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U. S. DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20590

STATEMENT PREPARED FOR DELIVERY BY M. CECIL MACKEY,
ASSISTANT SECRETARY FOR POLICY DEVELOPMENT, DEPART-
MENT OF TRANSPORTATION, BEFORE THE SUBCOMMITTEE ON
ECONOMIC PROGRESS OF THE JOINT ECONOMIC COMMITTEE,
ROOM 2128, RAYBURN HOUSE OFFICE BLDG., DECEMBER 3, 1968,
AT 10:00 A. M.

Impressive as the recent growth of the American economy has been, its continued economic expansion necessitates careful investment planning that fully anticipates our nation's long-term needs. Today the Gross National Product of the United States is close to the \$900 billion mark. Nearly 79 million people are employed, 7 million more than only 5 years ago. With civilian unemployment in October at a seasonally adjusted annual rate of 3.6 percent--lower, on an annual basis, than it has been at any time since 1953--we have been able to put our valuable human resources to reasonably effective use. True, we have our problems--and it is needless for me to attempt to add to this Committee's knowledge of them or to underscore their importance--but on the whole just about everyone would agree that the performance of the U. S. economy in the 1960's has been remarkable. One reason for this success is that our infrastructure has been adequate to the burdens placed upon it.

To sustain our growth in the decade ahead, however, will demand even larger capital outlays--private and public, State and local as well

Federal--than have been made in recent years. Between now and 1975 the population of the U.S. will increase by 20 to 25 million. In that target year, now barely half a decade away, the GNP (in then-current dollars) will no doubt exceed \$1.3 trillion. The civilian labor force, which now numbers 79 million, will have increased to close to 90 million. A growing proportion of these workers, and of the total population, will live in urban areas. Indeed, by 1980 it is likely that there will be a third more metropolitan areas with at least one million people than there are now.

To sustain this growing, highly urbanized population and work force and to maintain the conditions for rapid economic expansion will call for increased investment in virtually every sector of the economy. To say that, though, is not enough. To meet the growing needs of the nation requires careful, highly refined projections of future demands. This Subcommittee on Economic Progress recognized this when it began its study of State and local public facility needs and financing in 1966. The value of this continuing study, and of the two volumes of data and analysis which have been published, is of the greatest practical importance. The information published to date, and the further material that will be made available in the current hearings, will help lay the foundation for the farsighted planning that is absolutely essential to continued, balanced economic growth.

Today I want to focus most of my attention on planning for transportation. This sector, with all its components taken into account, now accounts for expenditures equal to a fifth of the GNP. That tells a great deal about its importance--but its essentiality to economic growth and to the satisfaction of human needs for mobility have even greater, if more subtle implications. No area of public commitment pulls together, in such a complicated way, the public and private sectors and the many levels of government. It is this intricate institutional setting which makes long-term forecasts of transportation expenditures so extremely difficult. That is why I intend to concentrate my attention on the major policy issues involving transportation rather than upon specific forecasts of public facility needs themselves.

Considered in general terms, the forecasts of public facility transportation needs published by the Committee in 1966 appear to fall reasonably in line with past trends and with the anticipated real growth of the economy. In the attached table I have summarized some of the principal transportation projections which are presented in volume I of your study. From 1965 to 1975 total capital outlays for transportation facilities, it is estimated, will just about double, rising from something over \$9 billion to not quite \$19 billion. At the same time the GNP, expressed in current dollars, is expected to increase from \$684 billion

in 1965 to about \$1.3 trillion in 1975. That is an increase of about 90 percent. If allowance were made for certain differences in statistical assumptions, the two forecasts--one of GNP, the other of transportation facility needs--would fall almost exactly in line with one another.

While the close fit between the Committee's projection of facility requirements in 1975 and likely economic growth contains no surprises, it should not be allowed to obscure the significance of the assumptions one makes about the goals that are to be achieved. In Leonard Lecht's 1965 study for the National Planning Association it was forecast that to provide a far better transportation system than we now have--one that would take full advantage of various technological advances--1975 transportation expenditures would have to exceed \$28 billion. Similarly, the study done for the Council of State Governments in 1966 forecast that in 1970 transportation facilities would call for spending of more than \$18 billion. That figure compares with an estimate of less than \$15 billion contained in volume I of the Committee's study.

In citing for comparison the National Planning Association study and the forecasts developed for the Council of State Governments, my primary purpose is to emphasize how important it is to agree upon objectives in estimating future transportation investment. The NPA

projection established goals to which we might "aspire"; to meet those goals would call for spending in 1975 at a level nearly \$10 billion more than this Committee's study has forecast. The difference is explained by the kind of transportation system which is assumed to exist. Until we can define our objectives and reach a consensus on them, we cannot expect to have any high degree of conformity in forecasts. And reaching that agreement is far more a reflection of the political process--State and local as well as Federal--than it is of the prognostic skills of professional economists. Agreement on goals--"What kind of transportation system do we want?"--is obviously essential to the formulation of overall future transport spending requirements.

The articulation of goals in transportation is closely interconnected with the role of comprehensive transportation planning. To put it differently, even if there is agreement on objectives, sensible decisions about investment can only be made after a rigorous comparison of the alternative ways to satisfy those ends. In this respect, it is the firm conviction of the Department of Transportation that the country's transportation needs can best be met only by looking at the transportation system as a whole. In the past this has not been the way we have viewed our problems. The "needs" of each particular transport sector

have been looked at in virtual isolation, with little or no effort to make comparisons and to channel investment on the basis of where it could provide the greatest return.

