The original documents are located in Box 39, folder "Transition Reports (1977) - Transportation Department (2)" of the John Marsh Files at the Gerald R. Ford Presidential Library.

C. NATIONAL POLICY STATEMENT

A Statement of National Transportation Policy

September 17, 1975
Washington, D.C.

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I. POLICY OVERVIEW

Transportation has substantially shaped the growth and development of the United States. Waterways led our ancestors to new frontiers. Today, our energy-efficient inland waterways and merchant marine seek out new markets. Railroads fed the hearths of an industrial revolution and now have renewed significance in the era of environmental and energy consciousness. Highways made us the most mobile population on earth, profoundly altered our land use patterns, and established the automobile, truck and bus as an important part of the Nation's mobility and economic activity. Mass transit provided the lifeline to city centers and now offers hope for their revival. Civil aviation extended its reach around the globe and helped design the interdependent world in which we now live. General aviation has greatly increased business and pleasure mobility and opened up formerly unreachable territories. Pipelines are vital to energy independence.

To sustain and enhance our economic vitality and growth, the productivity of our commerce and the quality of our leisure, we need a healthy and responsive transportation system. National transportation policy must serve these broad goals of our society by helping to guide the development, financing and maintenance of a safe, efficient, accessible and diverse transportation system. Such a system should meet the needs of all Americans—as passengers, consumers, employees, shippers and investors—in a way that is consistent with other national objectives. The values and priorities of our society are changing as the land on which we live is changing, and transportation must blend with other national goals in seeking heightened quality in the American way of life.

The Federal Responsibility

The Federal government has actively participated in building transportation's infrastructure.[1] It has also assumed responsibility to ensure the safety of travelers, to protect the public from the abuse of monopoly power, to promote fair competition, to develop or continue vital transport services, and lately to balance environmental, energy and social requirements in transportation planning and decisionmaking.

In keeping with basic American economic philosophy that the private sector should bear primary responsibility for meeting the Nation's transportation needs, the Federal government has usually exercised restraint. Its role is limited by the preference accorded the private sector, by concentration on issues of national importance and by the finite financial resources available. Its role is advanced, however, by our political commitment to improve the economic and social well-being of all Americans.

FEDERAL-STATE-LOCAL RELATIONS

The Federal interest in interstate and international transportation is mandated by the Constitution and defined by practical requirements of uniformity and connectivity, and, in addition, for international transportation, such Federal interest is circumscribed by international law and foreign policy. In recent years, laws have been enacted on mass transit, environmental quality and energy conservation which are as concerned with local transportation as they are with interstate and foreign commerce. These laws have expanded the definition of Federal interest and require extensive cooperation among Federal, State and local governments.

Now, we must seek a more rational delineation of responsibility among the levels of governments. Most transportation activity involves primarily local movement. Consequently, the largest share of existing Federal assistance programs requires shared Federal, State and local priorities and decisionmaking. The extent of Federal financial participation and program control is a function of the national priorities served. As we decentralize authority and increase State and local program

[1] See Ann F. Friedlander, *The Dilemma of Freight Transport Regulation* (Brookings Institution), pages 8 and 9, 1969.

flexibility, States and localities must improve program management and, where possible, increase their financial participation in projects that primarily benefit their residents. We have a further responsibility to define residual Federal interests—connections to interstate commerce, preserving urban centers, overall national economic and social well-being, civil rights, etc.—and to simplify the process by which responsiveness to these national priorities is assured.

FEDERAL-PRIVATE SECTOR RELATIONS

We also seek a more rational relationship between the Federal government and the private sector. The government must promote increased efficiency, energy conservation, capital development, job opportunity and productivity through economic and regulatory policies that create a climate conducive to healthy competition among financially viable suppliers, carriers, operators and modes.

In responding to specific short-term economic ills of an industry, direct Federal subsidy should be considered only as a last resort. We must recognize that sustaining or restoring the basic health of the economy will create more certainly conditions in which an efficient, well-managed industry will thrive, creating jobs and providing low-cost service. At the same time, Federal action should not impede the ability of well-managed firms to realize a reasonable rate of return on investment and attract the necessary capital to enable expansion and the purchase of safe, modern and environmentally sound equipment.

Unfortunately, the Nation's economic regulatory structure in transportation has not kept pace with changes in industry and the economy. Responsible action is needed to reform and modernize the regulatory system in which surface, air and water transportation operate. However valid the original purpose of promoting a fledgling industry and protecting the public from the tyranny of monopoly or the chaos of predatory competition, the public perception of the system now is that it serves primarily to foster security in the industry it is designed to regulate. In its operation, the existing regulatory structure is too often outdated, inequitable, inefficient, uneconomical and even irrational.

We should seek balanced reform of the Federal regulatory process—not deregulation, sudden chaotic changes or abrupt policy reversals. We must also realize that financial commitments have been made under existing regulatory ground rules and we should be cautious in the application of theoretical solutions. Changes in public policy clearly are required. Increased emphasis must be given to competition and the market mechanism as a more effective judge of efficient resource allocation and a more reliable barometer of consumer preference. In air and surface transportation, we will seek more pricing flexibility, some liberalization of entry and exit policy, more efficient and timely regulatory processes and the prohibition of anti-competitive practices. We will also seek to determine the most efficient restructuring in various modes and to encourage new methods of intermodal cooperation.

As these changes are implemented, we also recognize that large financial sums have been invested in reliance, in part, on the present regulatory system. Therefore, some otherwise laudatory reforms will have to be altered or staged over a transitional period to enable appropriate adjustment to market conditions. We will evaluate the consequences of each modification to assure that the financial viability of the industry is preserved and other public interests are being served.

PUBLIC INTEREST RESPONSIBILITIES

Whereas less government intervention through economic regulation is desirable, this should not be at the expense of consumer protection or the financial well being of the industry. Government should devote sufficient resources to the development and enforcement of reasonable standards of safety, environmental protection and civil rights, consistent with cost-benefit analysis where appropriate. Government must also promote consumer participation in public decisionmaking.

Energy conservation has become a key determinant in transportation decisionmaking. We must be prepared to sacrifice some of the conveniences long enjoyed in a world of cheap and plentiful energy for the longer range preservation of mobility.

In striving to achieve progress in these areas, we are not dealing in absolutes. The statutes, the courts, administrative processes and analytical procedures provide the tools for weighing relative values and the parameters in which discretionary judgment is exercised. We need to use these tools

to make better decisions and ensure steady progress each year in reducing accidents, enhancing the environment and promoting equal employment opportunity. We need to understand better the indirect economic and social consequences of our actions, provide for programs that serve the long-range public interest, find the most efficient means to achieve our program objectives and protect the rights of the individual and the choice of the consumer.

Multimodal Policy

Underlying comprehensive transportation policy is the recognition that diversity and intermodal competition are essential to an effective transportation system. Government policy must move in the direction of increasing equal competitive opportunity among the transportation modes, promoting cooperation among modes, minimizing the inequitable distortions of government intervention and enabling each mode to realize its inherent advantages.

Our motor carriers, taking advantage of a ubiquitous highway network, which is paid for only as it is used, have the ability to provide door-to-door service for a broad range of commodities with great flexibility as to time and nature of services. Similarly, intercity buses, using this highway network, can provide service between densely populated cities, as well as between towns and villages. Our water carriers can handle bulk commodities at low cost between regions endowed with adequate waterways. Our railroads can transport a wide range of commodities economically over long distances from major sources of supply to major points of demand. When speed is important, our air carriers can deliver high-value goods over long distances. Passenger services provide a range of price, speed and quality options that respond to varying consumer demands based on the distance to be traveled, the ability to pay and convenience of access.

In designing a government response to the problem of a particular transportation mode, we must recognize and evaluate the consequences of government action on the competitiveness of other modes. Although consistency and complete equity are not always possible in the government's allocation of resources to transportation, we must make a concerted effort to remedy the imbalance of past actions and assure fairness in future actions, or at least fully recognize and weigh the adverse effects of present imbalances. As we move toward support of new developments in transportation, we must constantly reexamine whether new programs require alterations in or elimination of existing programs.

Policy Principles Underlying a National Transportation Policy

A national transportation policy must be a living, evolving process responsive to changing conditions and public perceptions of the Nation's transportation needs. It reflects existing statutes and programs, habits and traditions, proposed reforms and the direction in which we intend to move in the future. Certain basic policy principles help define the contribution that Federal leadership must provide, consistent with the continuing reality that Federal and other governmental resources are finite.

We believe that the fundamental policy principles are as follows:

1. Government and the Private Transportation Sector

a. A dynamic, competitive and efficient private sector should meet the Nation's transportation needs to the maximum extent feasible.

b. The private sector and government should interact effectively, performing functions and pursuing priorities for which each is best suited, working in a mutually reinforcing way where appropriate and at "arm's length" where necessary.

c. Representing 10 percent of the Gross National Product,[2] the transportation sector must attract adequate capital for sound investment in the future and promote a stable and growth-oriented economy by exercising fiscal responsibility, helping to control inflation and creating employment opportunities.

2. U.S. International Transportation Concerns

a. In a world of increasing international interdependency, transportation must protect vital national interests by:

(1) Enabling the United States to compete effectively in the world market;

(2) Enabling people, freight and mail to travel abroad at the lowest possible price, consistent with

[2] A tabulation of transportation expenditures of all kinds (including outlays for intermediate goods and services which are eventually adjusted out in GNP accounting procedures to eliminate double counting) would yield a sum approximating one-fifth the size of the GNP.

good, safe and regular service and an appropriate rate of return on capital;

(3) Enabling U.S. carriers to compete effectively with foreign carriers;

(4) Supporting national security requirements;

(5) Reducing dependency on foreign energy resources;

(6) Supporting continued U.S. leadership in technology through sound research and development planning.

3. Public Interests—Enhanced Quality of Life

a. The transportation sector should contribute substantially to an improved quality of life by:

(1) Attaining high standards of safety;

(2) Protecting our air and water from pollution, reducing excessive noise and supporting sound land use patterns and community development;

(3) Bringing people together and closer to the variety of benefits that our culture and economy offer;

(4) Minimizing the waste of human resources that results from congestion, inadequate transportation service and inefficiency in transport operations;

(5) Providing the lowest cost services to the consumer consistent with safety, a reasonable rate of return on capital, a sound government fiscal policy and other public interests;

(6) Promoting the most efficient use of scarce, finite and costly energy supplies;

(7) Creating and maintaining employment and capital opportunities.

b. Our transportation system should be accessible to and provide equal job opportunities for all our citizens—with special recognition of the needs and potential contribution of the elderly, the handicapped, the poor, minorities and women. It must respond to varying demands of the tourist, the family and business. The consumer should be an active participant in the formulation of transportation policy.

4. Multimodalism—Maintaining Diversity and Competition

a. The strength of our transportation system lies in its diversity, with each mode contributing its unique and inherent advantages, and responding to different consumer demands at various levels of cost and quality of service. The government should preserve and encourage this diversity by:

(1) Promoting equal competitive opportunity for all forms of transportation;

(2) Encouraging cooperation, connectivity and integration among the modes;

(3) Recognizing that previous policies premised on the monopoly power of individual transportation modes need to be reexamined and regulatory policies adjusted accordingly.

5. The Federal Role—Predominant Concerns of the Federal Government

a. The Federal Government should define its role vis-a-vis State and local governments by exercising responsibility pursuant to Constitutional and statutory authority:

(1) In international commerce;

(2) Over interstate commerce, particularly in supporting the development, viability and modernization of major interstate networks in rail, highways, air and water;

(3) In defining and working to advance national priorities through persuasion, incentive, regulation and enforcement, where the magnitude of the problems and their national importance require a Federal response (e.g., safety, reviving the city centers, energy conservation);

(4) In shoring up weak elements of the transportation system on a temporary basis where the national interest is served by helping to preserve diversity and prevent nationalization;

(5) To assist States and municipalities on the basis of shared responsibility and priorities;

(6) In direct, selective investments in research and development, planning and activities that are in the interest of national security and other exclusively Federal concerns.

b. The Federal government must move in the direction of encouraging more rational public and private financing of capital and operating costs in the transportation sector, consistent with:

(1) Sound fiscal policy and cost controls, including vigorous assessment of the inflationary impact of Federal actions;

(2) Increased participation, where possible, of State and local governments in projects primarily benefiting their residents;

(3) More equitable use of Federal subsidies, insuring that they are necessary to achieve a clearly defined national interest and minimizing their detrimental impact on competing modes;

(4) Careful assessment of the costs and benefits of alternative uses of Federal funds;

(5) Recognition of the real costs of transportation services, including their environmental consequences;

(6) Allocating limited Federal resources on the basis of comparative merit without reference to fixed trust fund revenues;

(7) Encouraging the user to pay for the full cost of Federally financed services and facilities, except where the public interest correctly dictates a subsidy;

(8) Economic and regulatory policies that enable transportation industries to earn a reasonable rate of return on investment, attract capital, provide expanding job opportunities and protect the legitimate needs of the employee, consumer and investor;

(9) Reasonable labor policies and practices that will enable the efficient use of Federal transportation funds in reducing unemployment and poverty.

c. The Federal government should improve its performance measures—in assessing the effectiveness of alternative Federal program and policy options and evaluating the health and progress of the transportation system—even though the diversity in transportation needs and cost of providing services make infeasible the formulation of uniform performance standards for all States and localities.

Policy Priorities

The Department of Transportation must attach special importance to issues involving the more energy-efficient use of the automobile, the financial viability of railroads and airlines, and more effective urban transportation systems. We must also address on a priority basis the Federal role in water transportation, the highway program and rural transportation. These and other critical transportation issues should be resolved in the context of the policy principles set forth above.

