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REMARKS PREPARED FOR DELIVERY BY RICHARD J. BARBER, DEPUTY ASSISTANT SECRETARY OF TRANSPORTATION FOR POLICY DEVELOPMENT, BEFORE THE 1968 ANNUAL MEETING OF THE ASSOCIATION OF AMERICAN RAILROADS TREASURY DIVISION, BILTMORE HOTEL, PHOENIX, ARIZONA, OCTOBER 16, 1968.

Today I want to talk with you about the future and the role that rail transportation and private investors are likely to play in helping the United States meet the urgent demands for efficient intercity passenger movement. My purpose here is not to lament the decline of the old-style passenger train or to exchange views about the profitability, or lack of it, of passenger service. Those are important topics, I know, but my mood is that for too long in transportation we (and that means government officials, industry executives, and press editorialists) have spent too much of our time and energies pondering the past and arguing about affairs of the moment. The past is prologue, Shakespeare tells us, but if we are to learn from the past and avoid repetition of the problems of the present we must be prepared to take a careful look ahead and consciously shape our policies to deal with the challenges of tomorrow.

Let me, at the outset, briefly outline some thoughts I want to convey to you this morning about the future of American transportation:

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* Rail transportation must once again become a major means of movement on intermediate-length routes between cities in a number of densely-populated urban megalopolises in the United States;

* Intercity rail passenger transportation cannot, however, any longer be considered a purely private railroad responsibility;

* To get the job done the Federal Government will have to provide special financial assistance, but this need not necessarily take the form of a direct subsidy of the traditional variety;

* To develop the new high-speed rail systems that will be needed to serve our total transportation requirements calls for the mobilization of the resources of government, the railroads, and private financial interests in some form of radically new institutional arrangement -- most likely a quasi-public corporation.

Now that I have aroused your curiosity let me turn to a discussion of the problems that lead me to these conclusions. First off, in talking about intercity transportation we are talking essentially about people -- their numbers, travel patterns, and where they live and work. Today in the U.S. about 70 percent of our 200 million people live in urban areas. In another 10 years our population will increase by close to 25 million and by then an even larger proportion, probably more than 75 percent, will live in cities. This continued trend to urbanization is complemented by another characteristic, namely, megalopolization. The word is fancy but the idea is not: It simply means that we are finding in more and more areas of the country that cities located relatively short distances apart are becoming interconnected in fairly well-defined regions. For present purposes I would like to call these regions "corridors," for indeed most -- such as the Boston-New York-Washington urban strip -- are linear in configuration.

Transport Corridors

The most well known Corridor is in the Northeast, slashing north from Washington through Baltimore, Philadelphia, and north to Boston. Its

population is around 35 million, situated in 25 major urban areas. It is a common error, though, to think of corridors only in terms of the New York-Washington-Boston complex. There are in fact a number of corridors or intercity groupings in other parts of the U.S. In what can be termed the southern Great Lakes -- a belt stretching eastward from Chicago to Pittsburgh and, on the north, Buffalo -- there is a population of more than 18 million. In terms of population density within urbanized areas in a common geographical area there are several other corridor complexes. One stretches across upstate New York, another is in California. Significant urban corridors are also emerging in Florida, the Southeast, in Texas (from Dallas-Fort Worth southward through Austin to San Antonio and Houston) and in the far Northwest.

Each of these urbanized corridors has certain common features, with considerable transportation significance. Population density is high; there are several cities, close together but not abutting; the distance from one major urban center to another may range from as few as 25 miles to perhaps 350 miles. Transportation patterns are complex, but a large percentage of the travel in the corridor both originates and destinates within its boundaries. In a sense the corridor may be viewed as a market all by itself, but it is not isolated. People in large numbers travel to New York from Boston and Washington, but they also arrive from Los Angeles, London, and Tokyo. The densely populated urban corridor, then, presents a highly heterogeneous transportation phenomenon -- with discrete transportation problems, each with their own peculiar properties and solutions.

As the nation's population increases -- from its present 200 million to 225 million by 1975, to 250 million by 1980, and an estimated 320 million by the year 2000 -- our urban corridor population is going to grow, indeed even more rapidly. Some demographers predict that by the turn of the century the Northeast region stretching from Washington to Boston will contain a fourth of all our people. That means 80 million people, as compared with the 35 million or so who live in this urban megalopolis at the present time. Similarly, about 12-15 percent of the population will live in the central strip from Chicago to Buffalo and Pittsburgh; that works out to perhaps as many as 50 million people. On the West Coast the San Diego-Los Angeles-San Francisco corridor is likely to have about as many people within its confines as in the central U.S. If allowance is made for the growth of the other urban corridors that I have mentioned -- in the Southeast, in Texas, and elsewhere -- the likelihood is that by 2000 at least 200 million Americans will reside in

any one of several metropolitan corridors. The corridors, while possessing special qualities, will have essentially the same transportation implications as noted earlier. Only if we can handle the intercity passenger transportation needs of our exploding urban corridors can we effectively solve the other transportation problems of the nation.

