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U. S. DEPARTMENT OF TRANSPORTATION
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REMARKS PREPARED FOR DELIVERY BY M. CECIL MACKEY, ASSISTANT SECRETARY OF TRANSPORTATION FOR POLICY DEVELOPMENT, BEFORE THE FIFTEENTH ANNUAL UNIVERSITY OF PITTSBURGH CONFERENCE ON BUSINESS PROSPECTS AT CHATHAM CENTER, PITTSBURGH, PENNSYLVANIA, THURSDAY, OCTOBER 17, 1968, 12:00 NOON

The modern corporation is one of the great marvels of man's creation. In a sense it is like electricity--we have never really figured out what it is but we have learned how to make considerable use of it. We know it is capable of a great deal of good but that it also has the potential for considerable harm. And on occasion it seems to get completely out of hand.

The corporation seems to have a little something for everyone. It has proved to be a never-ending source of fascination for financiers and scholars alike and the object of study by students in virtually every field. It has at one time or another been both the scourge and the salvation of widows and orphans, survived both attack and adulation from politicians and, through all of this, demonstrated such remarkable resiliency that reasonable men can still find themselves in serious debate over whether or not the corporation does, in fact, have a soul.

It is really not very hard to understand why so many people have so much interest in the modern corporation. We need only reflect on what Adolph Berle pointed out as its two most notable achievements:

- . . . The ability to concentrate economic power; and
- . . . The ability to increase production and distribution.

In both areas the modern corporation in our capitalistic economy has proven itself to be without peer. In light of its remarkable success, it is no wonder that we should be concerned with its behavior and spend our time trying to answer questions like "What is corporate responsibility?"

The question of the rights, powers, and responsibilities of our inanimate citizens became an issue early in the game. The corporation had money at its disposal and people outside the corporate family wanted it to do things with that money--things like making donations to charity; supporting education; contributing its manpower and its money to the whole range of projects so dear to the collective hearts of the do-gooders.

The legal considerations associated with such efforts were generally phrased in terms of whether corporate powers were held in trust for shareholders or for the entire community. While the resolution of this issue may have generated a few fees for deserving lawyers--a by-product not to be lightly dismissed--it hardly raised what we would be inclined to consider as one of the great social issues of the day. The question has now largely been resolved and the result seems quite consistent with our intuitive feelings. A review of the literature on the subject would, I suspect, strike you as being narrowly drawn and unduly legalistic.

But the debate on corporate responsibility has been more extended and certainly more relevant in another area--that of corporate behavior in the marketplace, frequently with an emphasis on pricing policy. Both economists and lawyers have struggled long and hard with the question of how to deal with the modern corporation and what to expect of it in the case of oligopoly--that situation in which business has not quite made the grade and become an unabashed monopoly, yet has been freed from most of the restraints we normally expect to be imposed by a truly competitive situation.

Here the issues are very real and they are persistent. For example:

- . . . How large should we allow our corporations to grow?
- . . . How far should they be allowed to range in terms of activity and in terms of geography?
- . . . What are the proper behavior patterns for the truly giant corporations?

. . . What is the impact on our lives of the existence of these large aggregations of economic power?

. . . Can we--should we--control or regulate their actions?

These are difficult and important questions but they are essentially classical in nature. The political scientists, sociologists and psychologists can very comfortably join the economists and lawyers in discussing them. They can even be framed so management consultants can advise on them--and this is the acid test of the traditional wisdom in any area. The analysts, the scholars, the managers themselves, have tended to address these questions in terms of whether corporate management must act out of a sense of responsibility to all those affected by corporate decisions or whether the economic interest of the shareholders can be the only proper and possibly even the only legal basis for corporate decisions.

Perhaps the issue over the conscience of the corporation--the issue of altruism versus economic self-interest--never really existed except as a subject for academic debate in scholarly journals or an occasional speech by a corporation president at his alma mater. In any event, the outcome of rational pursuit of corporate objectives based on either policy assumption seems to produce about the same result.

But the basic issues are largely unresolved. We have not developed standards or criteria that have had a significant impact on corporate size. We have not even developed a theory that allows us to deal with the emerging conglomerate. Our major corporations are, as Bayless Manning has observed, vast centralized social and economic organizations and there appears to be little, if anything, that is likely to inhibit their growth seriously in the future. The far-reaching influence of the international corporation is convincing evidence that our problems are not confined by national boundaries.

We know of the corporation's pervasive impact in our society but even in the regulated industries there is no really effective mechanism for shaping or influencing corporate behavior patterns. Consider, for example, the problems of trying to deal with inflationary pricing practices in any one of our major industries. We are still very much at odds as to where, when, how and even whether to apply controls to corporate activity. Antitrust has clearly proved to be an ineffective mechanism for dealing with these problems and neither the Congress nor the Executive Branch of Government has shown any substantial interest in trying to make it more effective. In these circumstances, it seems likely that the basic issues will remain unresolved for some time to come.

However significant the question of public control may be, it is a blunt fact of contemporary political life that corporate power appears less likely to be constrained by the exercise of traditional government policies than it is by the code of ethics which guides corporate executives in their decisions. It is a tenet of present day business philosophy that corporations should, indeed must, act "responsibly." They must act with a sense of social obligation. Whether it be in the establishment of prices, in the resolution of labor disputes, or in foreign investment, the interests of the public are to be accorded weight with the traditional objectives of profit maximization. Whether it is equal weight may be another matter. But behind the facade of corporate responsibility are a number of troublesome questions--questions that ask whether the corporate notion of "responsibility" as it presently exists coincides with public needs.

One does not have to challenge the notion of responsibility to ask what it means in the day-to-day behavior of immensely powerful business enterprises. What I want to suggest to you is that we do not yet have an acceptable definition of responsibility, that the yardstick used by the most well-intentioned corporate executive is not necessarily a standard that reflects social requirements, and that the concept of responsibility must relate to government involvement of the kind that is essential in a democracy.

Let me, then, turn to these themes. My examples will come from transportation, but I want to make it clear that the principles are of general applicability.

First, a look at aviation. In the course of a few short years, modern jet technology has transformed the airlines. They have evolved rapidly from supplicants seeking subsidy from the Federal Government to assure their bare survival into powerful giants whose decisions and actions affect the entire structure of our economy as well as the environment we live in. As an example of the kind of progress that has taken place, consider the immense productivity of the modern jet aircraft. A single stretched DC-8 in one year of charter operations flew more revenue passenger miles than the entire trunk industry flew in 1938, the year the Civil Aeronautics Act was enacted. That same year, 1938, operating revenues for the trunk industry were \$42 million. In 1967, they were \$4.4 billion--more than a 100-fold increase. Last year, five carriers had operating revenues greater than the industry total in 1951.

Through this era of technical advance, of financial maturity, of increasing economic and social importance, the airline industry has made many

important decisions and demonstrated a great deal of initiative. Its management has introduced new types of service, opened new routes, financed tremendous additions to the air carrier fleet and underwritten hundreds of millions of dollars in airport expansion. This, by traditional standards, is leadership of a high order. But is it enough? Is it the kind of corporate leadership which we should expect of such an industry? Does it reflect acceptance of the kind of corporate responsibility that should accompany such growth and development? Is it adequate, given the far-reaching impact of air transportation?

There are other areas we should look at as part of this assessment. In the field of safety the record is commendable--the history of cooperative effort among airlines, aircraft manufacturers and Federal regulatory authorities dates from the earliest days of air transportation and has contributed to an outstanding safety record. There are, however, numerous areas that have received inadequate attention and where improvement could rightfully be expected.

In the field of aircraft noise the industry has moved more slowly than the public has considered acceptable. The resulting Federal legislation which was enacted this year is a clear indication of concern and an unwillingness to accept the pace of corrective action being pursued by the private sector on its own initiative. In aviation the problem of pollution, particularly from the jet engine, has received relatively little attention, but the problem exists and it will not go away by itself. It is certainly reasonable to anticipate that the public demand for action will increase.