AUTOMOBILE

The automobile is and will continue to be the most universally accepted form of transportation in America. It is the most flexible and responsive mode and provides the greatest freedom of mobility. It accounts for significant employment opportunity. But, it is also a major contributor to fatalities, injuries, air pollution, high energy consumption and congestion. Both its technical performance [3] and its more intelligent and socially responsible utilization are matters of urgent and continuing concern. We will seek to preserve and maximize its unique contributions. At the same time, however, we will strive to increase its energy efficiency, economic and socially responsible use and safety. We will continue to work with State and local governments to make better use of the automobile, particularly in urban areas, through carpools, outlying parking facilities and improved traffic management.

RAILROADS

In an era of increasing awareness of the need for energy conservation and environmental protection, railroads must play a major role. Appropriate government decisionmaking requires a separate discussion of rail freight and rail passenger service.

Rail Freight Service.—The development and modernization of a nationwide, privately owned, interstate rail freight system is essential to the national interest. Such a system is necessary to assure at the lowest possible cost a means to meet with sufficient capacity the increasing transportation needs of a growing economy and to support national priorities of defense, energy conservation, environmental protection and safety.

Special, short-term Federal intervention and support are necessary to restore the operating and financial viability and modernization of major portions of a vital industry in which nine firms have gone bankrupt in the last 10 years and in which the industry-wide rate of return on net investment after taxes has averaged only 3 percent over the last 11 years. Improving and modernizing the rail freight system and keeping it in the private sector requires prompt Federal action to:

- Provide assistance to the industry in restructuring its system along more rational and efficient lines, reducing excess, duplicative capacity and eliminating non-essential routes from the national interstate network, while rehabilitating and modernizing those facili-

[3] The Department is funding research and development of an automobile which will have the following characteristics: Not over 3,000 pounds in order to achieve at least 30 miles per gallon, safely constructed to prevent fatalities at up to 50 MPH, meeting a high level of environmental standards, and designed to be both economically and esthetically appealing to the consumer. See DOT Document Number 8580-207, *Traffic Safety*, 1973, pages 5-7.

ties remaining in the rationalized interstate system;

- Modernize Federal regulatory policies that have prevented the railroads from being efficient competitors among themselves and with other modes;
- Remedy the inequity of government subsidy to the railroads' major competitors—water carriers and, to some extent, perhaps elements of the motor carrier industry;
- Encourage the continued development of more efficient labor and management practices in the railroad industry.

We intend to work closely with the railroads and the rail labor unions—through persuasion, financial incentive and regulation—to further these policies. Our program to accomplish these tasks involves:

- Assistance, through expedited merger and acquisition proceedings, in the creation of a privately owned and managed appropriate nationwide interstate trunk line rail freight system which will provide at least two competing lines between major industrial points, cities and seaports;
- Federal guarantee of loans to provide needed capital to rehabilitate deteriorated plant and equipment and to modernize facilities;
- Reform of the economic regulatory structure to permit pricing flexibility, abandonment of unprofitable routes [4] and a more efficient handling of regulatory procedures;
- Encouragement of State and local governments or shippers to assume responsibility for light density branch lines outside the appropriate nationwide interstate freight system, with some transitional Federal economic assistance;
- Steps to revitalize the railroad system in the Northeast and Midwest, where eight railroads have already gone bankrupt, as follows:

  (a) Create and assist a private corporation (ConRail) to operate more efficiently, and rehabilitate, much of the properties of seven of the eight bankrupts;

  (b) Encourage solvent railroads to purchase and operate profitably portions of the Northeast-Midwest bankrupt properties, consistent with the evolution of a national interstate freight system;

  (c) Provide sufficient transitional operating support until the lines in the Northeast and Midwest become financially viable.

Rail Passenger Service.—Many of the reasons for supporting vital freight service also apply to passenger service. But national policy must distinguish between them. For example, rail passenger service does not play the same vital role as does rail freight in the Nation's economy and defense. Nevertheless, rail passenger service does support national priorities of energy conservation, environmental protection, alleviation of congestion and safety.

There is a strong Federal interest in determining whether rail passenger service provided by AMTRAK without Federal subsidy can compete with other passenger modes. To reach a position where rails have an equal opportunity to compete will require additional Federal investment in restructuring and rehabilitation. If rails cannot compete successfully for passenger traffic, a basic policy decision must be made consciously as to whether the national priorities justify long-term Federal subsidy, and, if so, at what level. In the interim, our immediate policy for AMTRAK includes:

- Establishment of a multi-year commitment of Federal support to intercity rail passenger service, enabling long-term planning and investment;
- Establishment of a firm limit on that multi-year commitment to ensure prudent investment and economical use of resources;
- Establishment of route criteria which will tend to depoliticize the selection of routes to be continued, added or deleted;
- Placing on AMTRAK the responsibility for the development and promotion of efficient intercity rail passenger service which will permit its management to respond to changing demand with minimum regulatory interference;
- Careful examination of the effect on competing modes of government assistance to AMTRAK;
- Encouragement of States to initiate intercity rail passenger service in conjunction with AMTRAK.

[4] We must make sure that any such abandonments do not foreclose proper access to future energy or other essential resources.

AMTRAK's long term objective should be to improve service and reduce costs through effective management. This may require elimination of services on routes where (a) transportation alternatives exist, (b) rail passenger service is demonstrably uneconomical, and (c) national priorities do not justify continuing Federal subsidy.

Finally, special Federal assistance may be appropriate to support development of high-speed trains in certain densely traveled regions, such as the Northeast Corridor, where improved service promises to become economically viable and Interstate highway and airport congestion can be alleviated by such rail service. A substantial Federal investment in high-speed rail passenger service, however, raises again many of the complex issues of equal competitive opportunity among the modes, Federal priorities of energy and environmental conservation, what corresponding changes, if any, should be made in other Federal transportation investments in the corridor (i.e., highways, airports) and the appropriate sharing of Federal and State responsibility. We will work with the Congress to develop a program for high-density corridors, consistent with basic policy principles set forth above.

AVIATION

Consistent with general transportation policy principles, the Administration is formulating an aviation policy that will serve as a basis for coordination among Executive Branch agencies, for advocacy before the Civil Aeronautics Board (CAB) and in the submission of Administration legislative proposals to the Congress. Our aviation policy initiatives include both domestic and international issues.

Domestic Air Policy Priorities:

- Maintain aviation's excellent safety record; enhance existing safety regulations; drop unnecessary regulations and continue to upgrade the air traffic control system to reflect the needs of different users;
- Reform the air regulatory structure through increased pricing flexibility, some liberalization of entry and exit policy over a transitional period, prevent anticompetitive practices and expedite administrative processes. (We will propose permitting air carriers to lower prices without regulatory interference to the direct cost level, permitting some upward price flexibility subject to supervision by the CAB. Our entry proposals will free carriers from cumbersome certificate restrictions, permit some sensible expansion by existing firms into new markets and encourage some new entrants.);
- Take measures to foster more efficient use of fuel, consistent with the national objectives of fuel conservation and market allocation of energy resources. (We have recommended to the CAB a temporary fuel-cost pass-through. Over the long term, the increase of load factors from 55 percent to 65 percent will promote more efficient use of fuel. The Federal Aviation Administration will continue to stress conservation measures.);
- Strengthen the financial viability of the well-managed carriers by ascertaining and encouraging the optimal domestic industry size, number of airlines and route structure to provide reliable long-haul trunk line service between major cities, to assure adequate service to smaller communities and to enable healthy competition between efficient carriers, permitting them to earn a reasonable rate of return on capital;
- Modernize Federal financing policies to determine when subsidies are appropriate for maintaining essential services that are unprofitable but in the national interest;
- Improve the equity of the airports and airways user charge system;
- Improve airport planning consistent with regional land use planning, projected capacity requirements nationwide, fairness among State and metropolitan areas and environmental protection (such as noise abatement);
- Define the government's responsibility for promoting financially viable and competitive air carrier, airframe and engine manufacturing industries;
- Recognize and support the development of general aviation, consistent with the need for it to pay its own way to the extent appropriate.

International Air Policy Priorities:

- Seek a more rational international route structure by identifying routes that are in the national interest, maximizing fuel efficiency and minimizing adverse environmental impact, developing improved domestic-international route system integration and establishing the

relative roles of scheduled and charter service. (For example, we will assess the relative merits of an air policy for international service in which a few U.S. carriers provide most of our international service in comparison to a system in which U.S. international carriers would be encouraged to have domestic routes and present domestic trunk line carriers to acquire international routes with feeder service behind major gateways, or variants of the foregoing.);

- Promote a stronger U.S. flag carrier system through an affirmative action program to represent U.S. foreign and commercial policy interests before international bodies and to protest vigorously anticompetitive and discriminatory practices by subsidized foreign carriers;
- Seek fare structures that permit efficient, unsubsidized U.S. air carriers to earn a reasonable return on investment in order to attract capital from the private sector and to provide job opportunity;
- Facilitate efforts by the U.S. airframe and engine manufacturing industry to maintain its leading role in international aviation.

URBAN TRANSPORTATION

Urban transportation policy must be part of a coordinated and comprehensive approach to city and suburban needs. Each urban area is unique—with different needs and different development objectives—and each should be free to choose for itself the transportation solutions that best serve its objectives. At the same time, urbanized areas across the country have many transportation problems in common.

Federal policy for urban transportation should at once respond to locally determined transportation goals and serve such national objectives as the enhancement of our cities as vital commercial and cultural centers, control of air pollution, conservation of energy, access to transportation for all citizens and particularly the disadvantaged, facilitation of full employment and more rational use of land.

Because mass transit serves all these objectives, simultaneously and well, it merits strong Federal as well as State and local support. This is now possible because of the National Mass Transportation Assistance Act of 1974 and the Federal-Aid Highway Act of 1973, which provide greater local flexibility in the use of Federal financial assistance and offer new and expanded sources of funds for public transportation improvements. States and metropolitan areas must work together to update their proposals for Federal funding on the basis of changing conditions and a continuing comprehensive planning process.

Many Americans live in suburban places of lower population densities, which are well served by the private automobile, and tend to commute to work in central cities, which suffer from the adverse side effects of the automobile—congestion, pollution—and thus would benefit from public transit. An efficient metropolitan transportation system, therefore, requires a mix of modes, public and private, properly coordinated and utilizing the relative advantages of each.

The burgeoning demand for increased public services, however, has put a serious strain on available public funds, making it essential that Federal resources be allocated fairly and used with maximum effectiveness. Therefore, Federal policy should:

- Require analysis of the cost-effectiveness of transportation alternatives as a condition of eligibility for Federal assistance for any major mass transportation investment;
- Require as a condition of Federal funding the development and implementation of transportation system management plans to improve the efficiency of existing facilities and transit services and conserve energy (e.g., carpools, exclusive bus lanes, higher parking fees);
- Give increased emphasis to improved service in the near term as distinguished from building new facilities to meet anticipated transportation demand over the long term;
- Regard the present types of fixed rail systems as appropriate only in a few highly populated metropolitan areas where State and local land use and development policies are explicitly committed to the generation of high densities sufficient to support these modal choices on a cost-effective basis;
- Support efforts to develop a type of rail system which is much less costly to build, operate and maintain;
- Give preference in Federal funding to localities that demonstrate consistency with broader community development goals, effective processes for resolving jurisdictional conflicts, ef

fective cost controls and a substantial State, regional and local financial commitment;

- Encourage the planning and operation of public transit on a coordinated, metropolitan-wide basis.

WATER TRANSPORTATION

Water transportation is energy efficient and cost-effective. We anticipate increased competition for use of the waterways, coastal zones and port areas. Because of competing demands for coastal resources and the need to protect unique ecology, coordination among Federal, State and local governmental authorities and comprehensive coastal zone planning is essential for port development.

In water transportation, however, the split in responsibilities among various Federal agencies complicates the development of coordinated policy and planning and the achievement of balance among competing transportation modes that would result in the most efficient system for the Nation as a whole.

National inland waterway policy should be compatible with national transportation policy. It has become apparent from the increasing criticism of adversely affected carriers that use of the existing public investment criteria for the water mode is inequitable. Some common denominator is required against which public investments in alternative modes of transport can be assessed. Economic efficiency and considerations of equity also lead in the direction of some form of cost sharing. Insofar as it is practicable and administratively feasible, the identifiable beneficiaries of Federally improved and maintained waterways should bear some share of development and operating costs through a system of user charges. The Administration is now studying water resources policy, including cost sharing for navigation, under the provisions of Section 80 of the Water Resources Development Act of 1974.

The probable extension of a U.S. economic zone to 200 miles, along with increased off-shore drilling, the need for increased port capacity and the importance of protecting the marine environment, will have a significant impact on Coast Guard responsibilities. It is imperative that the Coast Guard, which is the primary law enforcement agency on the high seas as well as the agency responsible for maritime safety, have an enforcement capability which is commensurate with its legislative responsibilities.

HIGHWAY TRANSPORTATION

Highway transportation is essential to the preservation of American mobility and to our economic well-being. We intend to maintain, modernize and improve our highway system, consistent with the following policy:

- Interstate commerce and national security require that a high level of performance be maintained on our Nation's major highway systems;
- Cooperation among Federal, State and local governments and increased program flexibility will enable each level of government, within its sphere of interest, to best determine priorities and improve its transportation systems in thet most cost-effective manner;
- Federal assistance to highway programs should be altered to acknowledge that:

(1) Completion of the Interstate System is a top Federal priority, especially where connective intercity links are concerned. Where links are proposed that principally serve local needs, we will expect State and local officials to justify these expenditures carefully.

(2) Older segments of the Interstate System need to be modernized and rehabilitated.

(3) Flexibility in other Federal-aid highway programs should be increased by providing State and local officials more options in their selection of projects within broad-based program categories. Federal requirements should be simplified, for example, by accepting certification by the Governors that certain State management procedures are equivalent to Federal requirements.

