing of cars. Owners are not the only ones who abandon cars; thieves abandon an unknown number of stolen automobiles each year.

And so, for one reason or another, we have our 1 million cars abandoned annually. We need to know more about abandonment. Who are the abandoners and why do they do it and how can it be prevented? This is the start of the problem.

Next, we come to the matter of collection. Most abandoned cars are collected either by the police or by those who use cars or their materials in their parts businesses. But approximately 20 percent of these cars are not collected through the normal processes, and thus each year there is a growing number of abandoned cars littering our landscape.

In the usual case, these uncollected cars are quickly stripped of usable parts and tires. Derelict hulks are all that are left, many lying within the rights-of-way of or in areas just adjacent to our public highways. The problem is probably worst in our rural areas, where the mechanics of collection are more difficult and the costs involved are greater.

These abandoned cars represent at least four problems.

First, they are extremely unsightly and mar the scenic beauty of our highways and countryside.

Secondly, they are a safety hazard to the motoring public. They are a distraction to the driver, they are an obstacle to the driver forced off the highway, and the plundering potential stops other cars and attracts people to areas they should not be - all of which adds to the driver's distraction.

Thirdly, they are a safety and health hazard to the neighborhood. Children are prone to investigate and play in most anything that is handy. These cars with their broken glass, spaces which can become locked, and assorted rusty protrusions are what lawyers call an "attractive nuisance," and are a real danger to children and indeed to others. They are also a fertile spot for rodent infestation, creating potential health dangers in the environs of the wreck.

Finally, and not least importantly, these cars represent a waste of important natural resources. As you may be aware, the demand for scrap ferrous material has jumped sharply during the last 18 months. Although our economy is troubled in many respects, steel output is very strong and demand

for steel has remained high. Since many steel mills can and do use varying amounts of scrap in their production processes, scrap is currently enjoying a very good market. To the extent scrap is utilized in the steel making process, of course, our iron ore resources are preserved. Moreover, use of scrap is energy efficient: it takes less fuel to convert scrap to new steel than it does to convert iron ore. More specifically, it takes less coke, which as you know is made from coal. To be sure, this country is blessed with ample supplies of coal, but mining coal presents its own set of environmental problems, quite apart from the undesirability - and cost - of squandering our energy resources. We should be recycling old cars as much as possible. Allowing cars to lie around unused is the sort of waste that we really cannot afford.

We have then, with respect to abandoned cars, three major problem areas. The first is to prevent abandonment at the outset. Secondly, there should be an effective and efficient means of collecting those which are abandoned. And, finally, recycling must be stimulated.

Let's review for a moment what is currently being done towards meeting these problems. There are three principal players who are more or less active in one or more of these problem areas. There is, of course, the private world. There is money to be made out of old cars, and not surprisingly businessmen have involved themselves. There are used parts dealers, junkyards for the collection or disposal of cars, and scrap processors who use assorted technologies to turn old cars into useable scrap.

An old car - or a late model abandoned car for that matter - has a definite value, and the world of private enterprise can be depended upon to reach out for that value as long as it is economic. A car contains any number of reusable parts, from tires and engines to windshield wipers and glove compartment doors. While the decrease in traffic accidents which is related to the 55 mile per hour speed limit has somewhat lessened the demand for used auto parts, that is offset to a degree by the fact that a lot of people are now keeping their cars longer and when parts wear out, the cost savings of replacement with used parts is considerable. And when all or most of the usable parts have been removed from a car, the dealer can sell the hulk for scrap purposes and perhaps make an additional profit.

The existence of a private market helps to prevent abandonment and to stimulate collection. Businessmen also endorse recycling as a matter of sound business judgment - even if there is no profit to be made from scrap potential of a car, it makes no sense to have dead inventory lying around taking up space.

But what about government - does it have a role, too? The question is how government activity can best assist the efforts and workings of the private market place. Where the market economics of private enterprise will not get the job done, the government role may need to be greater if the job is worth doing. And if there is a role for government, what are the appropriate, respective roles for Federal, State, and local government?

One thing that government can do is establish a legal framework which will foster control of the abandoned car problem. Forty-eight States now have legislation on this subject. Many of the State statutes are similar to a model Abandoned Vehicle Act which was developed in 1973 by the Committee on Suggested State Legislation of the Council of State Governments. The model act addresses all three of the major points: prevention of abandonment, collection, and recycling. Abandonment is made punishable by fine or imprisonment or both. A presumption of abandonment attaches to a car left unattended for a certain period of time. The police are empowered to collected abandoned cars and, if a car is not reclaimed after a period of notice to the owner and leinholders of record, the title to the car vests in the State and local government. After that, the car is sold either through auction or public sale. The model act does not specify a means of financing the legislative program, but sets out a series of possible financing methods including special taxes of various sorts. Most States, however, depend on the proceeds of the sales of impounded vehicles to finance their programs.