Of even broader consequence, however, is the failure of the industry to deal with the myriad problems now commonly lumped together under the heading of air congestion. Little has been said or done by the airlines to demonstrate an acceptance of broad responsibilities to the public on their part as operators of such an important part of our complex and interrelated economy. In the mistaken hope that they could continue to operate essentially on their own terms, the airlines have accepted an institutional, legal and operational framework that has become increasingly unsuited to the realities of air transportation. The airlines' corporate management, despite their tremendous economic stake in the matter, have indulged themselves in a luxury neither they nor the country could afford. They have sat on the sidelines, so to speak, operating with relative success in a narrow context. But while they have done this a number of critical things have been happening:

- . . . The regulatory system, working in its characteristic unplanned and unplanning way, has become less and less able to cope with the major problems of the industry and their impact on the country.
- . . . The air traffic control and navigation system--the operational backbone of air transportation--has become clearly inadequate to handle even our present problems much less those we expect to accompany future demand.
- . . . Basic research vital to the future of air transportation has failed to materialize.
- . . . Air travel has lost most of its glamor, much of its comfort, a great deal of its convenience, a portion of its economy and, undoubtedly, some of its safety.

There has been little or no public debate on most of these major issues. There have been few, if any, proposals for overall legislative reform. There have been no calls for comprehensive review of the effectiveness of regulation. Perhaps most critical of all, there has been no development of an overall strategy for meeting problems--either those of the present or those of the future.

Only in the crisis atmosphere that has prevailed since the extreme congestion of mid-summer has there been scant recognition of these problems in their broader context.

Obviously, issues of this type raise difficult questions concerning the nature of corporate responsibility. There is no easy way to define the role of private industry, the role of Government and the role of the public in matters of this sort. The corporations themselves have a great deal at stake; they also have considerable resources to devote to the search for solutions. Historically, however, such problems have either not been apparent or in a simpler form have been matters which could be left, with the concurrence of all, to Government. By their very nature, however, these problems which now assume such great significance are ones which we all seem to agree should not be the exclusive province of Government. Rather, we tend to assume that corporate management must assume a share--perhaps the major share--of the responsibility. This responsibility includes both the identification of the problems and the effort to reach solutions that meet the needs of all who have an interest.

The airline industry is by no means an isolated example of an industry caught in the revolution of technology, growth and increasing social

awareness. In 1966, the automobile industry was rudely shaken out of a long complacency--out of a state of relative insensitivity to the broad aspects of automobile safety. Slow to react--slow to react affirmatively, that is--it found itself confronted with a new world of Government and public involvement in areas that corporate management had historically considered to be "the industry's business."

To ask whether or not the industry could have forestalled legislative action--escaping regulation by acting earlier on its own initiative--is to miss the main point. What is really important is an understanding of how corporate management in the automobile industry viewed its "responsibility" pre-1966--the concepts that shaped corporate decisions over the years and became a part of the industry's working definition of responsibility. There obviously developed a wide gap between the public's expectation of the industry and the industry's view of its own responsibilities. The public and the industry clearly differed in their views of the proper role for Government before events reached the climax that led to the landmark safety legislation. The legislation itself had the effect of changing the existing responsibilities drastically and creating some new relationships.

There are fortunately signs that at least in some areas some of the automobile manufacturers have undergone significant changes in attitude toward the nature of corporate responsibility as it relates to automobile safety. Such signs are encouraging but it is still early and corporate attitudes do not, by nature, change more rapidly or more easily than individual attitudes. The new relationships are not yet well enough established for industry, Government and the public to feel reasonably confident of how they will ultimately work. What this all means is that it will simply be a while longer before we can actually assess what has really taken place in terms of the industry's interpretation of its corporate responsibility.

But automobile safety--that part of safety dealing largely with the vehicle--represents only one point of contact which the industry has with overall transportation problems. There are also major issues of safety concerning the highways--their design, construction and maintenance. And there are questions concerning highway signing and roadside obstacles. The industry has not yet made up its mind how far it should go in voluntarily accepting responsibility in such areas. Nor has the industry come to firm decisions on the kind of involvement it should have in long-range highway planning or in an even larger sense in long-range planning for all modes of transportation. The manufacturers of the nation's trucks have to date avoided any significant involvement in policy questions concerning the economic regulation of motor carriers by the Interstate

Commerce Commission but this is obviously a matter of great relevance. Also relevant to the automobile industry's concern are such problems as rail passenger service, mass transit, V/STOL aircraft and even the question of compensation for victims of motor vehicle accidents, to mention only a few.

If the Department of Transportation is expected to deal with the transportation system of the country as a system--develop overall programs, propose legislation, consider alternative financing arrangements and relate transportation to the environment, how can our major corporations involved in transportation approach the problem on any lesser scale?

In each of the two examples I have cited, I am confident that there is no question in the minds of corporate officers involved that their corporations must act "responsibly." What is at issue is the meaning of "corporate responsibility" in the present social and economic environment--an identification of a proper role for the modern corporation with its massive aggregation of power and resources with regard to the major problems facing it and its particular industry. And beyond that, the question of the corporation's responsibility relative to the great social problems of today.

My own personal view is that our major corporations are quite literally confronted with revolutionary circumstances. Their decisions shape much of the world we live in. For good or bad, they control vast portions of the resources that must be brought to bear on the complex problems that are so much a part of our daily lives. The people across the country have a new kind of awareness of the problems affecting them--and more importantly a new awareness that solutions are possible. Expensive perhaps, but possible. And the rising demand for public participation in the decision-making process at every level in both the private and public sector adds a new dimension that no one can fully evaluate yet.

These forces all combine to create tremendous pressure for action--action by the private sector and action by Government. But all too often, action that might previously have been deemed the province of Government simply can not realistically be handled through the usual governmental processes. More and more there are indications that the Congress can not be expected to vote the money necessary to fund many critical programs. In most instances, however, the nature of the problems and the scope of the programs required to cope with them would demand more than Government action alone, regardless of Congressional attitudes.

Historically, with a few notable exceptions, the private sector has offered little in the way of affirmative action or constructive program proposals aimed at solving critical national problems. At best, it has tended to be a useful critic reacting to problems but offering little of a positive nature in terms of planning for the future. But all too often, the private sector has had essentially nothing at all to say about problems that should have been of major concern. This has left a void that we need badly to have filled.

This, then, is how I view the problem of corporate responsibility--as a problem of redefining roles and establishing new relationships--as one of recognizing the impact of changing social and economic conditions. And now that I have told you something of how I see the problem, I think it only fair that I give you some indication of what I think its implications are, what we need to do about it and the kind of action it calls for.

First, it is clear to me that we need a new breed of corporate activists--corporate executives who view corporate responsibility in terms that are consistent with the important issues of the day--corporate executives who will aggressively bring the resources at their command to bear on the problems of the future. This role of activist will carry with it the necessity to operate in a new arena, one in which too few corporate executives currently have experience. It will also mean asserting new ideas and new proposals based on sound staff work across a whole range of problem areas that have normally been considered either off limits or outside the sphere of interest for most corporate executives in their organizational capacity.

Second, we must develop a mechanism for translating corporate ideas and corporate action into programs. Obviously, no such mechanism exists today. Even if it did, there would be little for it to work with. In the future, it will not be enough to have corporate executives make speeches on great issues. It will not suffice to have corporations sponsor studies and public reports on controversial problems. It will not do for corporate officers or their trade association representatives to testify on particular bills, work for their passage or defeat and leave the matter there. Nor will the very commendable efforts of many of our corporations in such areas as providing jobs and training for the hard-core unemployed be enough to meet the corporate obligations. All of these are essentially traditional steps and usually they have represented the outer limit of corporate action. While they are a necessary part of participation in the overall process, they are only a small part and they do not reflect the kind of fundamental reassessment of the notion of corporate responsibility that I have been discussing. They do not even begin to constitute the kind of involvement in planning, in program formulation and in the day to day

work of implementation that I am suggesting must become a part of corporate responsibility.

What I suggest is a complete overhaul of the concept of corporate responsibility--one made necessary by changes in technology, changes in the times and the realities of the modern corporation itself. A change that will bring corporate thinking into a proximate relation with contemporary problems and public need. I am convinced that this type of reorientation is absolutely necessary for the country as well as the corporation.

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REMARKS PREPARED FOR DELIVERY BY M. CECIL MACKEY, ASSISTANT SECRETARY OF TRANSPORTATION FOR POLICY DEVELOPMENT, BEFORE THE 36TH ANNUAL CONVENTION OF THE UPPER MISSISSIPPI WATERWAY ASSOCIATION AT THE NORMANDY HOTEL IN MINNEAPOLIS, MINNESOTA, THURSDAY, OCTOBER 24, 1968, 1 P. M.

I welcome this opportunity to meet with this important regional waterways group to discuss the interests of the Department of Transportation.