(4) The initial planning of most of today's highways was undertaken when energy was cheap, considered in plentiful and unlimited supply and environmental considerations were not as prevalent. Now, we encourage State and local communities to rethink some of the highway planning already done so as to determine if a particular highway still offers the best transportation alternative. Where it does, we urge that it be built as soon as possible; where it does not, we urge policies that do not place an undue disincentive on the alternative.

(5) Funding authorizations for highway transportation programs should be adequate, but consistent with other transportation and national priorities; they should not be affected either way by the current revenue yields of gasoline or other automobile taxes.

- The special problems of urban areas require an intermodal approach, utilizing the option to transfer Federal highway funds to mass transit, where appropriate, and improving traffic management practices;
- The special problems of rural America must be separately addressed and programs developed to meet its particular needs; [5]
- Since large segments of the Nation's highway infrastructure are now in place, we must address the future requirements for and utilization of the Highway Trust Fund;
- Vehicle and highway safety remains a high priority which we share with State and local governments.
- We will seek a more competitive trucking industry, eliminating archaic and energy-inefficient constraints on service;
- Intercity bus service meets an important national need for economic travel between cities and smaller communities.

Conclusion

As we work toward improving passenger and freight transportation service by air, water, truck, bus and rail across the Nation, making more effective, intelligent and socially responsible use of the private automobile, and protecting society against adverse impacts of transportation, we will continue to emphasize comprehensive planning and multimodal solutions.

To this end, we will work to:

- Allocate Federal resources more fairly among the modes;
- Resort to subsidies, direct and indirect, only when a clearly defined national interest requires the development, modernization or maintenance of essential transportation service;
- Reform the regulatory structure to remove outmoded constraints on competition among carriers and modes;
- Develop incentives for more efficient intermodal services through research, development and demonstration programs;
- Identify and eliminate unreasonable barriers to intermodal cooperation—encouraging cross-modal terminals, through ticketing, multimodal ownership and container shipping where efficiency, lower prices and convenience to shippers and consumers are the consequence;
- Improve our information base, measures of performance, cost-benefit methodology and planning and program evaluation capability to respond more efficiently to transportation needs and understand the indirect effects of our actions;
- Recognize the need for a fair return on capital by the private sector providers of transportation services and the need for sound fiscal responsibility in the provision of transportation services supported by public funds.

As we implement our national policy, we will monitor the effect of Federal actions in terms of the following considerations:

(a) Is the public getting lower cost, safe and efficient service?

(b) Are services accessible to those who need them?

(c) Is the private transportation sector operating in a competitive manner?

(d) Is the transportation sector, including the manufacture of equipment, growing in productivity, developing new technology, improving safety and performance?

(e) Is the transportation system sufficiently flexible and adaptable to serve properly changing national priorities and lifestyles and new economic and community needs?

(f) Is the transportation sector attracting the capital it needs to modernize, provide employment and render the desired service?

(g) Is the U.S. international transportation sector able to compete fairly and effectively with foreign carriers?

[5] We must also review the special temporary and changing transportation needs of Alaska and recommend programs that will support the development and transport of new energy and other resources, the population influx and access to remote rural areas.

II. GOVERNMENT AND THE PRIVATE SECTOR

National transportation policy must reflect the Federal government's responsibilities and objectives relating to the private sector of our economy. In this chapter, we will examine:

- The broad policy set forth in the Department of Transportation's statutory charter and related laws;
- Private sector problems currently demanding government attention;
- The range of policy instruments available to the government;
- Policies concerning non-economic regulation, economic regulation, subsidy, government operation and intermodal relationships.

The Charge to the Federal Government

The Department of Transportation Act of 1967 calls for the development of national transportation policies and programs that will provide fast, safe, efficient and convenient low cost transportation. It establishes the Department of Transportation to assure the coordinated, effective administration of the transportation programs of the Federal government, and to facilitate the development and improvement of coordinated transportation services, to be provided by private enterprise to the maximum extent feasible.

Consistent with our traditional economic philosophy, most transportation services are furnished by private operators. Federal transportation expenditures represent only three percent of the total. Therefore, the logical solution to the Nation's transportation problems must be found, for the most part, in the private sector.

Government's responsibility toward the private sector has principally been exercised in:

- Maintaining availability to the public of vital transportation services;
- Ensuring that our transportation system operates in conformance with the Nation's broader goals, e.g., safety; air quality; energy conservation; national security; reduction of congestion; adequate service for the disadvantaged, poor, elderly, and handicapped, and preventing monopolies or undue preference or discrimination;
- Promoting efficiency and productivity of transportation services.

Private Sector Problems Demanding Government Attention

Until some entirely new mode of transportation technology emerges, the Nation's required transportation infrastructure is for the most part in place.[1] What is needed is not more capacity, but modernization, repair and more effective utilization of existing capacity.

The immediate financial prospects of the private transportation industries tend to reflect the general health of the economy, both its structural soundness and its cyclical fluctuations. For some transportation companies, the outlook today is threatening; the risk of major failures is quite real. This is in part a product of inefficient economic regulation, the impact of increasing labor and fuel costs combined with reduced revenues caused by the economic downturn and, in some instances, deficient management or industry structure.

Our railroads face a critical need to modernize their existing physical plant, to be freed from the encumbrance of excessive regulation and to rationalize a network financially overburdened (a) by excess capacity, (b) by a failure to manage physical facilities properly and (c) by an overly fragmented management structure. Some firms in our national air system suffer from serious short-term financial problems caused largely by the sharp rise in fuel prices and depressed traffic levels associated with the economic recession from which we are now emerging. Mass transit, which is reversing a 25-year decline in ridership, still needs better quality of service, better control of its labor

[1] Some additional urban fixed and light rail facilities, essential segments of the Interstate Highway System and further transportation development in Alaska are exmples of new infrastructure that is still required.

costs and modern equipment and, in a few places, rapid or light rail facilities, in order to attract greater patronage. The motor carrier industry, despite a temporary decline in traffic earnings and increased fuel costs adapts to economic downturns better than most other modes and faces no threat to its viability. While the industry generally is faring well, some trucking firms and independent owner-operator truckers are facing financial difficulties. The outlook for the inland waterway operators is good. The prospects for the intercity bus industry will be affected by the extent to which rising gasoline prices reduce auto travel and by rail competition. The maritime industry, except for idle tanker tonnage, should face no serious problems in the immediate future.

Beyond the need for short-term economic adjustments, some segments of the transportation industry are beset with more fundamental problems. A number of once well-intentioned public policies have produced operational rigidities and economic inequities and imbalances among the industries. These unanticipated and undesired by-products of past Federal actions constitute an agenda for current policy attention. Operations under monopoly and franchise have thwarted the business incentives which prevail in other markets, resulting in distortions clearly detrimental to the public interest such as high prices, the cross-subsidization of some uneconomic markets by others and the prevention of integration among modes (e.g., rail-water, rail-truck).

To be effective, government must function as an adaptive system, continually seeking a judicious balance between preserving the vitality of a free market and responding to the failure of the market to provide the public with essential transportation services. Both the symptom—inadequate or unresponsive market performance—and the systemic problem—outmoded policy and regulation—need to be under constant review.

In addition, the public interest requires a continuing Federal effort to mitigate the undesirable side effects of transportation where the normal incentives of the private market place are inadequate to the task. Substantial government intervention has become necessary to ensure safety, conserve energy, reduce crime and minimize adverse environmental effects. These issues are developed more fully in Chapter Four.

Alternatives for Government Action

Governmental responses to transportation problems range from voluntary cooperative programs with industry which enable the market to function more efficiently (such as the original Auto Fuel Economy Labeling Program) to direct Federal intervention (such as the Sky Marshal Program when aerial hijacking was at its peak). The public looks to government as the only agent that will properly represent community and societal interests and also is powerful enough to make industry revise its practices. However, from the principle that government should do only what the private sector cannot or will not, it follows that government should intervene only to the extent necessary to serve important public needs.

The Federal government should operate initially, to the maximum extent, through cooperative measures designed to improve the efficiency and productivity of transportation systems. Such measures include supporting the development of new technologies, research and special studies to improve our knowledge about how the system operates, the collection and compilation of planning data and selected experiments and demonstrations. Because of the importance of controlling the costs of transportation services, we are placing greater emphasis on seeking out and testing improved methods of operation and on developing more efficient equipment and better techniques for the management of labor and facilities. The government must ensure that the benefits of research and development are made available to private enterprise and other governmental agencies through effective dissemination programs and appropriate incentives for their use.

When the public interest requires that government intervene to change an industry practice, we prefer to begin the process by working jointly with the private sector through voluntary cooperative programs. Joint industry-government action—including, where appropriate, the consumer or other representatives of the public—provides greater opportunity to exploit the superior technical knowledge resident in the industry and also enables the suppliers and operators to introduce changes gradually into their complex and highly interdependent systems. A cooperative program will enable the industry to adapt to new requirements more efficiently, minimizing the added cost which the consumer must eventually

bear. The auto fuel economy improvement program, for example, seeks the voluntary cooperation of industry in producing more fuel-efficient autos.

More forceful government intervention includes regulation (non-economic and economic), subsidy and government operation. These require continuing evaluation because they may create inequities and inefficiencies.

Non-economic Regulation

When the public welfare is endangered, the government must act through regulatory standards as soon as it is evident that adequate remedies will not emerge through the forces of the market place. Safety and environmental protection are two such areas.

The development of sound regulatory standards requires public debate and extensive consultation with industry and consumer groups. Standards may force industry to incur substantial costs—costs which may have precluded voluntary remedial action in the first place. The costs may affect different firms or industries inequitably, depending upon the changes each finds necessary to achieve compliance. The adoption of uniform performance standards (which give all parties the same performance target) rather than uniform design standards (which would impose on everyone the same detailed product specifications) not only is more even-handed, but will usually result in lower long-run costs to the consumer.

The standards adopted must strike a judicious balance between results achievable, costs and secondary impacts. Complex transportation problems involve multiple agencies, multiple measures of good and often the redistribution of income. Seldom are we able to optimize only one given factor, or enjoy the analytical luxury of absolute measurement. We must be sensitive to second and third order effects and care must be taken to ensure that the standards will achieve an overall net benefit for the public. Finally, we must keep standards under periodic review, evaluating their validity under changing conditions and advancing technology.[2]

Economic Regulation

The railroads were brought under Federal economic regulation in 1887 in response to complaints of monopoly, regional discrimination and arbitrary rate making, and out of a conscious political decision to develop the West. In the 1930's, the infant truck and air carrier industries were placed under regulation in order to stabilize their markets, promote their development and growth and prevent strong competing modes from thwarting their appropriate development. In the ensuing years, a small part of the inland water mode was brought under regulation. Extensive structures of detailed regulations were developed for these systems. Despite changes in the environment in which these industries operate, the regulatory patterns have been resistant to change. In many ways, they no longer serve the public interest as originally intended.

Carriers, shippers and passengers frequently face a web of restrictive government regulations which stifle competition, discourage innovation and foster inefficiency. The present regulatory structure is in many respects outdated, inequitable, inefficient, uneconomical and frequently irrational. It often misplaces incentive and disincentive, distorts competitive advantage, protects inefficient carriers from effective competition, overrestricts market entry, artificially inflates rates and misallocates our Nation's resources. Under the current system, for example, many products bear a higher price tag because price fixing and other forms of shelter from competition sanctioned by our regulatory agencies protect the least efficient carriers and permit rates far over cost. The inflexibility of these outmoded regulations impedes the development of lower cost, more efficient national transportation.[3]

The challenge today is to revitalize the privately owned but regulated segment of the transportation system, while assuring that essential service is maintained, that adequate safeguards are provided against the abuse of economic power and that well-managed firms have sufficient earnings to attract capital. The key to this policy, we believe, is increased reliance on competitive forces, free of unneeded regulatory constraints. Obviously, competition implies the possibility that some poorly managed enterprises will fail. Bankruptcies do not necessarily signal the ill health of an entire industry; in fact, they may serve the public by weeding out the inefficient. The presence of the government should not render inoperable the rules or the risks

[2] Non-economic regulation is discussed more fully in Chapter Four.

[3] More detailed descriptions of current problems may be found in Chapter Five of the *Economic Report of the President* which was transmitted to the Congress in February 1975.

that prevail in other areas of commercial enterprise. Unfortunately, in our regulated markets, too many operators want to be protected and to be guaranteed profits. For the government to continue to encourage this expectation, when essential transportation services are not being threatened, is a disservice to the public.

Priorities for Reform.—In our current reexamination of regulatory policy, we are taking a much harder look at the way present regulation protects markets and the effects of this protection on cost-based prices, optimum productivity and energy efficiency. We will work to achieve specific reforms in the regulatory system by advocacy before regulatory agencies and through proposed legislation. Among our priorities for reform, we propose statutory amendments to:

- Make healthy competition a primary objective of regulatory action;
- Allow greater price flexibility and more price-service quality options, letting competition establish rates in the market place;
- Prohibit anticompetitive practices and limit the right of carriers to set rates by collective agreement through rate bureaus which are immunized from antitrust law;
- Liberalize somewhat restrictions on carriers entering markets with new services and require prompt regulatory consideration of their requests.
- Permit carriers greater freedom to abandon unprofitable operations, discontinuing the inequitable policy of cross-subsidization;
- Abolish archaic constraints on service that waste fuel and encourage inefficiency;
- Encourage intermodal competition;
- Encourage intermodal joint use of facilities.

Promoting Healthy Competition.—Outmoded regulation has stultified the ability of the market place to act as the ultimate arbiter of efficiency and price. The current regulatory system prevents railroads from effectively competing for the kind of traffic they can best handle by restricting certain movements and prices. As carriers of bulk material and large shipments, railroads compete with predominantly unregulated water carriers and pipelines, as well as with trucking, a substantial proportion of which is unregulated. In part because of its inability to compete with these unregulated competitors, the railroad industry has declined.