As I noted, 48 States have abandoned car legislation, and much of that legislation is very recent. Thirty-three States have some form of ongoing abandoned car program. In addition, a number of cities and counties have their own programs.

On the Federal level, not a great deal has been done to date on the abandoned car problem. We do have authority, under Federal Highway legislation, to give financial assistance to States for one time operations to clean up abandoned cars along Federal-aid highways, as a part of our basic landscape

and scenic enhancement program. The drawbacks of this program are not only limited funds, but also the fact that once Federal funds participate in the initial clean up, the State is required to keep the areas free of abandoned cars - without Federal assistance.

The question I would put to you is this: Does the Federal government need to do more in this area; and, if so, what? Do we need additional legislation? Should our efforts focus mostly on the abandonment aspect, the collection aspect, the recycling aspect?

And is there a way in which the Federal government, without launching a new funding program, can show the way to States and local government to rid their highways of derelict cars? Highways may be built with Federal funds, but they are owned and maintained by the States. In these days of budgetary restraint, we must resist the temptation to say the problem can be solved by throwing Federal taxpayer money at it.

I believe the perspective which you ladies and gentlemen can lend to these questions will be very valuable, and we will all appreciate your consideration and ideas.

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REMARKS OF UNDER SECRETARY OF TRANSPORTATION JOHN W. BARNUM TO THE NATIONAL CONFERENCE OF THE CONTAINERIZATION INSTITUTE, WASHINGTON, D.C., OCTOBER 8, 1974

THE DOT COMMITMENT TO INTERMODALITY

I should like at the outset to congratulate the Containerization Institute for sponsoring this conference and for establishing such a useful format. The barriers to intermodal operations are largely institutional. This conference is unique, as the first to bring together the Department of Transportation, the three transport regulatory bodies, and representatives of all phases of transportation. It should do much to break down these barriers.

It would be a mistake, it seems to me, if at the beginning of our discussion we should fail to recognize the difficulties of bringing intermodal operations to their full potential. Intermodalism is a new phenomenon -- a new departure in the tradition of American transportation. There was, in fact, little need for intermodal operations until early in this century. Our economy tended to be localized, with producer and consumer in close proximity -- and each transportation mode had its own function and its own area of service.

Equally important, the principal interaction between the different modes of transport was rivalry. The result was destruction. The canals ended the predominance of the early Colonial post roads; the railroads abruptly finished off the canal

boom; and, in our own time, the highway plus the truck, the intercity bus and the private car have nearly done in the railroads.

And within the modes themselves, the rule was ruthless competition -- often at severe cost to the shipper. The result was the creation of the regulatory bodies, and the establishment of regulations which protected the user/investor/carrier parties from each other -- and which separated them.

The need now is to re-examine this originally competitive and subsequently separated system. The requirements of efficiency, energy conservation, and costs now make it necessary for us to examine the competitive roles of the various modes and to determine how they may find advantage in working together.

Intermodal operations involving land and sea modes have made significant progress. Operators have been able to start from scratch -- and to build ports and ships and trucks and containers as components in an all-inclusive freight system.

The railroads and truckers, on the other hand, have not been so fortunate. The well known piggyback service is basically an improvisation -- an add-on, but, as such, has been a moderate success. Last year, our railroads carried some 2.6 million trailers and containers to bring in about $1 billion in revenues. Our studies indicate, however, the market for an advanced, network type truck-rail service can go as high as 30 million trailers, which would bring in about $4 billion in total revenues.

The failure to achieve this full potential has resulted in a "make-do," improvised service. Most TOFC traffic is mixed with carload traffic in conventional trains. This means the TOFC traffic is subject to the same yard and road delays that plague carload freight. This has the further results of under-utilization of equipment. The present TOFC terminals, furthermore, do not

have adequate handling equipment or storage area that permits fast, low cost handling. Most are also poorly located with little highway access.

On the highway side, truckers too often regard TOFC as merely a handy cost cutter for dealing with short-term traffic peaks, or with equipment or driver imbalance.

The result is that potential users say they are bothered by the poor reliability, frequency and transit time of most piggyback service available today.

It is now high time to go beyond this "make-do" phase, and to look ahead to a planned truck-rail system. We feel that is is now time to think of TOFC service as a new form of transportation with its own special rail cars, its own operations and its own terminal facilities. This has been the premise of studies being conducted by our Federal Railroad Administration, and the early results of these studies, I can report, are most promising.