You know, of course, that we have no direct role in the construction and operation of such waterway arteries as the Upper Mississippi River, a waterway that has been highly developed since before World War II and which carries important volumes of traffic of great significance to the economy of the region. Nevertheless, the enactment of the Department of Transportation Act in 1966 signified the awakening of a new interest in comprehensive national transportation policy, using all transport modes to provide the best service at the least possible cost to the Nation's resources.

Because transportation is both complementary and competitive among the different modes, any comprehensive transportation policy must take into account the benefits and costs of inland waterway transportation. Congress recognized this significant fact in its debates on the Department of Transportation bill. The bill, as enacted, provided an important role in waterway policy and planning for the Department of Transportation. Even so, the Congress left a number of important problems and issues unresolved.

Today I want to discuss some of these unresolved issues. I want to discuss them against the background of the interest you have in comprehensive planning in the water resources field. I want to emphasize that solution of the unresolved issues in inland waterway planning and development is related to the objectives of national goals for the development and use of water resources.

Transportation policy and water resources policy can be reconciled because both have similar objectives: the best use and distribution of the Nation's resources.

Moreover, both transportation and water resource development are based in large part on regional interests. Both serve the growth of regional economies through regional programs of development. True, we have different laws and administrative apparatus. But the strong interest in regional development is a common and uniting feature of both transportation and water resources.

Water resource development aims at multiple purpose objectives--transportation, flood control, recreation, water supply power, and sometimes irrigation. These interests cross the boundaries of several Departments and agencies--the Corps of Engineers, the Department of Agriculture, the Federal Power Commission, the Department of the Interior. The problem of interagency coordination is a serious one and Congress has provided that this take place through the Water Resources Council and related regional commissions, with the Department of Transportation being a member by statute of the Water Resources Council.

We thus have a common interest and a common forum to discuss the principal issues of relating transportation to the entire spectrum of water resource development.

I realize that your principal interest is in the inland waterway improvements of your region, which are constructed by the Corps of Engineers. During the past several years, new work for all rivers and harbors has averaged about \$300 million annually, with maintenance expenses approaching \$150 million. For fiscal year 1969, new work is estimated at \$245 million; maintenance at \$145 million. The Corps of Engineers has, therefore, a large program and the attendant problem of dealing with the economic justification and priority assignment of numerous individual projects.

In DOT we deal with the same kind of problem. Probably the best example is our Federal-aid highway program which is financed out of a trust fund which is funded by the gasoline and other Federal taxes on automotive users. Revenues into this fund have been averaging \$4.5 billion. In 1969 they are estimated at \$4.8 billion, and by the early 1970's will reach \$5 billion.

The trust fund provides financing for the interstate highway program, and supports other Federal-aid highway programs. The funds are earmarked for highway construction and are not available for other transportation investment.

In a program such as that of the Corps of Engineers for navigation projects, the Federal-aid highway program, and the airport grant program, there is sometimes a tendency to think in terms of a given level of authorizations and appropriations. A program is conceived at a certain level, and projects are adjusted to this level. The attitude with regard to individual projects frequently appears to be: if we can't get it in this year, maybe next year.

Because financing of transportation programs is split up into discrete programs, we often do not realize that we have two interests in public investment programs. First is an interest as a citizen and taxpayer. Second is an interest as a specialized user of waterways or highways or any other program. In the role of specialized user, it is natural to want our own so-called needs met as soon as possible and support program levels to meet them.

But the concept of "needs" or "requirements" itself has a different meaning for each of the two contrasting interests of citizens and users. "Need" from the standpoint of the citizen or the general public implies overall economic evaluation--does this program or project return more in benefit than any alternative use of the resources?

To the user, "need" typically identifies the amount of money which will be required to fund certain investment levels, all too often without full consideration of alternatives. In the highway field, for example, we encounter frequent national or statewide estimates of needs in the user sense. Projections are made of possible use of the highway system in terms of traffic volumes. These traffic volumes require certain physical improvements for convenient service, and these improvements have costs which can be estimated. The sum of these estimates becomes an expression of need. In the highway field such national aggregates have sometimes been estimated as high as nearly \$300 billion--a sum which can easily be used as the basis for projecting a long-term program of expenditures. Such a program may find further justification in the commitment of future revenues to a trust fund.

An approach like this does not serve our interest as citizens, regardless of our more specialized interests. As citizens we can not consider public investments in specialized functions as isolated programs. We must insist upon improved processes of economic evaluation so that the best

possible use is made of our total national resources. Accomplishing improved programming in the various areas of transportation will obviously be difficult and it will not be done overnight. Hence, we must address the unresolved issues left by the DOT Act and also in basic water resources legislation.

The leading unresolved issues in the waterway field appear to be:

- . . . Benefit-cost criteria for navigation aspects of multiple-purpose development.
- . . . Reimbursement for navigation services--the user charge issue.
- . . . Relationship of navigation development to regulatory issues.

These three issues have their counterpart in other aspects of multiple purpose development. Problems of defining benefits and costs are unresolved for other parts of the multiple purpose spectrum. Reimbursement is the rule in some of the water resource programs and not in others, including navigation. There are serious regulatory issues in electric power, flood control, and pollution abatement, as well as in transportation.

Most of these issues have one common denominator--the regional economy which a multiple purpose project, including transport features, is designed to serve. Transportation issues should be resolved in the light of the overall transportation needs of the region's economy.

In river basin studies, and implicit in the National Water Assessment Survey now underway, is a well-defined underlying economic base. From the economic base study factors are derived for water use for all multiple purposes of water--domestic use, industrial, power, agricultural, recreational, and transportation.

However, transportation has not been related properly to the economic base in most regional basin plans. Water transportation to be served by the navigation features of the basin plan is usually considered in isolation from the way in which the transportation needs of the entire economic base are met. New methods will have to be developed for relating the economic base to transportation needs, and relating these needs to the possibilities of inland waterway development. This step should precede any economic evaluation of navigation projects.

Surely, transportation by all modes serving every sector of a region's economy will have a total geographic orientation far different from the

limited amount of transportation which might use an inland waterway within the region. The waterway should be related to this entire system. Its contribution to the service needs of the entire economic base should be analyzed in the context of the entire transportation picture.

Only when such an analysis reveals significant potential for the entire economy of the region should there be further consideration of waterway development. Too many waterway projects are oriented to limited economic interests in a region. Even though a narrow consideration of costs and benefits may be viewed as justification for a given improvement, it is a dubious investment if it benefits only one plant, mine, or some limited sector of the overall market such as sand and gravel. Large investments of public funds should contribute to broad economic interests, and special forms of analysis must be developed to bring out such factors.

Benefit-cost criteria are today in a state of confusion due to the language of Section 7 of the DOT Act. It would appear that this state of affairs can only be cleared up through amendment of the statute.

As you doubtless know, Section 7 provides that investment criteria for inland waterways be developed by the Water Resources Council, which includes the Secretary of Transportation. The section further defines navigation benefits as the savings to shippers using the waterway, construed to mean the difference between the freight rates or charges prevailing at the time of the study for movement by the alternative means and those which would be charged on the proposed waterway. In short, this means that prevailing railroad or truck freight rates are compared with future rates that may be charged by waterway carriers that might use the waterway.

This produces an arbitrary and unrealistic way of identifying economic benefit. It is inconsistent with the customary definitions of benefit that may be used on other multiple purpose facilities on the same project, say electric power, which is measured by comparison of the costs of efficient steam generation. Moreover, none of the other multiple purposes have a Congressionally prescribed method for computing benefits. This makes it very difficult to develop a consistent benefit-cost analysis of a multiple purpose project. Keep in mind the significant decisions which rest on the multiple purpose benefit cost analysis--for instance, the allocation of costs to determine power rates. This factor alone makes it appear that we can not go on indefinitely with such an internally inconsistent basis for project evaluation.

Senate Document 97 states, "Benefits and costs shall be expressed in comparable quantitative economic terms to the fullest extent possible." Section 7 is obviously in conflict with this principle.

The use of rate comparisons of a given moment yields a fallacious result. Many rates actually move no traffic because there is no traffic to move. Often they are class rates; sometimes they are obsolete exceptions or commodity rates. Rates vary over a period of time, and some kind of analysis is often required to eliminate random variations. Often the waterway generates traffic volumes that did not exist due to the multiplier effect of the overall project on the regional economy. New aluminum reduction plants in TVA, or chemical plants on the Ohio generate new business. Rail, motor, and water carriers should compete for this business and comparisons are properly made on the rates used to move the traffic and the cost data which support such rates. The present arbitrary legal standard prevents a suitable analysis of this kind of benefit from waterway development.