To reverse this decline and restore competition as a primary concern, we have proposed amendments to the Interstate Commerce Act to provide more competition among railroads and between railroads and other modes. We have also proposed a limited experiment in which certain commodities not regulated for truck and barge would not be regulated for railroads. But, restrictions on undue preference and predatory pricing practice would remain. The experimental program, moreover, would apply only to certain selected areas where the railroads would be in effective competition with other modes.

Similarly in aviation, we propose amending the Federal Aviation Act of 1958 to make maximum reliance on competitive market forces a primary objective of CAB certification. We will soon recommend legislation that will increase competition while preserving the important national and consumer interests that our airlines serve. We must move carefully during the transition to a more competitive system to ensure that all airlines have an equal opportunity to adjust to the requirements of the market place, that they are not penalized because of financial turbulence that a transitional environment could foster and that the objectives of increased efficiency and safer service are in fact being achieved. At the same time, we will study, and then recommend, what the appropriate market structure of the domestic and international air carrier industry should be.

Price Flexibility.—For all regulated carriers, we must replace overly rigid and inefficient price structures. Artifically low ceilings have held some rates below competitive levels, driving businesses into financial crisis and preventing adequate maintenance of facilities or investment in modern and safer equipment. Artificially high rates above competitive levels have deprived consumers of lower cost service and industry of the revenues that would be generated by broader consumer participation. We should move in measured pace in the direction of greater price flexibility.

We should encourage cost-based rates and quality/cost alternatives that will meet the full spectrum of consumer needs with safe, reliable and accessible services, while optimizing the productivity and efficiency of the industry.

We have proposed price flexibility for the railroads, permitting carriers to set rates to reflect their efficiencies as long as they do not fall below variable costs. At present, some railroad rates are

far above the fully allocated costs of providing service while others do not even cover their variable costs. This results in some shippers subsidizing other shippers and in misallocation of traffic among competitor modes. Railroads should be able to attract additional traffic by reducing rates on overpriced rail service and removing the subsidy from that traffic which is not paying its way.

We have proposed a definite time limit for completing Interstate Commerce Commission (ICC) rate hearings and the establishment of a no-suspend zone in which carriers could introduce nondiscriminatory rate changes without fear of Commission suspension. Permitting greater carrier initiative in rate setting and requiring an expedited ICC review will result in improved service, a more economical distribution of traffic among the modes and a lower and more equitable overall freight bill for shippers and consumers. Similarly, we will propose measures for increasing the price flexibility of regulated motor carriers and airlines.[4]

Entry.—Discouragement of entry by new firms and of innovation and new technology have been, in some instances, an unfortunate by-product of the regulatory proces. In naturally competitive markets, eased entry will produce more efficient service, innovative technology and lower prices. We will encourage somewhat more liberal entry policies, recognizing the need to balance freedom of entry with the requirements of safety, financial fitness and reliable and accessible service to all consumers. We must also recognize as we make changes that financial commitments have been made under the present rules; thus, some of our proposals will contemplate a transitional period.

Anticompetitive Practices.—Anticompetitive practices are inconsistent with a policy of promoting greater reliance on market forces. Regulatory agencies should not adopt policies that permit anticompetitive practices where there are competitive alternatives available that will serve the national interest as effectively. Under Section 5(a) of the Interstate Commerce Act, regulated carriers are permitted to establish rates through rate bureaus approved by the ICC. Although rate bureaus provide valuable services to their members and the shipping public, they also discourage pricing flexiblity and service innovation by collusive price setting and tend to hold rates above a competitive and compensatory level. We would prohibit railroad and motor carrier rate bureaus from voting on single line movements and limit consideration of joint line rates to those carriers which participate in the joint movement. We would also prohibit rate bureaus from taking any action to suspend or protest rates. These changes would specify those rate bureau activities that cannot be approved by the Commission and which will no longer be immunized from the operation of the antitrust laws. We also intend to propose legislation to prohibit certain unreasonable anti-competitive practices by the airlines.

Abandonment of Unprofitable Operations.—All carriers should be free to abandon unprofitable routes and services, except where there is a strong national interest in retaining them or where State or local governments assert a special interest and will assume financial responsibility. Where there are Federal, State or local interests in continuing transportation services that are not economically viable, then the nature of the interest, the route or service required and the responsible level of government must be identified and the level of support determined through the appropriate political process. Our abandonment polices, however, must recognize (1) the need for sufficient advance warning to the communities affected and (2) the fact that many communities were organized around present rail or other facilities and thus alternative methods of transportation must be developed.

Our experience with the railroads teaches us that we cannot continue to ignore the real cost of maintaining unprofitable services by prohibiting exit or abandonment and by acquiescing in, if not encouraging, cross-subsidization. One consequence of such a practice is that firms are forced to postpone capital investment necessary to keep their facilities modern, safe and efficient. Customers in profitable markets should not be forced to subsidize those in unprofitable markets. Stockholders and employees should not have to face corporate bankruptcy because their firms are forced to continue nonprofitable services.

A more flexible exit policy will enable each mode to concentrate on the kind of services it best provides. As railroads exit from unprofitable local

[4] We have proposed to the CAB that air carriers be permitted to pass through increasing fuel costs. We will also propose legislation to permit them to lower or raise prices within reasonable parameters (e.g., as long as direct costs are covered).

service branch lines, motor carriers will find increased consumer demand for their services. As railroads shed their nonprofitable routes, they will be able to lower prices and concentrate on long-haul, bulk commodity service, where their energy efficiency and carriage capacity are unique assets.

For the railroads, we have recommended that the process for initiating abandonments be modified. We would require prior notice of interested parties, and allow local communities adequate time to plan for alternatives. On lines that the ICC determines may be abandoned, we suggest a mechanism by which States and localities may assure continued rail service by making up the losses. Similarly, for air carriers, we would modify restrictions on exit, except where there is no alternative service available, in which case a showing of sustained losses over a period of time would be required.

Abolishing Archaic Constraints.—We must abolish artificially contrived restrictions on services and supplies that are wasteful of energy and other resources and that impose additional costs and higher prices on the consumer. We have recommended or will shortly propose eliminating outmoded constraints on services through legislation and by advocacy before the independent regulatory agencies, including:

(a) Phasing out over five years some restrictions now contained in airline operating certificates (i.e., mandatory stops, prohibitions on carrying local traffic, etc.);

(b) Removal of unreasonable restrictions in motor carrier certificates—circuity, underloading, empty backhauls and some commodity restrictions;

(c) Alleviation of constraints on efforts by railroads to eliminate duplicative and excessive facilities, utilize rolling stock more efficiently and restructure more rationally and quickly.

Encourage Intermodal Competition.—Regulatory reform will not only increase the efficiency of each mode, but it will bring about a more rational allocation of market shares among the modes with each realizing its inherent advantages. More competitive pricing, liberalized entry and exit policy and the removal of archaic service restraints will help equalize the rules under which regulated and nonregulated carriers compete and offer consumers the widest range of price/service options. We further propose the elimination of unreasonable constraints on intermodal cooperation and multimodal ownership.

In conclusion, the Federal regulatory structure serves important public interests. It should be reformed and made more efficient by expediting its review procedures and enhancing its capability to protect the consumer's interest. As the Supreme Court said in *American Trucking Associations* v. *Atchison, T. & S. F. R. R.*, 387 U.S. 397 (1967):

"(F)lexibility and adaptability to changing needs and patterns of transportation is an essential part of the office of a regulatory agency. Regulatory agencies do not establish rules of conduct to last forever; they are supposed, within the limits of the law and of fair and prudent administration to adapt their rules and practices to the Nation's needs in a volatile, changing economy. They are neither required nor supposed to regulate the present and the future within the inflexible limits of yesterday."

Regulation should assure that transportation services are reliable, prevent discrimination and anticompetitive practices, provide the public information about services and rates, encourage the development of innovative, energy-efficient, and environmentally-sound transportation systems and assure that national defense requirements and an efficient postal service are maintained.

Subsidy

Federal subsidies, both direct and indirect, were in many instances developed without adequate consideration of the competing interests or at a time when conditions were unlike those of today. As a consequence, there are inequities in present subsidy practice. We must, therefore, periodically examine Federal subsidies of private elements of the transportation sector for their continued validity. New requests for Federal subsidy should be given careful scrutiny.

The power of subsidy to promote national objectives is exemplified by the mail rate subsidy which fostered the development of our national and international air transportation system, now the best in the world. Conversely, the inequities that may result from such well-intentioned policies may be illustrated by the present structure of Federal programs in support of the different surface freight-carrying modes:

Water Carriers.—The inland and Great Lakes water carriers do not maintain or pay taxes on the rights-of-way they use. The inland waterway system is under constant improvement by the Corps of Engineers and enjoys the benefits of services by the U.S. Coast Guard. International water carriers receive Federal construction and operating subsidies.

Motor Carriers.—The extent to which motor carriers bear their share of the cost of construction and maintenance of the highways they use has not been fully established. The most recent study, which indicated underpayment, is soon to be updated. In any case, motor carriers are not required to make massive capital outlays for their use of highway rights-of-way.

Railroads.—The Nation's rail freight carriers build and maintain their own rights-of-way and often pay taxes on them.

While the carriers in all of these modes are today privately owned, our national transportation policy often affects their respective cost structures and the relative competitive relationships of the modes themselves. For example, if the barge operators were to be charged for rights-of-way now constructed and maintained wholly out of public funds, parallel rail transportation would be better able to compete on price.

In the passenger area, we see similar disparities:

Urban Transportation.—Most intracity bus companies and all subway systems are owned and operated by the public and require Federal, State and local government funds to supplement cash from the fare box in order to keep operating and for major capital improvements.

Rail.—Some railroads continue to operate passenger trains privately without Federal assistance (e.g., the Southern Railway System). AMTRAK, on the other hand, provides Federally-subsidized rail passenger service which the private sector is unwilling or unable to provide.

Intercity Bus.—Privately owned intercity bus companies receive no direct payment of public funds and make a partial if not complete payment to government at all levels for their use of the streets, roads and highways through fuel and license taxes. They receive a benefit in that they do not have to make an initial capital outlay for their right of way. They must compete, however, with subsidized AMTRAK and local service airlines.

Air.—Privately owned trunk airlines receive no direct public subsidy while local service airlines receive some for the purpose of providing air service to small communities. The users of airlines pay essentially their full share of airport and airway costs through ticket and waybill taxes. In contrast, general aviation, also privately owned, pays only about one-fifth of its share of the costs, primarily through fuel taxes; the general Federal taxpayer pays the rest.

Auto.—Privately owned automobiles pay to maintain our streets and highways through registration fees, tire taxes, and gasoline taxes paid at the State and local levels. The Federal gasoline tax has provided more than adequate capital funds for highway construction.

Government subsidy practices thus reflect a conflict in national concerns. On the one hand, government should provide equitable treatment to all modes because the market place is the best barometer of efficiency and consumer preference and for reasons of essential fairness. On the other hand, subsidies may be used to achieve Federal, State or local objectives or to remedy problems which differ among the modes, or the government may consciously favor a particular mode because it provides vital services consistent with other economic and social benefits such as energy efficiency, clean air and water, elimination of congestion and improved community development and land use. Consequently, differences in treatment are to be expected among modes, as well as among segments within modes. But, public policy now requires that the differences be the result of consciously made decisions and for specific reasons that are valid today other than habit, politics or historic precedent.

We are now conducting an analysis of the present structure of Federal subsidies from general revenues to the transportation sector. Since subsidies appear in a number of guises, the results of such a study depend somewhat upon what is included as a subsidy and how the amount is computed. The preliminary findings on the direct 1974 expenditures by mode indicate great contrast: The marine mode received more than one-third of the direct Federal subsidy monies, while the pipelines received virtually none. Urban mass transit was the second largest beneficiary followed by aviation,

highways and rail. Highway subsidies were about twice as large as those of rail.[5]

When subsidies are compared on the basis of average Federal dollars per ton-mile or per passenger-mile, the disparities come into sharper focus. Intercity rail receives a subsidy per passenger-mile that is almost one-third as large as the amount received in revenues, whereas the comparable air carrier subsidy per passenger-mile is about one-twentieth, and that of intercity bus is virtually nonexistent. Similarly, in the intercity movement of cargo, the size of the subsidy per ton-mile of waterway movement is two-thirds or more (depending upon how certain expenditures are allocated) of the amount received in revenues; in contrast, intercity movements by other competing modes are virtually subsidy free. Additional details may be found in Appendix 2.

A complete analysis of subsidy practices should also include the subsidy effects of governmental policies that are designed to meet other objectives. One example is the provision allowing taxpayers to deduct State gasoline taxes from Federal income taxes. Although predicated on our long-standing aversion to double taxation, this measure amounts to a Federal subsidization of drivers paying State and local user charges in excess of $2 billion per year. In addition, where the rate-setting policies of regulatory agencies cover the costs of less efficient carriers, the more efficient carriers receive a kind of subsidy. While not a subsidy out of general revenue funds, the practice also has redistributional effects, forcing excessive prices on some consumers and providing windfall profit to some carriers. These redistributional effects will be mitigated somewhat by the proposed regulatory reforms cited previously.

Another factor in the analysis of how Federal expenditures affect the various modes is whether a particular tax (e.g., Federal gasoline tax) is considered a user charge or an alternative source of tax revenue (comparable to the Federal excise tax on telephone service or the corporate income tax). The fact that the contribution of drivers to the Highway Trust Fund is not proportionate to their use of the Federal-aid highways—that there are substantial cross subsidies between cars and trucks, between urban and rural users, between those who seldom use the Interstate System and those who use it extensively—tends to support the view that the gasoline tax is more a revenue source than a user charge. In FY 1974, the total amount obligated for the highway program was $5.3 billion. The very magnitude of this expenditure tends to favor auto and truck transportation over other modes whether or not the gasoline tax is considered a recovery through user charges, as we have assumed in the above comparative analysis.