Transportation in the Northeast

To sharpen my point, and to put the transportation issue in better perspective, let's take a look at the situation in the Northeast Corridor, centered, as it is, around New York. Today we have a serious air congestion problem in and around New York. The practical annual capacity of the three major New York City airports has nearly been reached. With a bit of bad weather or a fairly minor communications difficulty serious delays can, and have, occurred. The FAA estimates the capacity of the three New York airports at about 800,000 annual operations, a figure that just about matches up with the current volume of operations. It is this factor which has caused the Department of Transportation to take steps to ration the available space of these airports so as to minimize delays for commercial air travelers. This will help deal with the problem -- for a while. Eventually, however, some more basic solution must be found.

To suggest what such a solution might be it is well to examine the character of air travel into and out of New York. Right now the number of air carrier operations into and out of New York from Washington, Baltimore, and Boston approaches 120,000 a year. Some 4 million passengers will travel this year to and from New York by air from or to Boston and Washington. On the average about 14,000 people arrive and depart daily at the New York airports en route to or from Washington/Baltimore and Boston aboard nearly 350 separate flights. The lesson is that a large amount of the air traffic into and out of New York now involves movement to other corridor points that are located little more than 200 miles distant -- locations which can be served efficiently by non-air modes of transportation.

Air travel into and out of New York, of course, is a composite of movements from close and far distant locations. The New York airports receive thousands of additional passengers each day from distant points, domestic and international. From these locations a traveler cannot

quickly get to New York or vice versa other than by air. To solve its airport "problem" strongly suggests the desirability of sorting out those movements which must take place by air and those which can be handled more efficiently in some other way.

In speaking this way about the New York airport situation someone is certain to ask why we should consider anything other than the creation of an additional airport. The argument goes that by putting into operation a fourth jetport in New York sufficient additional capacity will be created to handle growing air traffic well into the future. This alternative, I feel, will neither solve the problem nor provide the least-cost, highest quality transportation service for the heavy volume of intra-corridor movements. Creation of a new jetport in the New York area would cost about $1 billion. It would add enough capacity to handle perhaps 300,000 aircraft operations annually (that is somewhat more than JFK). Obviously it would help alleviate air congestion in the short run, but the continued unconstrained demand of air traffic into and out of New York demonstrates that it would not be sufficient to handle future demand. Between now and 1975 it is forecast that aircraft operations in New York will increase by more than 50 percent; by 1980 they will more than double. The immediate installation -- if it were possible -- of another huge airport in New York thus would not solve that metropolitan area's intercity transportation needs. Actually it would take a fifth, and a sixth, and probably even more airports to handle the growing volume of traffic, a substantial portion of which could better be moved by other modes. Ultimately New York may need additional airport capacity merely to handle long-distance traffic, but to rely on air transportation to serve large volume, short and intermediate length markets is to pursue a high cost, less efficient alternative. We must search for a better way.

The Role of Modern Train Service

Fortunately, we do have a more efficient means for transporting large numbers of people between cities in densely populated urban corridors. It's called the train. There is hardly a better means for moving large numbers of people between substantial traffic generating points. If a complete system is installed (and if we do not try to "make do" with an existing system), speeds of 125 mph are possible within the state of the art. Rail operating costs per seat-mile are low and are substantially less than short-haul costs of air transportation by conventional aircraft. The economics of technology show that modern jet aircraft are most efficient over long distances, not in the sort of short-haul movement that is typical of intra-corridor transportation.

In terms of the returns received for dollar of public investment a rail system also comes out as the best available mode of corridor movement. For approximately $1.3 billion the Japanese government developed the Tokaido line, linking up Tokyo and Osaka -- a distance of 320 miles. That line, over which 12-car trains make 160 trips a day, carries a million passengers a week at speeds averaging over 100 miles an hour. To buy the equivalent speed and capacity through air transport service, in a short to medium distance market of this sort, would have cost far more.