Ultimately all rate comparisons reach the common denominator of costs-- what can competing carriers actually do in terms of the most economical use of resources? Cost comparisons are not possible under terms of the present Section 7.

There are many difficult conceptual features of comparative cost analysis of competing transportation modes. Some have high fixed costs which may be apportioned arbitrarily over units of traffic. Other modes have more variable costs so that each rate must more nearly cover the cost of doing business. Water resource agencies had been making good progress in their understanding of these problems and had begun the use of cost comparisons in waterway benefit-cost analysis. Not all of the problems had been solved by any means, but progress was being made.

Cost issues should continue to be discussed realistically. New sources of data and better methods of analysis should be the basis of such discussions. This important area of public policy is too important to be subjected to artificial limitations in analysis and evaluation.

Another neglected form of benefit-cost analysis is the study of actual benefits received after a project is built and placed under operation for a time. A number of studies of waterway projects conducted on the basis of actual performance showed outstanding results--better than might have been expected when the project was being planned. Conversely, some showed results that betrayed the initial optimism. Whatever the results of such analysis, they are essential to our understanding of policy. An improved idea of actual performance should offer better guidelines to project planning.

Such analyses of performance would show how actual rates charged and actual costs incurred interacted as competition developed in the history of a waterway. Cost experience, constructed freight rate concepts, and

many other analytical methods could be improved from closer attention to actual performance, rather than projected performance.

We should not assume that the present Section 7 will remain unmodified in future years. There is a widespread view that the present restrictive language on benefit analysis should be repealed. As Government agencies at all levels, transportation specialists and water resource interests find provisions of Section 7 inconsistent with other features of their programs and generally unrealistic, there will be an increasing desire to eliminate its restrictive effects.

In a similar way, the present situation in navigation reimbursement is inconsistent and unrealistic. Some functions of water resource projects such as power and municipal water are reimbursable, while others such as navigation are not. This divergence in policy is not supportable from anything in the nature of the programs, or on rational economic grounds. Reimbursement is another feature of present policy that we should expect to see changed. The introduction of reasonable navigation user charges is important for sound transportation policy and sound water resource programming.

Regulation of transportation, particularly of competitive rate standards, is a matter of great importance to consistent waterway policy. Regulation should prevent destructive competition of the kind that permits unreasonably low rates--far below any reasonable interpretation of costs--to destroy an entire mode of transportation.

At the same time, this kind of regulatory protection can not be used as an excuse to deprive the public of the economies of technical innovation by competing modes of transportation. Many of the issues of this debate will necessarily be involved in an important case now before the Interstate Commerce Commission on Rules to Govern the Assembling and Presenting of Cost Evidence, otherwise known as Docket No. 34013.

The Supreme Court has remanded one case involving a single railroad rate to the District Court with directions to affirm the ICC's finding of unlawfulness. At the same time, it would appear that the issue surrounding this particular case may be reevaluated in the Cost Evidence proceeding.

The issue seems to be the economists' argument about "fully distributed" cost versus "marginal" cost. The Courts apparently have left its resolution up to the ICC. The issue, however, involves more than a theoretical argument--it involves the state-of-the-art in actual cost finding. Present methods of cost accounting prescribed by the ICC may not be adequate to guide a competitive business in finding either "fully

distributed" or "marginal" cost relating to actual specific movements of traffic or the use of specific assets.

Cost finding in relation to competitive rates promises to be a technique which will be improved over a number of years as a result of the evolution of practice, rather than settled in a single installment from one ICC decision. New cost standards must reflect the potential of new technologies and new service concepts. These benefits must be distributed widely among the public. They must not be confined to a single group, or be denied to the public for the sake of protecting present interests, whether these interests be present investment in producing industries or existing railroads, waterways, or other transportation facilities.

Regulation in relation to waterways is another subject in which discussion and debate must proceed rationally on the merits of issues. We can not afford to imitate our Victorian ancestors and eliminate certain subjects from public discussion. Cost in all its ramifications is a key concept in regulation just as it is in project evaluation. We should accept this and think about it freely.

Benefit-cost analysis, reimbursement, and cost in rate regulation are three significant issues in water resource planning. They are essential tools in the relationships of general transportation policy to water resources planning.

None of these three issues contains any present statement of policy that can be considered the last word. All of them will evolve significantly in future years. We can not afford arbitrary regulations or legislative language which inhibit this process of free evolution. We can expect to see Section 7 modified in the interest of more consistent transportation and water resource policy. Reimbursement will take its place in navigation projects just as it has in other multiple purpose development. Regulation will become a more objective force in a competitive transportation industry.

These are important subjects for free and open discussion among all those concerned with sound transportation and water resource development. I am glad to have had this opportunity to discuss them with you today.

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REMARKS PREPARED FOR DELIVERY BY M. CECIL MACKEY,
ASSISTANT SECRETARY OF TRANSPORTATION FOR POLICY
DEVELOPMENT, BEFORE THE ANNUAL MEETING OF THE TRANS-
PORTATION COMMITTEE OF THE NATIONAL COUNCIL OF FARMER
COOPERATIVES, RADISSON HOTEL, MINNEAPOLIS, MINNESOTA,
OCTOBER 24, 1968, 4:00 P.M.

I have been asked to share with you some of my own views on the subject of economic regulation. Your concern, as Jim Harmanson has described it, is to make the Nation's transportation better to serve all interests--carriers, shippers, and the public generally. What particularly impresses me about his choice of wording is his implicit recognition that the transportation system is not an end in itself--a view held by many--but, rather, that it exists to provide constantly improving service. To the extent that it fails to do so--to become more efficient--I think we can all agree that it should be changed. And to determine whether and to what extent change is appropriate, there are a number of factors which warrant consideration.

It has been seven years since President Kennedy's transportation message was transmitted to the Congress. It has been even longer since the Mueller and Weeks reports first saw the light of day. It has been a year and a half since the Department of Transportation came into being. In that time we have endeavored, with some degree of success, to fulfill the mission Congress set for us.

Yet it has become increasingly clear that no one in Government--in any branch--and no one outside of Government--will be able to cope successfully with the wide range of problems besetting transportation unless they are prepared to deal comprehensively with its regulatory aspects.

The Department of Transportation can intervene in particular regulatory cases as it has done in more than twenty-five situations before the ICC, the CAB, and the FMC; it can comment on the myriad piecemeal legislative proposals which are proposed annually; it can undertake research; and its officials can make speeches: but what is needed now and what, in my view, any incoming Administration should undertake is a comprehensive review of our entire scheme of transport regulation.

In 1962 President John F. Kennedy urged a fundamental overhaul of our Federal transport regulation. What we have, he said, is

"a chaotic patchwork of inconsistent and often obsolete legislation and regulation (that) has evolved from a history of specific actions addressed to specific problems of specific industries at specific times, "

Almost seven years have passed and those words remain as accurate a description of the situation now as they were then. An outmoded regulatory system, pieced together over the years, continues to burden the country, making it impossible to achieve the efficient, coordinated system of transportation which Congress has declared to be essential to the nation's needs.

With the creation of the Department of Transportation in 1967 a major step was taken toward achieving that goal. Progress has been made in pulling together the once severely fragmented modes of transportation. With better planning, public investments in transportation can be put to more effective use in satisfying the country's transportation requirements. The Department administers the Federal-aid highway program--it manages the airways--it funds urban mass transit. Quite obviously, these and DOT's other programs are vital to transportation, but they are only part of the picture.

While the Secretary of Transportation is admonished by law to "provide general leadership in the identification and resolution of transportation problems, " to "exercise leadership in transportation matters, " and to

"facilitate the development and improvement of coordinated transportation service, " he lacks the requisite authority to accomplish those goals. If the job of giving the nation a truly efficient transport system is to be completed, a second major step must be taken: the rationalization of our entire regulatory system.

The "chaotic patchwork" that is transport regulation in the U.S. constitutes a historic anachronism in this, the last third of the twentieth century. It is, quite simply, a mess. The whole melange of rate regulation, entry restrictions, and controls over mergers, together with the obsolete organizational structure for administering regulation, almost seems as if it were calculated, by some unknown genius, to frustrate efficiency and to deny the public the benefits of advanced transport technology. One of our Supreme Court Justices has characterized it as made to provide for the separation of powers rather than to promote efficiency.