Present Federal subsidy practices clearly act to support some modes to the detriment of others. Our administrators, legislators and the general taxpayer may rightfully ask whether the original rationale that gave rise to them is still valid and consistent with today's national priorities. For example, subsidies from general tax revenues are provided to privately-owned local service air carriers to ensure scheduled airline service will be maintained to certain small communities. Is this subsidy, currently in the range of $70 million a year, still in the national interest? Could the air taxi industry provide comparable service profitably (or with lower losses) with its smaller and more economic equipment? Is it in the Federal interest to subsidize short-haul air travel, which may compete with intercity buses and passenger trains? Is a subidy of air travel consistent with the goal of energy conservation?

In the international market, two U.S. flag carriers, after incurring extensive losses, petitioned in 1974 for direct government subsidy. In this case, the Administration developed instead an action plan to help restore the financial health of U.S. flag carriers. Elements of the plan are discussed in Chapter V.

The experience of subsidies for rail passenger service has been of a different nature. AMTRAK was established by Congress under the Rail Passenger Service Act of 1970 to maintain vital passenger service no longer provided by private carriers. Despite increasing ridership, it remains unprofitable and has required substantial subsidy. In 1975, Congress authorized $1.1 billion of grants and loan guarantees to AMTRAK to sustain intercity rail passenger service over the next two years. It should be more clear within three or four years hence whether, and under what service conditions,

[5] This tabulation includes direct Federal grants, the cost of Federally operated facilities, R&D and planning monies, and several lesser entries after receipts from user charges (e.g., the Highway Trust Fund, Airport and Airways Trust Fund receipts) have been deducted. The net dollar amounts from general revenues for 1974, less user charges, were (in billions): Marine—$1.668 (of which $.805 is attributable to domestic marine activity), Urban Mass Transit—$1.140, Aviation—$.973, Highways—$.545, Railroad—$.232, and Pipelines—$0, for a total of $4.568 billion (see Appendix 2, Table 1).

AMTRAK can establish a financially stable, efficiently managed, service-oriented system, responsive to passenger demand. One of the benefits of the subsidy authorized by the Rail Passenger Services Act is that it provides for the first time public exposure of the real cost of passenger rail service. This will help focus the future appropriate public debate on the extent to which the general Federal taxpayer should continue to support rail service as an alternative to the automobiles, air carriers and intercity motor buses which, with the exception of some local service air carriers, provide competitive service on a self-supporting basis.

Policy Preferences.—In attempting to mitigate the adverse consequences of subsidies on competing modes, we strongly prefer eliminating existing subsidies wherever possible through establishing appropriate user charges, rather than creating new subsidies to the adversely affected modes to equalize Federal support.

In general, capital subsidies should be used for expanding or improving the infrastructure, although care must be taken that their use does not induce excessive or overly expensive capacity. An appropriate use of Federal capital subsidy would be the support, on the basis of a reasonable Federal-local funding ratio, of the heavy initial capital costs of needed cost-effective mass transit improvements that will generate more passenger revenues at less per passenger cost but which are beyond the financial capability of most metropolitan areas. Operating subsidies, where authorized, should result in innovations and improvements in service to the consumer. Care must be taken that they do not become disincentives to making improvements and better managing operations or substitute for State or local subsidies. We must also make certain that such operating subsidies do not result in unreasonable wage costs or other unreasonable operating expenses. Further, State or local governments should match Federal operating subsidies where their residents are the primary beneficiaries since the higher the proportion of local participation in the subsidy, the higher the level of local responsibility and commitment to the project.

In the case of our railroads, where the national interest is served by a viable, competitive transportation alternative that is energy-efficient and environmentally sound, Federal subsidies may be used to restore that mode to a condition where it may compete effectively by providing:

- Capital assistance to facilitate rationalization of excess or uneconomical service and facility capacity;
- Capital assistance on a one-time basis to assist in rehabilitating and modernizing rail facilities;
- Temporary transitional Federal assistance to local communities and other institutions adversely affected by rail rationalization.

Such subsidies may take the form of grants, loans at varying levels of interest and terms or loan guarantees. Loans or loan guarantees are preferred because they indicate the government's intention to recapture the investment, or part of it, through more efficient operations.

Inefficiencies and inequities in subsidy could be reduced somewhat if each mode were to pay its own way through user charges. However, there is not necessarily a correlation between the amount of social benefits derived from a public expenditure and the amount that users would be willing to pay for the benefits. Public expenditures frequently result in spillover benefits to nonusers. Since there is no effective way to charge nonusers for these benefits and since users are generally unwilling to pay for benefits received by others, society would tend to buy less of the particular goods or service than the social optimum might suggest. Conversely, users are sometimes willing to pay higher charges than the optimum. Since the amount users are willing to pay in charges can be too much or too little, the level of public expenditure for a given good or service should not be determined exclusively by the public revenues from user charges.

In summary, our suggestions for a Federal subsidy policy are as follows:

(1) Federal subsidies are necessary in certain instances to serve important national purposes. These include conservation of energy, protection of the environment, preserving the urban centers, relieving congestion in certain high-density corridors, promoting rational land use in metropolitan areas, preventing ultimate nationalization of a vital service and maintaining access to remote areas;

(2) Even when it has been determined that Federal subsidies are really necessary, they should be periodically reexamined;

(3) Wherever possible the costs of Federal support should be recovered by user charges;

(4) The effect of subsidies on competing modes should be considered and where there is an adverse effect the preference should be to reduce or eliminate the subsidy or adjust the user charges so that all users pay their full share;

(5) There should be a preference for capital rather than operating subsidies; however,

(a) care must be taken that capital subsidies do not induce excessive investment,

(b) where State and local governments are involved in the decisionmaking and operation, they should bear a share of the total cost sufficient to ensure commitment to efficient management.

(6) Where the political process determines that a subsidy is essential to the national interest because a particular form of transportation serves these interests more effectively, we should be prepared to take the next step in order to get the full benefit of the subsidy. This involves compatible adjustments in the Federal support of competing modes (for example, by way of illustration only, perhaps the discouragement of radially-oriented commuter roads into metropolitan centers that compete with mass transit or of new highways, or short haul air traffic, competing with a subsidized high-speed rail system in the Northeast Corridor). We should not be inconsistent by continuing to subsidize competing modes, thereby diverting traffic away from the preferred mode and decreasing its chances of economic self-sufficiency.

Government Operation

The final recourse in maintaining essential services is direct government operation. The degree of government intervention is dictated in part by the importance of that transportation element to the national economy. In these instances, the policy is to minimize the level of detail at which the government becomes involved in the management of the transportation enterprise, with the goal of restoring it as soon as possible to the point where ownership and control resume in the private sector.

Currently, there is considerable national debate on how to maintain the vital services of the troubled rail freight industry. The major problems in this industry are an excess of facilities, long delayed maintenance and rehabilitation, an excess number of operators in certain markets and undue industry fragmentation. Since World War II, the physical rail plant of many railroads has been permitted to deteriorate. These and other problems have created a financial situation in which the railroad industry as a whole is not making an adequate return on its investments and is unable to maintain its physical plant or to attract new capital. A major rehabilitation, modernization, rationalization and restructuring process must take place. Government ownership of the railroads or their rights-of-way is not in our view the right or necessary answer to this problem. Rather, the government must facilitate a private sector solution by helping shape an efficient nationwide, interstate freight system as a private sector activity. We have proposed a $2 billion loan guarantee fund for rehabilitating the roadbed and other facilities. Loans would be conditional on the industry's willingness to restructure. Barriers to organization change, such as governmental restraints on the merger process, should be reduced.

In the 17-State Northeast-Midwest quadrant of the Nation, the railroad viability problem reached acute crisis proportions with the bankruptcy of eight railroads, accounting for roughly 45 percent of the region's ton-mile freight volume. To deal with this problem on an expedited basis, the U.S. Railway Association (USRA) was established under the Regional Rail Reorganization Act of 1973 to plan for the restructuring of the region's rail system into a more efficient system capable of fulfilling the region's rail service needs.

On July 26 of this year, USRA submitted to Congress for its approval a final system plan which provides a blueprint for reorganizing the participating railroads and commencing the industry restructuring which is necessary to establish a viable rail system. The long-run objective is to have full ownership and management control in the private sector. The plan calls for a railroad structure under which two or three railroads would operate in the region: ConRail, using largely the old Penn Central properties, and the two large solvent railroads in the region, the Chessie System and the Norfolk and Western. A substantial infusion of government funds by way of soft loans and equity investment will be required to rehabilitate and modernize ConRail's rundown physical plant if it is to have any hope of self-sufficiency. If properly managed, it should be able to achieve self-sufficiency with such appropriate Federal financial assistance. ConRail should not necessarily constitute the end of the railroad sys-

tem restructuring in the region, the plan proposed by USRA would facilitate additional changes in the future, if they prove desirable, so as to develop a truly nationwide, interstate freight system of private railroads.

With respect to the rail situation on a national scale, some have proposed that the Federal government purchase and maintain certain parts of the rail right-of-way, viewing this as an answer to the Federal government's admittedly uneven treatment of the different modes and as a way of avoiding total nationalization. As described above, however, the economic problems of the railroads do not reside solely in the right-of-way and cannot be solved there. Further, Federal action might obscure the other problems which afflict present railroad operations—excess facilities, an overly fragmented structure, a stultifying regulatory environment and those labor and management operating practices which study would show to be outdated. In addition, removal of decisions on right-of-way expenditures from the private sector could result in excessive investments in facilities, and operational decisions being politicized. With regard to the issue of uneven treatment of the modes, this problem could better be approached through adjusting the user charges on other intercity freight modes so that all pay their full share.

Intermodal Relationships

No treatment of government-private sector relations is complete without consideration of intermodal relationships. Our national policy has long been that the inherent advantages of each mode are to be recognized and preserved. Our motor carriers, taking advantage of an extensive highway network—a right-of-way they pay for only as they use it—have the ability to provide door-to-door service for a broad range of commodities of varying sizes and quantities, and with great flexibility as to time and nature of service. Our water carriers can handle bulk commodities at very low cost, but only at less speed and between regions endowed by waterways of the proper width and depth. Our railroads can transport a broad range of commodities from almost any source of supply to any point of demand but must now select which rates and rights-of-way can be maintained and still preserve the overall economic viability of their service. Our air carriers offer high speed and special handling of quality goods. Comparable contrasts in the advantages and disadvantages for the various passenger carrying modes can be cited. Ideally, government policies should not distort these different capabilities and unduly place one mode at the competitive advantage of another.

Nevertheless, most of our Federal programs have been tailored to meet specific problems unique to one mode. Typically, each results in a different course of government action and each benefits some modes to the relative detriment of the others. Although consistency is clearly lacking in the Federal government's dealings with the private sector, consistency is not always possible or appropriate in the world of complex issues.

Equally of concern has been the inability of some firms and industries in our transportation system to keep pace with and adapt to changing patterns of transportation demand. System improvements will usually be fostered under policies which preserve the availability of choice. By maintaining the public's prerogative to select whatever modes of transportation offer the best comparative advantage, we encourage innovations in price and service options to compete for patronage. Regulatory reforms will better enable each mode to present its services to the public in the most economically efficient manner.

The potential of intermodal services remains for the most part unrealized. The exploitation of the inherent efficiencies of modes working in combination has been inhibited by an array of physical and institutional barriers, such as inadequate cross-modal terminals and regulatory inhibitions against through-ticketing or multimodal ownership. We must systematically identify and remove barriers to efficient connectivity between modes.

The most fundamental intermodal problem, which requires continuing policy review, is the allocation of Federal resources. In the process of achieving selected national goals, our administrators and legislators are called upon continuously to modify policies and implement Federal programs which distinguish between competing modes, between urban and intercity movement, between passengers and freight and between geographic regions. This requires not only an ordering of national priorities but also a knowledge of

what national benefits may be realized at what cost. This analysis should precede the determination of where Federal expenditures are most needed, at what levels they should be set, how they should be financed and how they should be allocated under our extant Federal structure. Management of these problems is the subject of the next chapter.

The dilemma for the decision-maker lies in the paucity of information by which to gauge what improved levels of performance may be realized with different expenditure levels, or by which to conduct comparative analyses of what improvements may be expected with the same expenditure in different programs. In the past, we have been unable to project with any degree of precision where the government can realize the most benefits for the next marginal dollar of expenditure or what aggregate national benefits can be realized at any predetermined level of expenditure.

We are now beginning to develop the necessary capability to make such analyses. This will require new kinds of measurement including the development of measures of performance for making comparisons on an intermodal basis. The recent series of National Transportation Studies and other newly introduced statistical programs represent major steps toward assembling the requisite data base and the methodology to measure the performance of various elements of the transportation system. Such improved information will make it feasible for government at all levels to demonstrate what increased productivity and efficiencies are possible by furthering intermodal relationships. However, this must be done in a way which supports public decisionmaking but does not impinge on the private prerogatives we work so hard to preserve.

III. FEDERAL EXPENDITURE PROGRAMS

Transportation must compete with other important national priorities for finite tax resources. This competition puts a practical limit on what can be accomplished with Federal, State or local expenditures and opens public debate on the relative merits of transportation programs. We should improve the process by which the comparative effectiveness of Federal expenditures is judged and seek a more rational allocation of Federal resources on the basis of a clear definition of national, State and local interests. This requires an improved capability to plan comprehensively, to compare benefits and costs and to monitor the performance of the system, making adjustments in policy and programs as required to achieve the desired objectives.

In this chapter, we are concerned with:

- The direct transportation expenditures of the Federal government (including research, development and demonstration);
- Federal capital and operating assistance to State and local governments;
- The financing of Federal outlays.