In creating the Department, Congress assigned to the Secretary of Transportation the job of facilitating coordination in the various national transportation programs. In attempting to fulfill this statutory assignment we have, in the last few months, initiated a number of projects which are designed to provide information about the relative effectiveness of different types of transportation to serve the needs of passenger travel and the movement of goods. This work is now at a very preliminary stage but ultimately it should yield insights into the most effective mix of ingredients to serve national transportation requirements. In the course of this work we anticipate having to make recommendations concerning a number of policy choices that will inevitably affect future investment in particular types of transport facilities.

To focus more pointedly on these issues, let me turn to a few specific cases. First of all, urban transportation. With more than 70 percent of our population now living in urban areas, it is reasonable to expect that the great bulk of future spending will be for transportation to serve the cities. Here the journey-to-work presents the biggest challenge. Whether our cities' needs can better be met through additional highways or mass transit is a question that will continue to be vigorously debated, but the answer is now shaped as much by financial inconsistencies as it is by the merits of the various transportation alternatives. Under existing arrangements, the States receive grants in aid ranging up to 90 percent of the cost of construction of highways in urban areas. Because of the character of the highway trust fund and the earmarking of user taxes, there is both reliability and continuity of the money available for road construction. The same cannot be said, however, for mass transit.

With the mass transit program currently funded at a level of less than \$200 million (about one-fifteenth of annual Federal grants for urban highway construction), the Federal Government does not provide local communities with a level of support comparable to that available for highway construction, and choices by local planners are correspondingly limited. As a result, many of the mass transit projects which cities have wished to undertake (one list is provided on page 307 of Volume I of the Committee's study) have either been postponed or terminated. Unless the Federal mass transit program is funded more adequately, it is likely

that mass transit will be severely inhibited, even though cities may feel that it better meets their local transport and other needs than highway construction. As a consequence, the Volume I projection of mass transit related expenditures could be higher than will actually materialize. Conversely, it could also mean that local units of government will have to absorb an even larger share of the financial burden than has been expected.

Let me turn to another area: air transportation. Here the need for additional investment is clear. By 1974 we estimate that the revenue passenger miles flown by the airlines will rise to 200 billion--more than double the 1967 level. Over that 7-year period the air carrier fleet will increase from 2,300 aircraft to more than 3,300. Meanwhile, the general aviation aircraft fleet will increase from 105,000 in 1967 to 160,000 by 1974. These projections assume a substantial increase in the capacity of the federally-operated airways system and additional airport capacity to meet the growing demands. Currently, our best estimate of public-owned airport development requirements, including terminals, is about \$4 billion for the period FY 1969 through FY 1973.

The fact that the Nation will need additional airport and airways capacity does not, however, tell us who should pay for it or in what way. The principle of recovery of airways costs through user charges is generally accepted by most, but not all, users of the airways. Some people think that the Federal Government should make available a great deal of

the money through outright grants for airports; others propose elaborate Federal loan arrangements. By contrast, our review of the situation persuades us that those who use air transportation, whether in the operation of their own aircraft or as passengers, can and should pay for both the airways and the airport development costs required to meet their demands. This judgment was reflected in the Administration's airport-airways program submitted to the Congress earlier this year. Shifting the burden of providing facilities for air transportation from the general taxpayer to the user will help ease this large financial problem and also help assure more efficient investment in air transport facilities. This, too, may significantly affect total as well as State-local airport facility capital projections for the 1970's.

My comments about the uncertainties pertaining to urban highway construction, mass transit, and air transportation and about the importance of more clearly defining our transportation goals should not cloud the fact that between now and 1975 there must be substantial increases in the investment for public transportation facilities. Nonetheless, while increased transportation outlays are both necessary and inevitable, their level, timing, character, and method of finance represent vital choices that can and should be made in a far more discriminating fashion than in the past. The key to this is good analysis

and careful planning coupled with the freedom to make investments where they will be the most productive. Comprehensive transport planning is only now getting underway. For years all levels of government have relied on unrefined statements of "need" as a substitute for good economic analysis. In the future the competition for the public dollar is going to become a great deal more intense and it will be imperative that we make better use of our transportation investment than we have up to now. To do that will demand, not just better planning, but also the creation of a financial climate that will enable the States and the cities to invest in those transportation facilities that they deem most likely to solve their transportation problems. To bring this about will call for many changes in existing policy, particularly with respect to the restrictions and conditions which the Federal Government presently places upon the grants it makes to the States and cities.

Better planning and a less restrictive financial environment are the essential pre-conditions to more efficient investment in public transportation facilities. If those conditions are to be satisfied, however, Federal, State and local government, along with private transportation organizations, must work together very closely in planning for the nation's transportation facility requirements.

1975 PROJECTIONS
(millions of dollars)

| | Actual 1965 <u>Total</u> | <u>Projected 1975 Spending</u> | | | | | | |
|--|--------------------------------|--------------------------------|-----------------|-----------------------------------|------------------------------------|-----------------------------------|-----------------|-------------------------|
| | | <u>Total</u> | <u>Highways</u> | <u>Toll Bridges, etc.</u> | <u>Off- Street Parking</u> | <u>Urban Mass Transit</u> | <u>Airports</u> | <u>Marine Ports</u> |
| JEC: Total capital outlays (all spend- ing units) | 8,643 ^a | 18,980 | 15,830 | 500 | 1,000 | 1,370 | 630 | 150 |
| JEC: State & local public facility capital outlays | 8,934 | 17,670 | 15,830 | 500 | 300 | 960 | 530 | 50 |
| Lecht NPA "aspiration" Projection | | 28,200 | | | | | | |
| GNP | 684,000 | 1,300,000 | | | | | | |

a/ Actual 1965 figures for off-street parking facilities and urban mass transit facilities unavailable.

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