To put the situation in proper context, however, one has to look to history. What now seems to be an anachronism in regulation, did, at one time in our nation's history, have immediate and understandable relevance to our social and economic circumstances. The demands for railroad rate regulation, tracing back into the Granger period of the 1880's, arose out of circumstances in which the railroads did possess something approaching a monopoly of our transportation. To prevent exploitation and to afford some shelter from improper discriminatory practices seemingly called for public control. Similarly, depression-induced fear of "predatory competition" led to legislation which was calculated to provide protection from "excessive" rivalry between rail, truck, and air carriers. In the course of events, Congress created the Interstate Commerce Commission, the Civil Aeronautics Board, and, for maritime affairs, the Federal Maritime Commission to administer the regulatory system.

Transport regulation is not something which has sprung up apart from our economic development. Just as is true today, people expected their government to provide insulation from practices which were considered socially distasteful. While it does us no good to spend our time complaining about what the railroads did in the past, we do have a responsibility to reexamine the circumstances and determine whether a pattern of government regulation that may have been appropriate to an earlier day is still justified in the light of changing conditions.

In the three-plus decades since motor and air carriers were placed under Federal control, and certainly in the 80 years since the creation of the ICC, important changes have taken place throughout the transportation environment. Competition has largely supplanted monopoly. The truck, the pipeline, the barge, and the airplane have made deep inroads into a market for movement of goods and people that once was the exclusive domain of the railroad. The railroads, once the principal means for moving people between cities, are now rapidly approaching museum status insofar as passenger transportation is concerned. The railroads have simply been overwhelmed by the automobile, the bus, and the airplane. In the case of freight, the railroads are still the single most significant mode of intercity transportation but they have lost their dominant position to other forms of transportation.

It is, of course, not just the railroads which have been subjected to competition. Today there is a ceaseless interplay between the various modes for the attraction of shippers and travelers. Competition, not monopoly, distinguishes transportation in 1968.

Perhaps the major reason for this is technological advance. The car, the truck, the bus--accommodated by a million miles of Federally-aided highways--have assumed a position of preeminence in American transportation. Significant improvements in waterway transportation have made the inland rivers a significant form of freight movement. The aircraft, in barely three decades, has radically shrunk the world's time-dimension. Walt Whitman's characterization of the steam locomotive as "the pulse of the continent" is now nothing but a charming bit of our national folklore.

Competition, energized by the powerful forces of science, has fundamentally changed the character of transportation. But regulation--of the old form, developed for an earlier day, attributable to totally different circumstances--lingers on. It is like a building of Victorian architecture, majestic in its style, which stands above us, erect and stately, even though its foundation has been removed.

There are many features of transport regulation which seem particularly in need of modernization. Let me touch upon but a few, and these only briefly.

First, our whole scheme of transport rate regulation warrants complete revision, with as much excision as modification. When its doors opened in the last century, the ICC was primarily concerned with excessive rates.

Today far more of its attention is directed to keeping rates from being set too low. Its effective thrust is thus to check competition more than it is to shield the public from exploitation. Here there appears to be room for far greater reliance to be placed on the same kind of competitive factors that we depend upon in other parts of the economy to determine prices and the quality of service. Wherever possible, we should put our primary dependence on competition. Today it is possible to do just that in transportation, provided that the demands of the antitrust laws are fully satisfied. The public deserves the benefit of competition, whether it be in the movement of freight or in the realm of passenger transportation--whether it be by rail, truck, water, or air.

Second is the question of mergers and industry structure. Law and administrative practice, at times, preclude or retard mergers between or among transport enterprises which could produce greater economies and better service. Mergers, quite obviously, can retard competition but they can also promote efficiency. Where they are needed to enhance efficiency they should go forward, free from the suspicion and hostility of an earlier day. This is particularly important when, with changes in technology and with the development of such innovative devices as the container, intermodal transportation holds out particularly great promise for cost reductions and faster, more efficient shipments. The present legislative restrictions on ownership of one mode of transport in common with another vary widely from one situation to another. This hodge-podge is based primarily on old fears of railroad domination of emerging forms of transport or the waterway operators' fear of being swallowed up. Now there is widespread interest in common ownership across the modes, and our policies need to be brought into line with present realities and modern technology. We need to give particular attention to the growing trend toward conglomerate mergers involving transportation and to the increasing diversification into non-transport industries. We have far from an adequate understanding of what this means in terms of future investment in transportation.

Third, is our philosophy of entry control. Here, transport regulation is out of step with more than technology. In air transport, in trucking, and in certain other important areas, new entry is frowned upon. Protection of the "ins" against the "outs" places narrow private interests above the larger national interest in the encouragement of competition. Some of those who possess favorable positions are prone to conjure up images of "destructive" competition, but our experience shows that these expressions are rooted more in the desire to be shielded from the harsh winds of competition than in any legitimate concern for the public interest.

Fourth, is the issue of organization for administering transport regulation. While there will always be a need for regulation in transportation, though far more constricted than at present, there is increasing concern over whether it makes sense to perpetuate a tri-partite administrative system. One approach, given special emphasis by the last Chairman of the ICC, is the consolidation of the existing agencies into a single consolidated transport regulatory agency. Perhaps such an agency should be organized to function more in the image of the Tax Court than as a policy-making institution.

What I have outlined for you today --in these very large strokes--is an agenda for the reevaluation and fundamental overhaul of our old scheme of transport regulation. Transportation contributes nearly a fifth of our Gross National Product. It permeates every segment of the economy and affects every aspect of the American society. If it is to efficiently serve all of our needs it cannot be constrained by an outdated system of regulation. The economic stakes are too large for inertia or neglect. The issues are too specific to be ignored. There should be no time wasted in coming to grips with them.



U. S. DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
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REMARKS PREPARED FOR DELIVERY BY M. CECIL MACKEY, ASSISTANT SECRETARY OF TRANSPORTATION FOR POLICY DEVELOPMENT, BEFORE THE 22ND ANNUAL MEETING AND PRESERVATION CONFERENCE OF THE NATIONAL TRUST FOR HISTORIC PRESERVATION AT THE MUNICIPAL AUDITORIUM IN SAVANNAH, GEORGIA, FRIDAY, OCTOBER 25, 1968, 9:30 A. M.

In northeastern India in the Province of Assam is a wildlife preserve which contains some of the last few individuals of the very rare and vanishing species of great Indian rhinoceros. In explaining the justification for establishing this preserve in resource scarce India, Prime Minister Nehru reviewed the typical practical reasons from its scientific value to the promotion of tourism. Nehru, however, rejected all of these reasons as insufficient, stating finally that the preserve was established simply because it was something that had to be done. As westerners, we might be inclined to reject Nehru's justification as eastern mysticism, but I think we would be very mistaken in doing so, for in this seemingly obtuse reasoning is the essence of preservation.

Nehru was saying that the most important aspect of the preservation is not the specific site or the rare animals contained within it, but rather the act of preservation itself. The fact of losing even an entire species of wildlife would in the long run have little effect. The failure to act with reverence and respect for life and for the natural processes of which that species is a part would have an irreparable effect.

The importance of this idea is that the act and the process of preservation is more essential in human terms than the specific objects

and goals of preservation. Preservation is not simply a disorganized collection of efforts to save specific pieces of the environment. It is an ethic governing man's relationship with his environment. The essence of preservation is not in specific parks, historic sites, wildlife preserves and the like but rather in a respect for life and natural process--a consciousness of the perspective of human activity within the long process of natural evolution.

The importance of the preservation ethic to our society is simply that we are irrevocably part of the family of living organisms and the process of natural evolution. Disrespect for life is not isolated to specific objectives any more than is a respect for life. A society that is irreverent and disrespectful even to Nehru's primitive rhinoceros is at the same time disrespectful and irreverent of humanity. It is in the belief that through the act of respect we become more respectful that Nehru's justification of the rhinoceros preserve has its final meaning.

In terms of resolving the conflict between preservation and physical progress, the important aspects of the essence of preservation are:

- . . . that it is, in the truest sense of the word, an ethic;
- . . . that it is concerned with the processes that relate man to his environment and with specific environmental ends; and
- . . . that it in no way precludes change but only places conditions on the processes of change.

Thus, preservation is not in absolute conflict with physical progress so long as that progress is respectful and sensitive to life and to natural processes.