About two years ago, FRA initiated -- as a beginning -- a feasibility study for a national network of intermodal service with the capability of significant penetration into the total merchandise traffic now available to rail and truck carriers.

The first phase of this study shows that such an intermodal service is, for the railroads, the largest and most likely source of traffic growth available. We find that an advanced TOFC/COFC service could generate seven times as much intermodal traffic as the existing piggyback service has generated in the past ten years.

One of the key elements of this advanced service is the terminal. Here our studies show that concentration of the transfer functions into a limited number of high-volume, low-cost-per-unit "through ports" is an essential ingredient of an integrated service.

Our studies are continuing, and we are now participating in a joint test of lightweight railroad car, with a car builder, a truck manufacturer and a major carrier. We want cost and maintenance experience with the car, and also we want to test newer freight truck designs.

Another phase of our studies is the refining of our cost data, that should permit us to make a better analysis of the line haul vehicles, the operating methods, and the terminals needed in intermodal services. We are also looking into the control systems for equipment, and for management that will be needed to keep intermodal services operating at a reasonable cost.

Our future studies will demonstrate the means of improving truck-rail services between two selected end points. This will involve testing a dedicated truck-rail service characterized by expeditious movement which avoids classification yards. We are now convinced that such a test will show the vast untapped potential of truck-rail service.

The intermodal service which we think will evolve from these studies is an integrated, nationally coordinated truck and rail service. We anticipate that it will attract sufficient traffic density to provide frequent, dedicated train service. This train service, moreover, will consist of specially adapted low-weight, low cost, fast moving locomotives and cars. And it will operate between major merchandise origins and destination areas which will be equipped with unified, high volume through ports.

What we foresee, in sum, is a separate and distinct mode of freight transportation that will stand on its own feet and use the best aspects of all-truck and all rail systems that will benefit shippers, railroads and truckers.

This intermodal service is of tremendous importance to future railroad business. Conservative estimates foresee that the total intercity freight market will increase 50 percent in the next 25 years. If the railroads' present losing trend continues, their share of this expanded market will drop a further eight percent.

This downward slide can be changed, however, by through participation in advanced intermodal service. We are determined to support such service.

This same increased use of trailers and specialized freight cars is the best long term method of moving toward better railroad operations and increased railroad profits. This is the finding of a special task force on increasing railroad productivity.

The other three recommendations are:

(1) Shorter, more frequent freight trains with car management handled by centralized computers common to all rail companies;

(2) Less restrictive regulations on rates and routes, thus giving rail managers the ability to manage efficiently; and

(3) Mergers of connecting railroads to form a limited number of competing cross-country rail systems.

We shall all be hearing more of these recommendations from now on.

It will do little good, however, to develop new trailer and container technology and operating techniques if we not first eliminate the institutional barriers. And this process must start with a massive change of attitude on the part of everybody in transportation. We can no longer afford to think in terms of picking up a passenger or a shipment of freight at point X and dropping it off at point Y. There are just too many competing modes to permit that kind of thinking.

Our starting point must be the question: Which carrier can be most effective in which part of the operation of moving passengers or freight from origin to destination?

Until recently, fear, mistrust, competition and rivalry have made such systematic thinking difficult. Now such thinking is mandatory. The regulatory bodies, for example, no longer accept the view that each carrier performs a special service and, therefore, is not competitive with another. Those days are over. I cite the findings of the ICC in the railroad merger of the Illinois Central with the Gulf, Mobile and Ohio. The Justice Department argued against the merger, claiming it seriously lessened competition. In presenting this argument, Justice attorneys first sought to eliminate the opinion that alternative carriers -- highway and water-borne -- were not true competitors. In essence, they argued, each carrier has its own speciality.

The ICC found against Justice and in favor of the merger. In its findings, the ICC utilized statistics from the Census of Transportation, and then commented on these figures in the following significant passage:

> The above facts lead us to believe there are few significant commodities which are not practically susceptible to transportation by at least two competing modes of surface transportation, depending on the particular commodity and area in question, and that the phrase "sheltered market" has little life remaining in regard to competition among regulated carriers. Technological process, and the improvements it has brought to our Nation's roads and waterways, and especially to the vehicles which travel over them, fully supports this conclusion. For these reasons we are convinced that other modes of transportation will prove effective substitutes, and will compensate for the loss of competition affected as a result of the merger.

The ICC's approval of the merger was sustained by two district courts, and the United States Supreme Court summarily affirmed the judgments of these two courts.