These issues will be viewed in the context of a more efficient use of Federal dollars to attain national objectives, a more rational division of decisionmaking and financial responsibility among Federal, State and local governments and the private sector, and a more equitable policy of financing transportation services and development.

Direct Federal Expenditures

Direct Federal expenditure programs in transportation are diverse. They include:

(1) Direct financing of projects or services where there is clearly a Federal interest which is not properly the responsibility of any State or local government or the private sector (e.g., road construction on Federal lands, U.S. Coast Guard policing of navigable waters);

(2) Direct support from the general revenues to facilitate interstate and international commerce where the private sector probably would be unable to manage the costs and services in an equitable and efficient manner, consistent with other Federal objectives, such as safety, environmental protection and energy conservation (e.g., FAA air traffic control and air navigation systems, the construction and dredging of river and harbor channels by the U.S. Army Corps of Engineers; port controls and aids to navigation functions of the U.S. Coast Guard);

(3) Federal planning, administrative and regulatory responsibilities required to serve national transportation interests (e.g., economic regulation, promotion of civil rights);

(4) Financing of international joint ventures (e.g., St. Lawrence Seaway Development Corporation);

(5) Federal research, development and demonstration to seek new technology not likely to be developed in the private sector because of inadequate market incentives or high technological risk;

(6) Subsidies to private sector firms or corporations established by Congress (e.g., AMTRAK).

DIRECT EXPENDITURE PROGRAMS

Among the considerations that are helpful in determining whether and to what extent the Federal government should continue to be directly involved in these programs are the following:

(1) Does the program serve the public interest and Federal priorities more effectively than would alternative uses of the Federal dollar?

(2) Is the program meeting current needs, or has it fulfilled or failed to achieve its original purpose?

(3) Could the need be met as effectively by the private sector or by another level of government?

(4) Are there alternative sources of financing?

(5) Is it administratively feasible and equitable for the beneficiaries of the services to contribute to the cost?

(6) In what ways may management be improved and costs reduced? Given alternative means of providing essentially the same service, is the least cost method chosen?

We should improve our capability to make cost-benefit comparisons of different Federal programs. For example, if we could measure the lifesaving impact of a given expenditure on Coast Guard search and rescue operations and on FAA air traffic control systems, we would be more confident about allocating limited resources between them.

RESEARCH, DEVELOPMENT AND DEMONSTRATION (RD&D)

Federal leadership in stimulating new technology is needed to save substantial costs in future capital investment and operating expenses, to anticipate long-term transportation needs and to support integrated transportation policy.

Federal funds should not compete with or substitute for RD&D programs financed by the private sector. Direct Federal expenditures for transportation RD&D are a reflection of a broader Federal desire to help create an economic climate conducive to capital formation and RD&D in the private sector. Limited Federal funds must serve very specific national interests, defined in authorizing legislation, through internal programs and by contracting with the private sector. Therefore, RD&D policy should concentrate funding on projects that:

(1) Support Federal regulatory responsibilities in maintaining the appropriate standards of safety and environmental protection, or serve high priority national objectives where adequate private sector investment may not be forthcoming (i.e., energy efficiency);

(2) Enable development of specialized equipment to carry out Department of Transportation's operating responsibilities where the size of the potential market, or the degree of developmental risk, does not stimulate private sector participation;

(3) Serve as a catalytic agent in developing new transportation systems that may ultimately be operated by non-Federal agencies or firms but where the private sector may not currently perceive a high enough probability of developing it into a viable market;

(4) Provide factual information useful in policymaking and the development of regulations.

The Department of Transportation RD&D budget is expected to pay dividends in the relatively near-term. About 77 percent of the budget for fiscal year 1975 is estimated to yield payoffs within five years, 17 percent within five to 10 years, and the remainder beyond 1985.

Although the payoff for most of our RD&D efforts begins to accrue over the short term, the planning horizon for important elements of our RD&D program is long, taking us beyond the year 2000. If we are properly to focus our RD&D today, we must anticipate long-term needs, constraints and investments. For example, we can now foresee that petroleum will be in increasingly short supply, an implication of which is decreased mobility. A part of the RD&D program is to recognize, understand and explore the alternative options for coping with this situation, both in the short and the long term.

Most changes in the transportation system will be evolutionary in nature. To design an effective RD&D program, we must perceive how this evolution will take place. Such an understanding will help us predict where opportunities for new technologies may arise, and it will permit us to pace RD&D programs so that techniques mature at the time they are needed. This sense of direction and sense of timing provide the basis for a rational RD&D plan.

The value of RD&D expenditures is ultimately realized in their application in government operations or in the private sector. Consequently, effective dissemination of information about new technology, community demonstration projects and financial incentives to utilize cost-effective, energy-efficient technology are essential elements of a complete RD&D program.

Potential multimodal payoff of RD&D is illustrated by the continued application of LORAN C—a system developed by the Coast Guard to support its own operational responsibilities in aids to navigation—to other transportation needs. This electronic navigation system may have applications in highway traffic safety and emergency rescue efforts and as a domestic aviation navigation aid assisting nationwide air traffic control.

FEDERAL ASSISTANCE TO STATES AND LOCALITIES

The nature and extent of Federal financial assistance to States and localities is a function of the national interest involved. Our objective is to concentrate Federal resources on today's national priorities and increase the power and flexibility of State and local governments to respond to local needs. We will work with the Congress toward this objective by eliminating antiquated Federal requirements, simplifying the grant making process,

consolidating the myriad Federal objectives into broader more manageable statements of national interest, increasing transferability of funds within and among transportation modes and decentralizing decisionmaking.

To clarify the relative responsibilities of Federal, State and local government in Federal assistance programs, it is useful to distinguish between programs that serve national interests because of their predominantly interstate character, and programs that primarily serve the transportation needs of States and local communities but which also involve Federal priorities derived, in part, from the general welfare clause of the Constitution.

PREDOMINANTLY NATIONAL (INTERSTATE) INTERESTS

A strong Federal interest prevails in the completion of an integrated Interstate Highway System, in carrier airport development and operations, in promoting the viability of a nationwide interstate railroad network serving major freight and, on a selective basis, major passenger corridors and in an extensive navigable inland waterway system.

Highways.—The 42,500-mile Interstate Highway System is 86 percent complete. Completion of the remaining high-priority portions of the system—those systems which are integral, contiguous parts of the national network—is the top priority of the Federal highway program. We must also modernize and rehabilitate the portions that were built in the early days of the program. Segments which are not essential to the network, particularly commuter roads in metropolitan areas, should be given a lower priority for Federal assistance. State governments should consider whether the construction of these segments is still consistent with metropolitan planning and the new energy, environmental and urban congestion situation. We have proposed legislative changes in the apportionment of funds and the operation of the Interstate program to accord a higher funding priority to expedite the completion of links essential to the national network.

Aviation.—For over a quarter century, the Federal government has provided financial assistance to States and municipalities for use in construction and improvement of airports for use by civil aviation. The magnitude of this Federal assistance was increased significantly with the enactment of the Airport and Airway Development Act of 1970.

Under the Airport Development Aid Program, the national interest is primarily in the construction and improvement of carrier airports [1] serving the trunk lines and interstate traffic. We have recommended modifications to this program to earmark increased funds for each carrier airport on the basis of scheduled aircraft operations.

In selecting carrier airports for funding, the following considerations are relevant:

- Airport planning should be in conjunction with planning for the other transportation modes and consistent with metropolitan and regional development plans;
- Federal support should emphasize airports that serve national interests but are unable to finance the full costs (large airports are often the ones best able to finance development without Federal aid);
- The role of "transfer hubs," such as Chicago and Atlanta, should be evaluated and planned in terms of the entire air carrier route structure.

Railroads.—The predominant Federal interest in railroads is the maintenance of a vital nationwide interstate trunkline high performance rail freight system, preferably of at least two lines between major industrial points, cities and seaports. The Federal government is also committed to restoring the viability of efficient intercity rail passenger service where justified by the volume of predicted use, eliminating service on those routes where public transportation alternatives exist and rail passenger service is demonstrably uneconomical.

Waterways.—The Federal government, through the Corps of Engineers, has historically played an active role in developing and operating the 25,000 miles of commercially navigable waterways. This low cost mode is vital to the Nation's transportation of liquid and dry bulk commodities. Approximately 300 billion ton-miles of freight per year are moved on the Great Lakes and inland waterways. Federal involvement also includes the Coast Guard's regulation of vessel safety and environmental protection. It is necessary for the Federal government to continue to maintain and operate these facilities and services to realize the Nation's

[1] Air carrier airports are those having scheduled service provided by carriers with CAB certificates. General aviation airports are not served by such carriers, though they may have scheduled air taxi service. "Reliever" airports are those which can accommodate general aviation traffic which might otherwise use a congested air carrier airport.

potential growth of waterborne traffic. Federal attention, in the near term, should focus on integrating the Corps of Engineers planning for waterway expansion with the Department of Transportation's policy and planning process for all surface modes.

SHARED FEDERAL-STATE AND LOCAL INTERESTS

The Federal government's interest in vital nationwide, interstate transportation networks is enhanced by effective intra-state systems which provide "feeder" lines and access to such interstate networks.

Equally important Federal concerns, mandated by the Constitution's general welfare clause and expressed in Federal statutes, create shared Federal and State interests in developing and maintaining transportation systems that serve the total needs of communities.

Highways.—For some 60 years, the Federal government has required and fostered the development of strong highway departments at the State level to manage the highway program and insure that regional interests are adequately addressed.

The Federal-aid highway program has resulted in a highway network in excess of three and a half million miles. But as highways were being built, the Nation recognized that this network was having both positive and negative impacts on many aspects of life. Consequently, major changes in the program over the last decade have been designed to assure that highways would not be built without considering the impact of the facility on the environment and without fully and fairly compensating individuals displaced. Moreover, where desired, transportation funds formerly directed solely for highways could be used to develop non-highway transportation where that course of action made more sense.

Today, except for a few areas, the Nation's highway infrastructure is largely in place, although we must now move to complete remaining segments of the Interstate System where essential.

To help elected State and local officials meet their future transportation needs more effectively and consistently with other State and local goals and objectives, we have proposed eliminating numerous narrow categories of highway funding and replacing them with three broad programs (in addition to the Interstate) : Urban transportation, rural transportation and highway safety improvement. These three programs represent distinct, continuing, and simply expressed Federal concerns. To increase the flexibility of the States, up to 40 percent of the urban funds and the rural funds could be transferred from one program to the other, although safety funds could not be transferred. And, to facilitate State and local comparisons of the need for highway construction with other transportation and community development requirements, we have proposed that, with the exception of the Interstate System, the highway program should be financed from general revenues. To provide additional State funds we have proposed the State preemption of 1 cent of the current Federal gasoline tax.

The Federal government will maintain its interest in State and local highway management, monitoring performance in comprehensive planning, energy and environmental standards, safety and compliance with civil rights requirements.

Safety.—Highway, motor vehicle and boating safety are shared Federal-State and local responsibilities. While rail safety is predominantly a Federal concern, States should become increasingly concerned as Federal, State and local jurisdictions move in concert to help revitalize the railroads. Because of the nationwide mass production and mobility of automobiles, Federal motor vehicle standards are needed, although State and localities have significant, commensurate responsibility in operator performance, inspection and enforcement. In highways, the Federal government retains an interest in broad safety standards for Federally funded highways; however, States must provide the specific safety solutions designed to fit the unique requirements of each bend in the road. We have recommended an extension of the Federal Boat Safety Act of 1971, to enable the Coast Guard to continue its grant program to States for two years, during which an evaluation will be made of the effectiveness of this program in helping to reduce recreational boating accidents. Safety issues are developed more fully in Chapter IV.

Airports.—General aviation airports serve primarily the residents of the surrounding area and are, therefore, an appropriate subject for increased State program flexibility and authority with fewer Federal restrictions. We have recommended amendments to the Airport Development Aid Program to provide block grants of assistance

for general aviation airports to each State to be administered by the State.

Rail.—Consistent with increasing State authority over local transportation, it is appropriate to transfer financial responsibility as well. To allow States the time to determine the conditions under which they will accept financial responsibility, a transitional program may be provided. For example, we have proposed a transitional program of Federal assistance to States and localities for the continuation of railroad branch lines faced with possible loss of rail freight service in the Northeast and Midwest. These lines would not be a part of the Conrail system. The States and localities would assume financial responsibility after a two-year transition.

These measures are illustrative of the broad policy of clarifying and strengthening the role of State governments in transportation programs. Administrative steps to simplify the grant process (e.g., by accepting the Governor's certification that certain standards are being met) are also essential. The process of strengthening State authority and flexibility is an evolutionary one. We will continue to examine possible further steps and seek public participation in finding answers to the following questions:

(1) What additional program transfers or intermodal flexibility would improve State and local authority and capability to respond comprehensively to transportation needs (e.g., transfers or funding flexibility among highways, mass transit, rail branchline assistance, air and water, unified trust fund, special revenue sharing, etc.)?

(2) Should the States assume greater responsibility for waterway improvement and operations?

(3) How may Federal requirements and processes be further simplified or eliminated?

(4) Should the States be authorized to undertake additional user financing?

(5) What should be the nature of Federal support for highways after the national Interstate System is completed?

Urban Transportation.—The Federal interest in urban transportation arises, in part, from transportation laws of recent years, culminating in the National Mass Transportation Assistance Act of 1974, and from other laws responding to the problems of complex metropolitan areas and establishing new Federal priorities for the environment, community development and energy conservation. There is a strong and continuing Federal interest in preserving our central cities, vital to the Nation's cultural and economic life. There is a similarly strong Federal interest in promoting rational patterns of development in our suburbs. Low density suburban residential land use patterns, if not balanced by industrial, commercial and higher density residential development, create a costly and inefficient sprawl of metropolitan growth in disregard of shrinking energy, land and environmental resources.