In the brief period of less than two years since the Department of Transportation was formed we have constantly been brought directly into the middle of a very much older conflict between the forces of preservation and forces of physical progress. Our Department is an amalgam of previously separate transportation agencies presided over by a Cabinet officer. In terms of numbers of people, budget, or programs there is, thus far, little that is startlingly new or vastly different in the Department. In terms of basic concepts, goals, and attitudes, however, there is a great deal that has changed--changed for the better.

The Department of Transportation was formed basically to coordinate the fragmented and sometimes conflicting Federal transportation efforts.

We have begun this job of coordination. Progress is painfully slow and conflicts continue, but we are clearly making our way in the right direction.

As most of you know, however, the function of the new Department has not been limited solely to coordinating transportation. In the legislation creating our Department there is a strain of thought which goes quite beyond transportation itself. It speaks of the conservation of the Nation's resources; of preserving parks, recreation areas, wildlife and historic sites, and even of beauty. It is clear that the Congress intended the new Secretary to carefully consider the environmental consequences of transportation.

The establishment of our Department coincided with the beginnings of a national grass roots movement to improve the quality of the environment and it was only natural that this philosophy should be reflected in our founding legislation.

In this regard, I want to emphasize how deeply this Nation is indebted to President and Mrs. Johnson for their very basic and humane concern with the quality of the environment. This encompasses both their personal and political involvement. It includes their many efforts-- through legislation, programs, speeches, the strength of their personalities-- that have served to purify our air, beautify our landscapes, clear our rivers, improve the quality of our lives, and broaden our horizons.

The Department's dual interests in transportation development and in preservation, as you are all acutely aware, are not always compatible. Experience with one well-planned highway through one well-established park or historic site is enough to demonstrate the conflict we in the Department find ourselves in. We are supposed to preserve the natural and historic environment and at the same time develop transportation facilities which clearly have great potential to affect adversely the environment. In the context of this apparent basic conflict of interests, we have attempted to develop new transportation programs, but far more important, a new transportation philosophy.

There are in reality two options open to us in dealing with the general conflict between preservation and physical progress, and more specifically with the conflict between environmental preservation and transportation development. First, we can attempt to generate compromise between opposing interests. Second, we can attempt to find a resolution of the substance of the conflict. The two approaches differ fundamentally in that efforts aimed at generating compromise deal primarily with personalities of opposing interest groups while the search for resolutions deals primarily with the substance of the conflicting positions. I would like to

concentrate here on the search for substantive resolution for I am convinced that such a resolution is possible and necessary. But first I want to say a few words in defense of the much maligned art of compromise.

During the time that I have been with the Department of Transportation, we have had to make decisions concerning the conflict between specific natural and historic areas and specific transportation facilities. In some cases the decision has been to allow the construction of the facility; in others it has not. In many cases we have relied on subtle changes in location and design. I would certainly not claim that any one of these decisions was perfect. Nor can I claim that the opposing interest groups have been satisfied for there is ample evidence on both sides that they are not. I can say, however, that the orderly processes of government continued without catastrophe and that the opposing personalities and interests did enter into dialogue and, hopefully, reached some understanding.

In conflict so basic as that between preservation and physical progress positions tend to harden and take on the appearance of moral issues. Even the suggestion of compromise takes on the aura of a compromise of morals which we all, somehow, must be against. I would like, however, to suggest that compromise need not be moral compromise--that, in fact, facilitating compromise is a legitimate and valuable function of government. Compromise becomes meaningless only when it is an end in itself and fails as a means for creating something better. The ingredients of a good compromise are dialogue, self-examination, mutual understanding, and time: these are the seeds of lasting resolution.

I believe that the essential substance of preservation and physical progress are compatible--it is this belief that leads me to the conclusion that it is possible to resolve the seemingly basic conflict between environmental preservation and transportation development.

I have indicated that I believe the essence of preservation is found in its fundamental ethic. Turning to an exploration of the essence of physical progress, one is immediately struck by its dissimilarity--by the absence of an ethic of progress. It is obvious that as a society we have specific physical goals. We want to establish more and better educational facilities, reach outer space, do greater medical research, and provide better transportation. The list is very long. While we often disagree on exactly what these goals mean and more often on their priorities, there are few who would suggest that we should have no goals at all. Further, most of us would agree quite readily that our personal lives and our society are significantly better today than in the past because of the physical advancements accomplished during the last century. The

essence of these goals and accomplishments, however, has been in their end result and not in the process by which we achieve them.

When any process is so enormously successful as the development and implementation of technology, there is a tendency for a myth to grow with its success. In specific areas the myth can grow to such proportions that it restricts our examination of the basic process and tends to inhibit our consideration of its possible limitations. In the pursuit of physical goals we tend to come to believe that there is something almost magical in the process of achieving those goals. It is in this infatuation with the processes of physical progress that one can find a basic ingredient of the superficial conflict between preservation and physical progress.

It is in the confusion of ends with means, in the infatuation with the processes of physical progress that we find not only the source of the conflict which is our immediate concern but a much broader and more fundamental danger--that of becoming trapped by their own techniques and tools. In evolving a technique to achieve a specific goal, we sometimes become more interested in the technique than in its result, with the technique achieving a status independent of its original goal and assuming a dominant position. In short, it is possible to fall victim to a tyranny of technique as well as of technology.

Let me illustrate the point. Francois Nourissier in his recent book, The French, decries what he calls "the absurd tyranny of the automobile." But as we approach the problems associated with the automobile we must certainly keep in mind that the tyranny we associate with it has, in fact, been brought on by a love affair with the automobile and the mobility which it produces. It is only in the stage of disenchantment with the love affair that we begin to identify the relationship as one of tyranny.

I have suggested that there is a potential compatibility between preservation and physical progress. In the case of preservation there is a fundamental ethic governing the processes by which man relates to his environment. In the case of physical progress there are techniques by which man can change his environment but no legitimate ethic to govern the use of those techniques, and the absence of such an ethic creates the potential for those techniques to dominate society. The possibility for resolution of the conflict between preservation and physical progress comes when we realize that the philosophy inherent in preservation ethic is precisely what is needed to govern the use of the techniques of physical progress.

This may come as an unwelcome suggestion to those who control the techniques of physical progress. It might be interpreted by some as a

suggestion that we turn over transportation planning to the preservationists. This is not what I^{am} suggesting at all. And my conclusion represents no greater criticism of those who plan physical progress than it does of the preservationists. If transportation planning has operated in what is more or less of a philosophical vacuum it is as much the fault of the preservationist who has a meaningful philosophy but has not succeeded in implementing it as it is the fault of the transportation planner for not having developed a more meaningful philosophy.

In fact, there is evidence to indicate that, if blame need be determined, it resides outside the fields which are strictly devoted to the development and use of the techniques of physical progress. In an area which is close to us all, in the planning and building of highways, it is essential to remember that our society until very recently asked no more of the highway people than that they plan and build efficient highways. That we should sometimes be disturbed by the adverse environmental impacts of highways should cause us to examine our own failure to provide meaningful goals rather than to point out the environmental insensitivity of the highway planner. To use Lewis Mumford's reasoning, technique becomes a dangerous thing not because a society possesses the techniques of physical progress nor because it devotes manpower to the development of those techniques but ultimately because it fails to develop a humane ethic for using them.

If my conclusions have any real practical meaning, it is that the preservationists and the rest of society which supports them have failed to recognize objectively and apply the philosophy of preservation. The failures of preservation can not be found so much in the loss of specific natural and historic sites, although we must all view these losses with a sense of tragedy, but rather in the fact that the preservation ethic has been isolated in its application to these specific areas. The preservation ethic gains legitimacy only when one recognizes that it applies to man's relations to his whole environment and not simply to certain specific isolated natural and historic parts of that environment. It deals not just with parks, recreation areas, wildlife preserves, and historic buildings but with everything outside of man himself including the man's own physical products. It deals with existing homes, factories, offices, and highways as much as it deals with anything else. Most important, its essence is not in saving any particular aspect of the environment from human interference but rather in insuring that man's effects on the environment are a consistent part of a much broader process of natural evolution--the end is nothing more and certainly nothing less than life itself.

I am not in any sense suggesting that there are not parts of the natural and historic environment that must be saved absolutely from human interference. I agree with Nehru that there are things which have to be done. If these essential acts of reverence and respect are to have broader meaning, however, they must be part of a basic ethic which finds application beyond such isolated ends.