The situation in the U.S. is no different. As mentioned earlier a $1 billion new jetport for New York, even if viewed in isolation from the other parts of the system that would be required (airport access, terminals and airports at other cities, etc.) would not mitigate that city's transport problems for more than a very few years and would not constitute a basic solution to the myriad of transportation problems of the upper Atlantic seaboard. By contrast, an investment of a billion dollars in a modern rail system up the East Coast from Washington would provide for the entire area a system that could, with additions from time to time in rolling stock, be able eventually to carry a million or more people a week between Washington, New York, Boston, and selected intermediate points. That would be sufficient to satisfy the most optimistic demand forecasts. Take note that I am contemplating sums of money that go far beyond the amounts involved in the DOT-sponsored rail demonstration program. That effort has entailed a capital cost of only about $81 million, of which the Federal share comes to $22 million. To translate the lessons of this demonstration into a permanent program is obviously going to cost a great deal more money.

In terms of investment of the nation's resources, and given the characteristics of this and similar urban corridors, the choice seems quite clear that a new, high-speed rail system -- built from the ground up -- would represent a preferable investment commitment. If this proposition were to be accepted for policy purposes, it would represent an explicit acknowledgment that in densely populated urban corridors of the U.S. commercial trips of intermediate length would generally be made by high-speed rail service and not by air.

The Policy Challenge

So much for the wisdom of the case. Can it be translated into policy? And how? Our collective political cynicism tells us that we cannot be optimistic, but this should not compel us to forego the search for the means to give the nation a well coordinated transport system. We must, of course, take full account of the difficulties. Perhaps most important, it is unlikely that in the foreseeable political future the amounts of money

required for the establishment of modern rail corridor transport systems will be obtainable out of general revenue through the regular appropriations process. While substantial sums of money for transportation projects designed to further the development of certain areas of the country have been made available (many massive river undertakings come to mind), there has been a marked reluctance to fund transportation in urban areas out of the general fund. A realist must look elsewhere for the money that will be needed to build the rail systems that can contribute so greatly to efficient regional transportation.

Similarly, it is unrealistic to think that the railroads on their own will provide the capital that would be required. Rail management has obviously concluded that intercity rail passenger service yields a rate of return poorer than alternative investments, in either freight service or non-rail undertakings. It will do us no good to lament this fact or to editorialize about it. Instead, we must look to the creation of some means by which the operational talents of railroad executives can be harnessed with capital from other sources to deal with the problem.

A Public-Private Transport Corporation

If we are to close the gap between the need for modern rail transportation and the unlikelihood that the necessary funds will be provided through Federal appropriations, we must devise some new institutional approach. The basic aim is not just to raise capital but to use it to establish rail systems that are both efficiently operated and tailored to meet public transportation demands. What form might such an institution take? Here I have no simple answer, but let me suggest that government, the railroads, and the financial community -- meaning our banks and investment houses -- should consider moving, together, to form a distinctive new type of quasi-public corporation that could raise the capital to construct and operate the kind of modern rail systems that I think we should have. The character of such a corporation is hardly subject to precise definition. COMSAT may provide something of a model, however. As I see it such a corporation should be one in which government plays a leading role and does not serve as a mere passive guarantor of obligations. It must provide the direction and the guidance. At the same time, such a corporation must be able to raise large amounts of capital. Given the risks inherent in the operation of a major new rail system it seems imperative that government must be prepared to offer

some special financial incentive. This could take any of a number of forms. It might be sufficient to stand behind the corporate debt obligations. It could extend special tax relief. It could make loans to the corporation, perhaps matching, on some specified basis, the amounts that could be obtained in the private capital market. Or, of course, it could do any combination of these things. And, let me not be unclear, its participation would, in all likelihood, amount to some kind of capital subsidy.

What of the railroads: What would be their role? The railroads have much to offer. Management and operational experience might be their foremost contribution, but they also have existing rights-of-way which a corporation of the kind I have outlined might be able to use on a basis that would be financially attractive for both. Too, the railroads and the public generally should be given an opportunity to take an equity position in the corporation. With appropriate Federal incentives and support a modern rail system, operating in a densely populated corridor, could become a profitable undertaking, at least over the long run. Equity participation in the corporation, therefore, should not be ruled out.

If we are to meet the nation's future transportation needs--and especially those associated with intercity passenger movement in urban corridors--we must aggressively search for the means by which we can put advanced rail technology to full use. We can do so, however, only if we take a hard, practical look at our problems and are prepared, in both the private and public sectors, to devise new institutional means to achieve what appear to be reasonable objectives. In this search we all have a contribution to make for transportation is simply too important to our society and economy to be left either to government or industry alone. It would be my hope that the financial executives of the railroads and the leaders of the financial community would play an increasingly active part in creating the kind of modern rail passenger systems that the nation needs.