Effective metropolitan-wide transportation planning is therefore necessary to meet Federal air quality and noise pollution standards and to satisfy Federal laws protecting historic buildings, park and recreational lands. It is also needed to assure that transportation in metropolitan areas is accessible to all citizens, including the disadvantaged, for whom mass transit may be the only transportation alternative.

Urban transportation policy must be part of a coordinated and comprehensive approach to city and suburban needs. While mass transit can effectively serve the various Federal priorities, no single mode can meet all the transportation needs of a metropolitan area. An efficient urban transportation system requires a mix of modes, public and private, working in a cooperative partnership as elements of a unified and coordinated metropolitan-wide transportation system—a system that involves not only the automobile and public transit, but also easy access to rail passenger and air service.[2] This is now possible, in part, because of the National Mass Transportation Assistance Act of 1974 and the Federal-Aid Highway Act of 1973, which provide greater local flexibility in the use of Federal financial assistance and offer new and expanded sources of funds for public transportation improvements. The Urban Transportation Program envisioned in our proposed new highway legislation would extend this flexibility to transfer funds between highways and mass transit even further. Ultimately, we would anticipate a complete merger of highway and mass transit funding authority for metropolitan areas.

A Federal-local partnership of this magnitude should be premised on the principle that each urban area is unique—with different needs and different development objectives—and each should be

[2] The bicyclist and pedestrian should also have an increasingly prominent role in urban transportation planning. By improving their pathways and safety, there will be substantial benefits to the community and to the health of its citizens.

free to choose for itself the transportation solutions that best serve its objectives. Federal support for mass transportation must therefore be flexible, relying on local ability to assess requirements, identify and evaluate opportunities for improvement and initiate needed action.

The Federal government, however, has an essential obligation to ensure that Federal funds for mass transportation assistance are used prudently, and that there is a solid and defensible basis for local transit decisions that are premised on Federal assistance.

In assessing future Federal support for mass transit, we believe that preference should be given to communities that:

(1) Demonstrate innovative, comprehensive planning and propose cost-effective solutions, making effective utilization of existing facilities. Under Section 5(d)(a) of the National Mass Transportation Act of 1974, we will require each urbanized area, as a condition of Federal assistance, to submit a staged implementation plan listing the measures that will be adopted to improve the efficiency of transit services, conserve energy and improve air quality. This plan should include actions such as a coordinated network of reserved transit lanes, improved transit scheduling and dispatching techniques, traffic signal preemption, and other bus preference techniques, parking restrictions, differential highway tolls and transit fares to promote off-peak travel, staggered work hours, and incentives to shift people from private cars to transit and carpools.

(2) Demonstrate how transportation planning responds to long-term metropolitan planning objectives in meeting urban problems, assuring effective processes for resolving conflicts among jurisdictions and interest groups and harmonizing with land use and community development objectives.

(3) Propose alternatives that do not involve high capital investment costs and the prospect of substantial continued operating subsidies, and that will provide improved service in the near term. Government cannot afford indiscriminate massive open-ended construction programs. We will encourage urban areas to implement their transportation plans in a time-phased, incremental fashion so that tangible benefits can be realized from the investment in the short run. We will also emphasize the need to improve the quantity, quality and efficiency of service as a condition of continued operating assistance.

(4) Demonstrate commitment to projects proposed for Federal support by the extent of their own financial participation.

Fixed rail systems are appropriate only in a few highly populated metropolitan areas where State and local land use and development policies are explicitly committed to the generation of high densities sufficient to support these modal choices on a cost-effective basis.

Additional highway construction in major urban areas, including nonessential segments of the Interstate System, should be the subject of careful review and planning in order to avoid expensive lawsuits and the needless expenditure of the taxpayer's money on the design of projects that fail to meet the many tests of Federal, State and local priorities. New urban highways are appropriate when they are part of a coordinated metropolitan transportation plan and will help to alleviate congestion, air pollution, noise and energy waste by diverting through-traffic around city centers, or from side streets. New highways are inappropriate where they induce more automobile commuters into the city center, encourage suburban sprawl, divert passengers from public transit and violate environmental standards. Since some highway planning preceded recent public concerns with the environment and energy, the State and local communities should be encouraged to review these proposals to make sure that new highways are still the best solution to their transportation problems. Where there is an acceptable and preferable transportation alternative, it should be selected; where the highway is still the appropriate solution, it should be built as soon as possible.

RURAL TRANSPORTATION

The transportation needs of our rural citizens have not recently had the visible political attention of urban areas, perhaps in part because some of the Federal concerns, such as air pollution and congestion, are not as prevalent in rural areas. Consequently, less has been done at the Federal level to formulate a coordinated rural transportation policy to meet today's needs. This must and will be remedied.

We have in place or under development several elements of a rural transportation policy, including:

- A special rural mass transportation program for which up to $500 million is authorized through fiscal year 1980;
- The Rural Transportation Assistance Program, proposed in the Administration's highway bill, which would consolidate several Federal-Aid highway categories, and give State and local governments increased program flexibility to use funds for (a) highway construction on or off the Federal systems, (b) highway public transportation investments, (c) safety improvements and (d) operating and acquisition assistance for rural public transportation upon the completion and evaluation of a current demonstration project;
- A program of partial Federal financial assistance to maintain rural branch rail lines for two years;
- Research, development and demonstration on more efficient public transit, medical evacuation and accident prevention in rural areas;
- A national policy on rural airports and air service to small cities and remote regions.

Rural transportation programs substantially encourage rural development and growth, help meet the problems of rural poverty by facilitating access to employment, education and better medical services, and insure accessible interstate transportation for our citizens. A rural transportation policy should be coordinated with other Federal efforts in rural development as part of a broader national policy on rural and urban growth.

Policy for Determining the Appropriate Program Level

Accurate, current and comprehensive information about the performance of our existing transportation systems is an important policy tool. Through the National Transportation Studies of 1972 and 1974, we have made major strides in assembling such an information base, describing the dimensions as well as cost and performance characteristics of the major intercity and urban freight and passenger systems.

Information from performance measures is helpful in assessing the effectiveness of alternative Federal program and policy options. By comparing information from State and local agencies on their future investment plans and programs to generalized descriptions of the performance of specific modal systems, we can estimate the performance improvements anticipated from a range of alternative investment levels. From this base, we can develop guidelines for the appropriate amount of Federal spending, suggest an optimal geographic allocation and establish conditions to be applied to Federal assistance.

Conceivably, performance measures could be used to prescribe minimal Federal standards for levels of service, comfort and amenities. We do not recommend this as of now (except in the case of safety and environmental regulation). There are good economic reasons why performance characteristics such as average speeds, congestion levels, availability of service, and frequency of service will vary across the country. For example, cities of the same population may differ in density, topography, climate, existing transportation infrastructure, revenues allocated to transportation, cost of transit services, average per capita income, consumer preferences, location of shopping areas, medical facilities, schools, etc. An infinite number of variables would make a national uniform service criterion arbitrary, inefficient and inequitable. In some locations, service options simply cost more than they are worth. Uniform Federal standards would tend to neglect these cost differences and result in uneconomic use of resources. Given the variations in quality of service among cities, areas and regions a more useful concept for evaluating Federal expenditures and determining the optimum level of investment may be service improvement over time.

One factor in determining appropriate levels of Federal assistance (and in designing matching ratios, specific program categories or similar conditions) is better information about how State and local governments respond to different Federal-aid levels. Federal-aid is only one of several resources available for improved transportation, but it will often affect the availability and use of others. For example, will the availability of highway funds distort State comprehensive transportation systems planning by inducing the State to build highways rather than improve mass transit? Will increases in Federal funds or higher Federal matching ratios cause States to make additional improvements in transportation, shift State funds to other priorities or reduce taxes? The Department of Transportation (hereafter The Department) receives information about the financial conditions of States and localities, their sources of

funds for transportation improvement and their use of Federal assistance for different types of projects in order to better gauge State and local responses.

Examples of Analysis of Performance Versus Cost.—Examples of this kind of analysis can be found in the 1974 National Transportation Report. In analyzing the effects of different investment levels on the performance of urban transportation systems, the Report points out that local policies increasing the relative price of auto travel or otherwise restraining private auto use may be as effective in reducing automobile use and increasing transit ridership as heavy investments in transit to improve system performance to encourage greater use. Elsewhere, the study relates the aggregate level of rural highway investment to future changes in speed and accident experience, concluding that investments significantly smaller than those now contemplated in State plans would maintain the current level of service on rural arterial highways. In addition, an analysis in the Report of large airport hubs shows that the broad application of certain airport operating strategies is likely to reduce the need for capacity-related investments. While several major airports have applied these strategies on their own, their full potential has by no means been exploited.

PLANNING ASSISTANCE PROGRAMS

Planning assistance programs exist for highway, mass transportation and airport planning. In addition, a need might be identified for State-level planning in connection with rail freight system reorganization and branch line abandonment. We strongly encourage a multimodal approach to planning. We are also moving away from long-range development plans, sometimes involving large capital expenditures which ultimately cannot be financed, and moving toward operational planning and shorter-range programming designed to make better use of existing facilities.

To promote more effective metropolitan-wide comprehensive planning, we are encouraging the development of short-range capital improvement programs that have the general support of local officials in urbanized areas. No project for highways or mass transportation receives Federal aid unless it is part of such a program. This mechanism is designed to focus planning attention on more realistic projects and operational strategies with greater promise of being implemented.

Our long-range policy toward planning assistance is to provide State and local authorities with more flexibility in the use of planning funds and to encourage multimodal planning.

FINANCING OF FEDERAL EXPENDITURES IN TRANSPORTATION

With respect to the financing of Federal expenditure programs in transportation, it has been pointed out that distinct public benefits will be derived from a policy that provides for:

(1) *User charges.*—Users should ordinarily pay for the public costs of providing their transportation, except where it can be shown that society as a whole benefits from the protection of a specific subsidized service, or where special considerations are involved, such as with handicapped or otherwise disadvantaged users.

(2) *Flexibility.*—States and localities should have the flexibility to transfer funds among modal categories, as their local needs require and as national interests and the law permit. Funding flexibility can be obtained without the necessity of earmarking user revenues, either for a particular modal use or for transportation in general. Trust funds tend to create special problems. First, experience with trust funds shows that a rather inflexible relationship is created between earmarked revenues and the pressure for expenditures. Conversely, total expenditures could be constrained at an uneconomically low level because of limited inflows of revenues. In addition, criteria other than user financing are also involved in setting tax levels associated with specific forms of transportation.

Transportation trust funds, hence, tend to dictate the level of program expenditures. It would make better policy sense if Federal transportation program expenditures were decided on the merits of such expenditures, in advance of decisions on the level of taxation and independent of any fixed "trust fund". Nevertheless we will continue to explore whether there is intrinsic merit in any type of overall Transportation Trust Fund. Our preliminary thoughts are that, if such a concept is adopted, there should not be a required correlation between what the modes contribute to the fund and what they receive from it.

This year, the Administration has proposed legislation to substitute general fund financing for all Federal-aid highway programs except the Interstate Highway System. In future years, the exten-

sion of this concept to other Federal assistance programs should be given serious consideration. We further recommend the development of regular accounting of sources and uses of public funds for different transportation activities and the periodic publication and presentation of this to the Congress, to provide information useful in the formulation of tax policy.

The argument that the gasoline tax should be eliminated merely because the tax will go in the general fund rather than the trust fund is clearly fallacious. The gasoline excise tax is an effective way to raise needed Federal revenues. There are many other Federal excise taxes (telephone tax, stock transfer tax, etc.) where the revenues go into the general funds and services related thereto are in no way controlled by the level of collections under the tax. So long as there is a deficit in the Federal budget, there is no rationale for eliminating a well-accepted method of raising revenues.

IV. CROSS-CUTTING NATIONAL CONCERNS: SAFETY, ENVIRONMENT, ENERGY, CIVIL RIGHTS AND THE CONSUMER

The Federal government has a continuing responsibility to assure safe, environmentally sound, energy-efficient, economic transportation services, accessible, where feasible and practical, to all citizens and responsive to the consumer.

The basic policies addressing these concerns are set forth in the Department of Transportation Act of 1966, the National Environmental Policy Act, the National Traffic and Motor Vehicle Safety Act of 1966, the Federal Railroad Safety Act of 1970. other relevant statutes, Presidential statements and Departmental Orders. Specifically, it is the policy of the Department of Transportation in:

Safety.—To provide the highest practicable and feasible level of safety for people, property and the environment associated with or exposed to the Nation's transportation system;

Environmental Affairs.—To utilize transportation to improve the environment wherever economically possible and to avoid or minimize transportation's adverse impacts on the environment;

Energy.—To increase efficiency in the utilization of energy in the transportation sector and to improve the effectiveness of the Nation's energy distribution system;

Civil Rights.—To take aggressive and conscious action to achieve equal employment and capital opportunities for minorities, women, the poor, the elderly and the handicapped, to fight discrimination and to insure to the extent practical and economically feasible that the transportation system is accessible to all citizens including the poor, the elderly and the handicapped;

Consumer Affairs.—To insure the participation of consumers or their representatives in public decisionmaking and to encourage their involvement in private sector decisionmaking.