My remarks today are then a call to preservationists to broaden the base of their philosophy, to recognize that their concern is as much for the existing man-made portions of the environment as it is for the natural and historic environment--to recognize that they are not opposed to progress--only that they demand that progress have meaning to the goals of life. Ultimately, this is a call to participate in the processes of physical development not only with a special interest in specific ends but as uniquely qualified proponents and practitioners of a fundamental ethic which must govern all our relationships with the environment.

I must now turn briefly to those institutions of government which deal with transportation planning and development, for my conclusions concerning the potential compatibility of preservation and physical progress have two very strong implications.

First, it is obvious that transportation planners must continually guard against becoming isolated from the general goals of society. They--I should say we--must recognize that transportation is not an end in itself. We are not in business to identify, in isolation, such things as highway needs, or airport needs, or transit needs, and build to meet them. We must recognize that we are simply the practitioners of techniques which have meaning only when dominated by a broader human philosophy.

Secondly, if we are to have broad public participation in transportation planning and decision making, it becomes the duty of government to provide a means for that participation. We have been working to develop techniques for this and have taken a very significant step. Quite recently, we have published in the Federal Register new and improved procedures for highway hearing. The public hearing is the principal means we have for public participation in transportation planning, and these new procedures will insure, to the maximum extent practicable, that highway locations and designs reflect and are consistent with Federal, State and local goals and objectives. The rules, policies, and procedures established will afford full opportunity for effective public participation in the consideration of highway location and design proposals by State highway departments, which have the responsibility for making highway decisions, before submission to the Federal Highway Administration for approval. They provide a medium for free and open discussion and are designed to encourage resolution of controversial issues that may arise.

State highway departments will fully consider a wide range of factors in determining highway locations and highway designs. The procedures will provide for extensive coordination of proposals with public and private interests. In addition, they provide for a two-hearing procedure-- the first for the broad corridor alignment; the second for the specific route. This will give all interested persons an opportunity to become fully acquainted with highway proposals of concern to them and express their views at the stages of a proposal's development when flexibility to respond to these views still exists.

The new highway legislation narrowed somewhat Section 4(f) of the Department of Transportation Act. This was unfortunate. Nevertheless, the Federal Aviation Administration has recently published proposed regulations dealing with Section 4(f) that indicate a broad public interest approach to this matter. Similar regulations will be issued soon by the Federal Highway Administration and the Coast Guard.

What does all this mean? To me it means that the time has come for preservationists to adopt a new concept of preservation, to apply it broadly as they assess the meaning of progress and consider the future of the world we live in. More specifically, it means that preservationists must take full advantage of all the opportunities that are available to them--particularly the new opportunities which are being opened up--to give full impact to the philosophy they advocate. This carries with it the responsibility of active participation in legislative and administrative processes at all levels. It means the expenditure of the time, the money, and the effort to be fully prepared and to make the case properly. The preservationists can not fulfill their responsibility if they assume the role of spectator or even of critic or protestor. They must be full participants in an affirmative sense.

If you accept this responsibility, no one should have to ask of the preservationists, "When will they ever learn, when will they ever learn?" Nor should we as a society have to ask ourselves a few years from now, "Where have all the flowers gone?"

U.S. DEPARTMENT OF TRANSPORTATION
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REMARKS PREPARED FOR DELIVERY BY M. CECIL MACKEY,
ASSISTANT SECRETARY OF TRANSPORTATION FOR POLICY
DEVELOPMENT, AT THE 56TH NATIONAL SAFETY CONGRESS,
PICK-CONGRESS HOTEL, CHICAGO, ILLINOIS, MONDAY, OCTOBER 28,
1968, 12:00 NOON

There has probably never been anyone in history--either factual or fictional--who was more concerned with safety than Captain Yossarian, the irreverent hero of Joseph Heller's book, "Catch-22." The World War II bombardier saw safety clearly, in its ultimate form, purely and simply as a matter of survival. His! To him, safety was a very personal thing, for he was a man dedicated to his own survival. One of his legendary colleagues said of Yossarian, "He had decided to live forever or die in the attempt."

As I reflect on the problems of highway safety, I often think that real progress will come only when more of us adopt this kind of simple and straightforward philosophy.

When President Johnson sent his message to Congress urging the establishment of a Department of Transportation, he said, "No function of the new Department--no responsibility of its Secretary--will be more important than safety." In the year and a half since its creation, the Department's policies and programs have reflected this high priority which the President assigned to safety. But in considering the problems of safety, and particularly highway safety, it is important to remember that the Department of Transportation did not begin to write on a clean slate.

DOT inherited a variety of safety programs which had been developed in virtual isolation. They shared no common objective, were sometimes inconsistent and had few common underlying assumptions. Even the most cursory review was enough to point up the painful fact that this collection of Federal programs had no single thread of policy--it did not add up to an approach that was either balanced or comprehensive. This situation was, in fact, one of the compelling reasons for creating a Department of Transportation.

A brief comparison of transportation safety statistics and Federal budget levels is useful to illustrate the case. In 1967 there were just under 58,000 fatalities as a result of transportation accidents. These were distributed as follows:

Motor vehicles	--	52,160
Aviation	--	1,440
Maritime	--	1,631
Rail	--	2,483

In other words, approximately 90% of the deaths in transportation accidents were related to the automobile and the highway.

Yet, during this same period, the FAA's safety programs were funded at several times the total budget of the National Highway Safety Bureau. The Coast Guard's safety programs also received considerably more than the Highway Safety Bureau. Rail safety was funded at what can only be considered a minimal level.

Obviously, some of the expenditures of the Bureau of Public Roads through the Federal-aid highway program also contributed to greater safety but it is difficult to separate out those portions that are properly attributed to safety from those that provide for more efficient transportation.

Not only were there wide variations in budget allocations, there were also significant differences in basic legislative authority, regulatory approaches and enforcement programs among the different modes of transportation. We have been hard at work trying to bring greater consistency and uniformity to our philosophy of transportation safety. We have improved coordination among the various administrations and made it possible for each to make better use of all the knowledge and techniques of safety the Department has.

We have proposed legislation to close gaps in our safety programs and also initiated a number of projects which will ultimately provide a vastly improved data base for safety analysis and program formulation.

Much of this work will be formalized in DOT's first Intra-Departmental Safety Seminar which is scheduled for December 16.

As we view our safety responsibilities, however, and shape our programs, it is essential that we keep in mind the proposition that perfect safety is an unattainable goal. We can neither spend enough nor regulate enough to create an accident and injury free transportation system. Even if it could conceivably become perfectly safe to move, it would either be so expensive or so inefficient that no one would. For this reason, our safety objectives must be pursued in balance with other requirements of transportation.

Good analysis can provide us with reasonable estimates of what is attainable in terms of levels of safety. It can also help identify the costs of achieving them. But the final resolution is more a part of the political process than a matter of statistics or economics. The role of the Government in safety must in the last analysis be one which reflects the attitude of the public. Government agencies such as the Department of Transportation will not be entrusted with financial resources nor regulatory authority which would extend their role in safety beyond that which the public finds acceptable.

There is little to indicate that the budgetary and fiscal restraints of today are likely to be lessened in the immediate future. This means that transportation safety programs will face sharp competition for Congressional priority and for funding. The result may well be increased emphasis on regulatory action as an alternative to capital expenditures in the quest for greater safety.

Our strong tradition of individual freedom and the philosophy of Government based on the consent of the people means we can not go far in imposing new safety regulations unless we first have a broad consensus on their necessity. The concept of the right of an individual to accept voluntary exposure to risk is an important corollary to this and in the field of transportation safety there are numerous examples of the classic conflict between this right of the individual and the social responsibility of Government for the welfare of our citizens. Nowhere is this issue being more hotly debated--nor perhaps more extensively litigated--than in connection with State laws requiring those who ride motorcycles to wear helmets.

responsibility will reach the driver as well. There have been standards for new cars, trucks and buses. Performance standards for new passenger tires have been published. Initial standards for State and local programs cover many areas. There will be standards for used cars. And advanced notices of rulemaking are out on the subject of consumer information. These steps represent real progress and mounting evidence documents their payoff in reductions in deaths and injury.

But what of the future? What pattern of regulation can we expect to develop from this new relationship? The pattern will, in all likelihood, be similar to that which we have seen in other fields--for example, in aviation. The research, development, demonstration and testing behind the regulations, the standards, the planning and the grants will expand and improve. Highway safety will continue to improve, though the rate of improvement will fall off. Both Government and the industry will adjust to this type of regulatory process and the influence of outside stimuli will decline rapidly.