Again, this summer, the CAB, in an investigation of New England Air Service, denied subsidized scheduled air service to certain cities because they generated only a small volume of traffic. The CAB noted that all three cities had bus service to Boston and New York.

The Department of Transportation is firmly committed to the improvement of intermodalism, not only for truck and rail service, but for all other modes of transportation.

In this connection, the Department of Transportation, almost two years ago, helped set up the Interagency Committee on Intermodal Cargo (ICIC), involving the four equal partners of the Civil Aeronautics Board, Federal Maritime Commission, Interstate Commerce Commission and DOT.

At the closing session of this National Conference and Shippers Dialogue tomorrow afternoon, an open forum will be conducted involving all the ICIC representatives -- on how it views intermodalism, and how it works to determine priorities, and to initiate and coordinate action needed to resolve the problems which intermodalism faces. This should be one of the high points of this Conference.

One of the Department's priority objectives this year is to improve the intermodal coordination and management of our transportation development programs as they impact upon governmental units and the private sector. The basis of this important objective lies in the recognized need to improve the connecting relationships among modes and to establish a better process for planning, resolving

conflicts and implementing programs and projects in a more efficient manner. This is of particular interest to the 27 State DOT's which are charged with the responsibility and authority to plan and implement most transportation systems.

Transportation planning is one area in which intermodal program coordination has been initiated. Substantial progress has been made in coordinating the delivery of the various transportation planning programs at the field level closest to our recipient state and local agencies. A progress report in the area of transportation planning has just been presented to Secretary Brinegar. It outlines a number of areas in which the Department will be working over the next several months. These include: more uniform definitions of policy regarding urban and statewide transportation planning; improved coordination of transportation with other community objectives; enhancement of technical assistance to state and local planners; an effort to streamline our delivery system for our planning programs; and investigation of the need and feasibility of legislative changes including rail and port planning programs. We believe that these efforts, undertaken Department-wide and coordinated with State and local governments and private sector transportation interests, will lead to significant improvements in the intermodal transportation planning process.

The second phase of our intermodal coordination program is just getting under way. While several elements of the Department have been working since the Department's formation in 1967 to improve the effectiveness of transport services, we feel that the time has come to bring the full resources of the Department into the job of fighting against runaway inflation. We can do this, we believe, on a cooperative industry/government basis, by making possible more efficient and economical service, at least cost to the users.

We are on the threshhold of forming a Departmental Task Force on Intermodal Coordination, drawing on all modal administrations and the Office of the Secretary. While the list of priority issues to be dealt with is still not complete, we plan to address the intermodal problems of cargo and passenger terminal congestion and delays; development of domestic containerization; the improved governmental processing of joint single-factor rate tariffs; greater use of through bills of lading; and solutions to other intermodal cargo problem areas such as cargo theft, cargo liability, cargo handling, simplified documentation, and elimination of multiple transportation barriers to export expansion.

In whatever areas of intermodal service we deal with, our watchword will be improved federal/state/and local government coordination and cooperation. Of greatest importance, however, is our need for the assistance of all participants in this National Conference and Shippers Dialogue. We are counting on you to express candidly your most critical intermodal needs about which government should either act or decline to act.

I hope that the Review Board tomorrow afternoon will produce for all of us a clear summation of what must be done by all of us to get intermodal traffic moving. This will be of great assistance to the Department in framing our own intermodal service priorities. It will also give us a better insight as to how we can help fashion the Interagency Committee on Intermodal Cargo, the I.C.I.C., into a more effective instrument to find intermodal answers.

In the words of Chairman McFall of the House Appropriations Subcommittee on Transportation, "we are faced with an ever-increasing transportation quandary: How are we going to get there from here? Studies indicate that by 1990, we will have to double the transportation capacity of this Nation; we will need twice the transportation facilities which we have developed and installed in this Nation since its founding in 1776."

Secretary Brinegar's response to Mr. McFall was stated, in part, as follows:

> "A major cause of inefficiency in both passenger and freight transportation is the lack of close coordination among the various modes. This problem is compounded by the historical development of separate systems of terminals by each of the modes. A priority program is needed to lift unneeded restraints to intermodal cooperation and to encourage the joint use of terminal and other facilities by all transportation modes."

Thus, I can say to you that intermodalism is now moving forward under increased DOT leadership and coordination. It should help us not only to determine how we are going to "get there from here," but contribute materially toward a truly integrated national transportation system.

Intermodalism today is a reality. It is a natural development. It is something which just had to be. Intermodalism fills an inescapable need of our times -- and a need of the future. And it is, of course, here to stay. All we have to do is to make it work better.

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