



DEPARTMENT OF TRANSPORTATION

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REMARKS BY U.S. SECRETARY OF TRANSPORTATION WILLIAM T. COLEMAN, JR., TO THE NATIONAL HIGHWAY CONSTRUCTION CONFERENCE, TWIN BRIDGES MARRIOTT MOTOR HOTEL, ROSSLYN, VIRGINIA, WEDNESDAY, MAY 7, 1975

I would like to use these few minutes to talk to you about the general directions we are taking in our transportation efforts here in Washington.

President Ford's program is simple and direct. He wants to promote transportation by relieving it of inefficient economic regulations while at the same time increasing the influence of local authorities and bringing into play the forces of the free market.

We, too, are convinced that many of these regulations are inappropriate and excessive.

The present state of our railroads is a classic example of what too much regulation can do. In the Northeast and Midwest, we have the largest railroad in the world -- the Penn Central -- and seven other railroads in bankruptcy. Nor are the solvent carriers booming. Their average rate of return is 3.4 percent.

One of the major reasons for this poor showing is the outmoded regulatory system that controls railroad economies. The Interstate Commerce Commission was set up in the last century -- when railroads were kings and the railroad barons thought themselves all powerful. The ICC was designed to curb their power and to control railroad tariffs largely for the benefit of the agricultural community. Many of these 19th Century concepts still prevail today. Our railroads are burdened with rules that discourage imagination and improvement and encourage only delay and decay.

The tragedy of the Rock Island Railroad demonstrates what this dead hand of the past can do.

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Twelve years ago, the Rock Island applied to the ICC for permission to merge and for twelve years the ICC failed to make up its mind. A month ago the Rock Island filed for bankruptcy.

Now Shakespeare was writing about "the law's delay" four hundred years ago and I myself have fretted many a time at judicial postponement. But twelve years of inaction has to be a record.

We are proposing, therefore, that the ICC's tight hold on railroad economics be released. We want to see the railroads move out more on their own and we want more voices from the marketplace entering into their decision-making. We want the forces of competition to direct and to encourage them into doing the things they do best.

We find a similar need for modification of Washington regulatory practices in both the trucking and air carrier industries. We would like to see those restrictions that stifle competition and cause operating inefficiencies taken away.

I want to note that we are not proposing total deregulation here. We want only modifications in the existing system -- modifications that will permit a greater interplay of the free market forces.

We are also trying -- in our efforts to reduce Federal influence -- to cut down on our specialized grants. We see little wisdom in our telling our states and cities that we have money to give them -- but only if they spend it exactly as we say. We would like to see some flexibility here -- a wider latitude for local communities. This encouraging of local decision is the keystone of the Administration's great revenue sharing plan which has eliminated many of the categorical grants in favor of funds to be used at the discretion of those receiving them. We think states and local communities best know their problems and can themselves best set up their priorities,

This reduction of categorical grants will also do much to lessen the great bugaboo of red tape that bedevils us all. There will be less instructions -- less fine print and less reporting.

This reduction of categories -- and the consequent improved delivery system -- is of course a major part of our upcoming highway bill.

Another principal of this Administration, and in fact, a principle of the previous four Administrations, whether Democratic or Republican -- is that those who derive special benefit from a Government service should help pay for that service. In sum -- user charges; the gasoline tax, for example. We have similar taxes on aviation fuel and aviation passenger tickets and on air freight bills. We would also like to see user charges established for our waterways and we would like to see trucks -- which get major benefits from our highways -- pay larger taxes.

I would warn you, however, against assuming that the other side of the user charge coin must show the same face. It is not a principle of this Administration -- nor of any previous Administration -- that funds from special taxes can only be used for the special benefit of those who pay them. If this were the case, the three most heavily subsidized industries -- and probably the three largest industries of all -- would be the tobacco, entertainment and distillery businesses.

This is some of the background thinking that is going into our proposals for a new Federal Highway Bill.

Our new Highway Bill, however, while falling in line with this general philosophy is also designed to meet the special highway needs of the late '70's. The proposals are different.

At the top of the list of present Federal highway needs -- and way at the top -- is the completion of the Interstate System. The first objective of this Bill, consequently is to expedite and to insure the completion of Interstate Highway System. The Bill will set the necessary funds aside and these funds, I point out, are larger than are presently being obligated for the Interstate System.

We are also concerned in drawing up our proposals with the fact that many states are anticipating shrinking highway funds. Some states are having difficulty now but the picture worsens as we look down the road.

We must accept the fact that -- for a variety of reasons and causes -- the consumption of gasoline in private cars is going to decrease. The President had directed such a reduction and the Congress is debating various measures to bring it about. Even this year, gas consumption is down from what it was two years ago when petroleum products were plentiful and inexpensive.

This reduction will mean, of course, a reduction in available highway funds both at state and National levels. The pinch will be felt most at the state level.

We must also expect that highway construction -- so heavily dependent on petroleum products as it is -- will, over the years, gradually increase in cost. And I say "gradually" because I am convinced that the days of runaway inflation are over.

At any rate rising cost and shrinking revenues at the state level could bring a slow down in our highway program.

The states are going to need more money. This proposed Bill will give it to them.

I suggest, too, that our proposals for dispersal of the gas tax revenues represents an equitable compromise between the need for user charges and the excesses of trust fund financing.

Trust funds are often needed to get the job done. Over the years, however, these trust funds tend to take on a life of their own. They tend to defy the wishes of Government -- both the Congressional and Executive branches -- and also the wishes of state and local governments. They must be watched.

We have, consequently, preserved the trust fund and we are recommending that its great power be directed toward completion of the Interstate.

By keeping the Interstate under trust fund financing and removing the rest of the programs and taxes, we are establishing -- first of all -- that the Interstate System is in the National interest and must be so financed. We are saying -- secondly -- that the rest of the highway programs must be considered as programs of local community development and this local interest must be in the financing. This, it seems to me, is a just and equitable arrangement.

And now some good news. Our studies tell us the costs of highway construction are leveling off. The inflation has been stopped. As a matter of fact, costs for this first quarter of '75 were about one percent lower than those for the fourth quarter of '74. I hope this continues. I think all of us in the highway business, however, can in the long run look to slowly rising petroleum costs. I think all of us are going to find ourselves facing the same predicament as the states -- shrinking revenues and increasing costs. We are, then, going to need new efficiencies, and I think that once we come up with these new improvements, our present difficulties will lessen.

I'd like to close here with a word of thanks. The success of our Interstate System. In fact, we, can go further and note that all our great transportation successes began with great construction feats. Our first great Philadelphia-Lancaster Turnpike -- our canal system -- our railroad network, and lately, our airports that were so often reclaimed from the swamps and marshes -- all these represent major engineering triumphs -- victories over an often unfriendly nature.

I hope this partnership between us continues. We in transportation enjoy it. We shall work to make it flourish.

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