Corporate management in the automobile industry has not yet reached a final understanding of how it will view its own responsibilities in the light of its emerging relationships with Government. Fortunately, there are signs of significant change of attitude toward corporate responsibility as it relates to safety in some segments of the industry. While it is still too early to predict the exact nature of the outcome, it is my personal opinion that the manufacturers will inevitably come to accept a far broader concept of responsibility than they have in the past. Their position will, I expect, eventually be quite similar to that of other industries that have learned to live with regulation--with both the good and the bad that implies. In fact, if experience is any guide, the industry will not only learn to live with regulation, but will learn to use it to its own advantage. This will require some substantial changes in corporate attitudes and the way corporate decisions are made, however.

Even under the most favorable assumptions concerning the development of safety programs and governmental regulation and the acceptance of new and broader concepts of corporate responsibility, the question of the public interest in highway safety will not be completely resolved. We can expect in time to see an inevitable tendency--born of honest cooperative efforts--toward a fusing of the governmental and corporate points of view. The process of accommodation has, in fact, already begun as both industry and Government become more accustomed to working with each other and begin to see more precisely the framework of future relationships. As the more obvious regulatory actions are taken; as the process becomes more institutionalized; as new leaders on both sides replace ones who were so personally involved as adversaries in the initial phases; those who regulate will gradually come to reflect, in large measure, points of view similar to those whom they regulate.

the same time provide the support necessary to make the public an effective force in highway safety. I believe the time has come to consider the establishment of what might be called a Motor Vehicle Safety Institute--an organization independent of Government and of industry with a charter to represent the public across the whole range of highway safety issues. Such an organization would look objectively at all aspects of the motor vehicles which are put on the market and advise as to the merits or demerits of each. This organization would have to be well financed so that it could afford the technical staff and the facilities necessary to test the whole range of vehicles on the market on a continuing basis.

Equally important, the financing should be adequate to allow the institute to make the results of testing and analysis available to the public. Such information should include all performance data relative to safety and should be on a comparative basis. Perhaps the institute, at the beginning of each model year would sponsor television programs on the major networks and buy space in newspapers across the country to insure widespread dissemination of its conclusions. It might even be well to consider the possibility of requiring that certain types of information be furnished to potential purchasers of new motor vehicles, much the way the Securities and Exchange Commission requires that information on new security issues be made available to potential investors.

To be effective, such a program would have to include the development of interpretive information so that the buyer of average intelligence and even the buyer of less than average intelligence would have full opportunity to make his choices on a reasonable basis--in possession of all relevant facts.

Absolutely essential to such an endeavor would be the independence of the organization. It should be independent financially as well as organizationally from the policies of Government and industry. This would, first of all, require directors and management free of any conflicting interests. Representation should be that of the public, and the public alone. It would also require funding from sources which have not been readily available in the past. Industry funding would seem inappropriate. One alternative might be direct Federal appropriations--preferably on a long-term basis--with no strings attached except that funds be spent consistent with the terms of a public interest charter. This would be an efficient means of financing and the total amount required would probably be small compared to the overall Federal budget or even to the level of Federal safety programs. Nonetheless, looking candidly at the problems that have surrounded many programs before the Congress recently and recognizing the need for continuity, it probably would be unrealistic to look to the Congress for the basic funding on a continuing basis.

Despite the obvious concern which each of us has with safety; despite the obvious consequences of inaction; despite all the publicity and notoriety, I am convinced that as a nation we have not yet made a full commitment to highway safety. I do not want to detract in any way from the importance of the Highway Safety legislation of 1966. Nor do I for a moment underestimate the value of the work that has already been done pursuant to that legislation. But unfortunately all of this combined does not add up to what I would consider a national commitment. We have come nearer to such a commitment in air carrier safety than in any other area of transportation. But unfortunately, even within aviation, the commitment has not carried over in the same measure into general aviation.

I am convinced that for the great majority of Americans, convenience remains far more important than safety. Perhaps there is no better illustration of this than the widespread reaction to some of the really significant steps that have already been taken to improve highway safety. So long as most of the women are more concerned with rumpling their skirts than they are with saving their lives, seat belts will remain unbuckled. So long as most of our citizens choose either to ignore the evidence which is available or delude themselves that it has no meaning for them, we are not likely to see either the individual action necessary to bring about greater safety nor will we get the broad public support we need for programs which can save the individual from harm in spite of himself.

The interest of the Government and the interest of the public in safety are essentially the same. Yet, the very nature of our society--the very nature of our Government--causes the two to remain as separate and identifiable forces, each with an important part to play in the overall picture of safety.

So our problem, then, is one of establishing goals for safety and determining the proper goals for all concerned--Government, industry and the public.

In recent years, our concepts in highway safety have been undergoing revolutionary change. The hope which industry nurtured--the mistaken hope that Government regulation would not materialize--has been shattered. Any serious question as to the basic role of the Government in highway safety which may have existed before was resolved with the enactment of the historic legislation of 1966. Now the Federal Government's responsibility clearly covers both highway and vehicle. Through the standards for State and community highway safety programs the

There are too many examples throughout the economy for us to be unaware of this tendency. It exists both in the fields of safety regulation and economic regulation. To say this is not to question the motives of those who will carry out DOT's safety responsibilities or those who will manage the automobile industry in the future. It is only to face the future realistically.

In a democratic society we assume that an informed public--concerned with the issues and afforded the procedural means for expressing its concern--is an effective device for assuring that the broad public interest is not subsumed within a Government-industry relationship. Unfortunately, it will not be easy for the public to play this kind of role in highway safety. It will, I believe, be even more difficult than it is in the general area of consumer protection.

As a prerequisite for effective public action, there must exist a strong public desire for increased safety. This desire for safety must in turn be based on adequate information. The motor vehicle market offers a wide range of choices. The product itself is complex; information about its safety tends to be technical and not readily understood by the average person. Information, to be useful, must be interpreted either by the members of the public themselves or by some authoritative agency--governmental or private.

Given these circumstances, there is little that would lead one to conclude that the public, acting on its own, will be in a position to protect its own interests.

Where then can we look for the kind of third force which is necessary as a counterbalance to the coalescing of Government and corporate roles in highway safety? From time to time there will undoubtedly appear on the scene individuals whose charisma will in and of itself be sufficient to produce great change--even revolution. Quite obviously, Ralph Nader has played this role and has had a tremendous impact for good on highway safety. But one can not expect Ralph Nader to continue his own personal influence at the same level indefinitely. Even the kind of consumer-oriented law firm Mr. Nader has proposed would not be enough. Nor is it realistic to expect a series of Ralph Naders to appear at appropriate intervals to focus attention on a crisis that has already developed or that seems imminent. Even if this were a likely prospect--and I leave it to each to make his own assessment of its desirability--it hardly presents itself as the way to go about planning for the orderly processes of Government and the protection of the public interest in highway safety.

I would like to suggest an alternative. This alternative would, I believe, help insure the development of an acceptable philosophy of safety and at

In cases like this where funds are necessary to support public-oriented projects but may not be available from traditional public sources, the foundations are sometimes an alternative source. There is little potential for conflict of interest, but again there could be problems of continuity. Another option worth considering is the possibility of some indirect methods of Federal support. For example, individuals could be given the right to take a tax deduction for contributions to a consumer organization of this type in the same sense that they now take charitable deductions. Going a step further, it might even be desirable to allow individuals to treat a contribution of, say, \$10 to \$20 a year to such an organization as an "expense"--an expense of doing business as a consumer--just as a businessman is allowed to treat expenses of doing business as a businessman.

There are, of course, other possibilities. Some combination of the methods which I have suggested might prove satisfactory.

The important thing is that we look to the future and recognize that within a relatively short time the major impact of governmental regulatory programs will have been felt. The private sector will have defined its role, established its concepts of corporate responsibility and will have begun to work with the regulatory agencies of Government in ways which are generally accepted in our society. The public, as a very loose aggregation of private citizens, will be unable to exert the influence it should have in assuring maximum progress toward broad safety objectives. Nor will the public, unaided, be able to provide the stimulus that should exist for both Government and industry.

None of the existing private or semi-private organizations that deals with highway safety combines the independence, the financial support and the broad charter for active and aggressive programs that I am suggesting.

Considering these circumstances, it is important for us to begin now to develop and institutionalize a mechanism for furthering the individual's interest in highway safety over the long term. The establishment of a Motor Vehicle Safety Institute along the lines which I have suggested represents a means of accomplishing that goal.