In striving to achieve these objectives, the statutes, the courts, administrative processes and analytical methodology provide tools with which competing interests are weighed and establish the parameters in which discretionary judgment is exercised. But we must recognize that we are not dealing in absolutes. There is considerable interaction between these areas of concern, notably safety, environment, energy and the costs of services. Attempts to optimize in one area may have adverse consequences for another, or may be too costly in terms of the actual benefits. We need to make progress along all fronts, finding what is on balance in the long range public interest and protecting the rights of the individual and the choice of the consumer. To this end we believe:

- Statutes should establish broad public policy and deadlines for achievement, but we must continually evaluate their effectiveness and recommend modifications as experience teaches us the total consequences of our actions;
- The courts should provide important independent guidance on the application of statutory intent to complex facts, and we welcome their direction on certain key policy questions. At the same time, we must recognize the courts often are not the best way to resolve policy conflicts in a democratic society; thus, we must seek ways to improve administrative due process and conflict resolution so that the judicial branch is not overburdened and public decisionmaking delayed unnecessarily;
- We need to improve the process by which we reach decisions to insure that the safety, environmental and economic consequences of alternative courses of action are anticipated and understood and that we move expeditiously to resolve or minimize any conflicts before we decide what action to take. Consumer and industry participation is an important safeguard in achieving these objectives;
- We must continue to improve the information base for decision making. Sound experimental and operational data should be obtained to the extent possible prior to implementing regulations. Cost-benefit analysis is one useful mechanism for making comparative evaluations among alternatives. A pre-

sumptive guideline for rational investment is that future benefits, fully identified and properly "discounted," should exceed the total costs of the investment, also properly discounted. We must make sure that all benefits and costs, including those that cannot be easily translated into monetary terms or even quantified at all, are included in the analysis and weighed in the decisionmaking process.

In addition to improving the framework in which Federal decisions are made, we must define and express the policy guidelines that help reconcile diverse Federal priorities. This is important not only as a discipline for more rational decisionmaking but also to increase public understanding of the actual reasons that underlie government decisions.

While conflict among competing interests is often inescapable, some policies simultaneously promote several basic objectives and have only minimal adverse consequences for other national priorities.

Enforcement of the 55 mph speed limit, for example, contributes to the attainment of Federal objectives in motor vehicle highway safety, energy conservation and environmental protection. Fostering the utility and acceptability of mass transit in urban areas also supports energy, safety and environmental objectives. The Federal Aviation Administration's seven-point program for fuel conservation promotes the Federal priorities of lower cost to the consumer and environmental protection. Programs to achieve improved utilization of existing urban transportation facilities—such as carpooling, express bus lanes and signal preemption for transit vehicles—are designed to serve energy and environmental objectives and to alleviate congestion. Since such low cost measures may obviate the need for new highway construction or fixed rail systems, they also are consistent with Federal economic policies of fiscal responsibility and cost control.

In other areas, a program to implement one national priority has mixed consequences for other Federal interests. In these programs, we must determine how important and substantial the benefits of the program will be, whether it can be designed to maximize consistency with other Federal objectives and whether there is an alternative that will achieve substantially the same objectives with less adverse consequences.

For example, the automobile fuel economy technology improvement program began as a joint government-private sector voluntary effort. This approach reflects the Federal preference for using persuasion and voluntary action to implement national policy whenever possible. The program has considerable potential benefits for conserving energy but could have adverse consequences for safety, since smaller cars tend to be less safe while some safety equipment adds weight and reduces fuel efficiency. The program could slow down the effort to improve air quality and could increase the cost of automobiles. It is, thus, important that the program be designed to minimize these potentially adverse consequences. A Congressionally-mandated study is addressing these complex issues.

There are also instances where we must disapprove or postpone programs that could advance certain national objectives because the adverse consequences for other priorities are too great. If, for example, the imposition of technologically superior but very expensive noise control devices on railroads would bankrupt an environmentally efficient means of transportation, then meeting the narrower objective would not justify sacrificing the broader goal. If, having reduced the emission of hydrocarbons and carbon monoxide from automobiles to about one-fifth of their pre-control levels, we find that the cost of further incremental improvements would be substantial and would jeopardize energy conservation objectives, then we should seek consensus on slowing the rate at which we work to achieve the ultimate emissions objective.

The need plainly is to achieve a balanced approach in a complex interdependent world in which all of our national concerns cannot be satisfied at once.

Safety

No value is greater than human life and no Federal transportation responsibility more important than the safety of the passenger, driver, transportation worker, pedestrian and others exposed to the transportation system.

The responsibility for safety is shared among the various levels of government, the industry and the general public. The international and interstate character of air carrier traffic, for example, clearly calls for direct Federal involvement in aircraft safety through research and development, standard promulgation, inspection and certification.

While Interstate highway travel calls for similar uniformity of standards, the States should have a greater role in inspection and enforcement.

Industry management normally has a range of safety options involving technical, economic and consumer choice. As long as there is adequate public understanding and candor, the consumer should have some choice about how much he is willing to pay for additional safety, especially in private transportation systems. When hazards affect the safety of others, government as a protector of the public interest has a greater responsibility to step in and make the choice.

For decades, Federal transportation programs have given major attention to safety—in highway and vehicle design; in air traffic control; in aircraft and pilot certification; in ship construction standards and seamen licensing; and in railroad, motor carrier, pipeline and hazardous material transportation regulation. The result is a U.S. transportation system with an outstanding safety record relative to other industrialized nations.

Nevertheless, because the U.S. is the most mobile nation in the world, while the rate of accidents and fatalities is low, the absolute number is high. Transportation accidents were responsible for over 60,000 fatalities in 1973 and for over 50,000 fatalities in 1974. Highway and traffic-related accidents accounted for the largest number of fatalities—over 90 percent in both years.

The transportation safety record is readily seen in perspective in the following table, which shows fatalities per 100 million passenger miles:

Fatality rates per 100 million passenger miles[1]

Year	Domestic scheduled air carriers	Railroad passenger trains	Buses	Passenger automobiles and taxis	U.S. general aviation
1949–51	1.26	0.36	0.21	2.87	47
1959–61	.67	.10	.18	2.20	24
1971–73	.13	.28	.21	1.80	20

[1] Except for general aviation which is fatal accidents per 100 million plane miles. (This translates into approximately 19 fatalities per 100 million passenger miles in 1971 to 1973.) Source: FAA statistical handbooks.
Automobiles, taxis and general aviation include fatalities to all occupants, including the operators. Other modes do not include the operators.

The record in improved air carrier transportation safety is second to none. The domestic air carrier fatality rate declined by 90 percent from the 1949 to 1951 average to the 1971 to 1973 average.

The recent dramatic and sustained decrease in highway fatalities can be attributed in large part to the national 55 mph speed limit program (although reduced driving because of the gasoline shortage also contributed). The profoundly beneficial effect that safety measures are having on highway travel is seen in the following table which shows a continually declining trend in fatalities as a function of vehicle miles traveled:

Highway fatalities per 100 million vehicle miles traveled

1971	4.68
1972	4.53
1973	4.27
1974	3.60
1975 (projected)	3.30

In our continuing efforts to reduce transportation-related fatalities, injuries and property damage, we have a four-pronged policy to promoting transportation safety:

1. *Accident Prevention.*—We are working to prevent accidents by upgrading the pathway and terminal, the vehicle and the vehicle operator. We are improving pathways and terminals through highway design standards and spot improvements, rail track inspection and maintenance requirements, grants for separation or signaling at rail grade crossings, effective operation of the air traffic control system, airport safety regulations, vessel traffic control systems, pipeline safety regulations and hazardous material packaging regulations. We will continue to improve vehicle safety through aircraft, ship and boat construction standards, railroad and motor carrier regulations, and motor vehicle safety regulations. We have established standards for air carrier, motor carrier, ship and rail operators and have developed programs to improve automobile and truck driver, bicycle and motorcycle rider safety.

2. *Accident Survival.*—We are striving to increase accident survival by upgrading the pathway (e.g., improved roadside barriers), the vehicle (e.g., protection of motor vehicle occupants through passenger restraint systems, redesign of rail vehicles for better seat anchorages, flotation requirements for pleasure boats, and nonflammable and nontoxic materials in aircraft passenger compartments), and by improving operator training and procedures (e.g., for aircraft emergency evacuations).

3. *Emergency Response.*—We are encouraging improved emergency response through efforts directed at early communication of accident occurrence and location, quick transport of emergency vehicles to the site, emergency medical aid, remov-

al of survivors to qualified trauma centers, as well as search and rescue for downed aircraft and waterborne vessels.

4. *Research Data Collection and Evaluation.*—We have extensive efforts underway in safety research, data collection and accident investigation which are essential to achieving the foregoing priorities. Consonant with the President's emphasis on examining the cost-benefit aspects of all non-economic regulatory activities, we are undertaking a critical review of the safety standards and regulations we have issued. The goal is to determine which of these provide net social benefits. To do this requires good data, analytical capability and sound judgment. We cannot place an infinite value on human life. To do so would require us to close our highways and ground our aircraft. Given the lack of an absolute standard, we must define criteria and establish a process that will help us arrive at reasonable actions in the public interest and assure incremental improvements in safety each year commensurate with advancing technology, improved facilities and consideration of other Federal priorities such as energy and the control of inflation.

We expect to continue to make significant progress in safety in the future. In highway travel, the adoption of new motor vehicle safety standards such as safety belts, better traffic law enforcement and adjudication, and improved driver performance programs are expected to result in a continued reduction in deaths and injuries. We also are attempting to develop a model automobile the occupants of which would survive a 50 mile per hour head on crash.

In aviation, the FAA's upgraded third generation air traffic control system will further enhance safety through aircraft separation assurance and wake turbulence detection among other things.

With respect to marine safety, legislation is now before Congress to implement new international rules of the road for preventing collisions at sea. If adopted, it would require all vessels under U.S. jurisdiction on the high seas to comply with the convention adopted by the Inter-Governmental Maritime Consultative Organization. With respect to domestic waters, the three different sets of rules of the road now in effect for the Western Rivers, Great Lakes and Inland Waters should be made to conform as closely as possible to the international rules. The Coast Guard is proceeding with the establishment of navigation networks covering the coastal and navigable waters of the continental United States. In addition, in order to deal with the problem of increasing congestion of vessel traffic coupled with increasing amounts of hazardous cargoes, the number of vessel traffic systems operating in our major ports will be increased.

Finally, we are conducting safety training for the Nation's transportation personnel at our Transportation Safety Institute. Courses are conducted in the fields of aviation, marine, highway, pipeline and hazardous materials. Over 4,000 people from Federal, State and local governments and from the industry attend each year.

In surface transportation we must give consideration to the promotion of liability for injury policies not based upon fault. Clearly states should adopt appropriate no-fault auto insurance laws. We are closely watching to see if sufficient state progress is made along this line. If not we will consider further Federal actions. Since aircraft accidents could result in catastrophic claims for liability we must consider developing a better system of liability and catastrophic claims handling since it is becoming increasingly difficult to cover liability by private source of insurance.

5. *Crime in Transportation.*—A safe and secure transportation system requires national attention to the prevention of crimes, ranging from violent crime against persons on transit systems, vandalism and cargo thefts, to aerial highjacking. Crime prevention is not only a Federal, state and local government responsibility, it is also a shared responsibility of the private sector to remove the opportunity for such crimes. The Federal government will continue to provide guidelines on prevention, experiment with new methods for tracing stolen cargo, improve design and architectural features to deter crime, coordinate a national cargo security program to reduce the enormous cost estimated at over $1 billion in cargo-related thefts, and regulate an appropriate airline highjacking security program.

Environment

A central thrust of the Department's policy since its inception has been to reduce transportation's adverse impacts on the quality of the human environment and to protect and enhance that environment where possible.

For example, policies which have been incorporated into the Federal-aid highway program for

many years have served as a model for general government legislation dealing with the equitable and enlightened treatment of persons displaced by public programs. Similarly, many of the Department's programs have longstanding policies on public involvement in government decisionmaking such as the extensive public hearing process which has long been a feature of the Federal-aid highway program.

The statute which created the Department of Transportation required a special effort in the Department's programs to "preserve the natural beauty of the countryside and public park and recreation lands, wildlife and waterfowl refuges, and historic sites." More recently, aided by the enactment of the National Environmental Policy Act (NEPA), our policy has been to give augmented attention to the many potential interactions of transportation with the environment in order to eliminate or minimize any possible adverse consequences of transportation on the human environment.

In implementing NEPA, it is our policy not only to comply scrupulously with the statute's procedural requirements but also to utilize the process to address in a substantive way the relationship between transportation and such environmental concerns as air quality, noise and water pollution; impacts on land use and urban growth; impacts on parklands, recreation areas, wildlife and waterfowl refuges, wetlands and historic sites; community disruption and relocation, and considerations relating to pedestrians, bicyclists and the handicapped and elderly. The Department of Transportation has written more environmental impact statements than any other Federal agency, analyzing the environmental impact of specific proposed actions and considering alternative actions which better protect and enhance the environment. Through the process of environmental analysis, public involvement and scrutiny, and extensive coordination with governmental agencies at all levels, numerous transportation projects during the past several years have been substantially revised, terminated, or transferred in location or even transportation mode in order to serve better social, environmental and community objectives.

It is our continuing policy to seek additional methods and tools to enhance our ability to protect the human environment and to "internalize" environmental "costs." Thus, we are currently seeking authority in the highway and airport grant programs which would permit transportation projects to include such land acquisition as is necessary to assure compatibility with adjacent land uses. The inclusion of necessary noise barriers in Federal-aid highway construction costs is another example of internalizing the environmental costs of transportation projects.

In many specific areas of environmental impact, we have formulated relevant objectives and policies. Four of these are discussed in more detail below.

NOISE

We will move toward the goal of confining severe aircraft noise exposure levels around U.S. airports to the areas included in the airport boundary. This policy will be advanced through regulations on aircraft engine noise, aircraft operational procedures and airport grant program requirements, including those relating to compatible land use around airports. We do have to weigh, however, the financial and inflationary effects of applying retroactively subsequently developed higher noise standards to aircraft certified by the FAA before such higher standards were adopted. With respect to highway noise, our policy is to assure that new highways constructed with Federal funds include noise reduction features and to reduce noise from existing highways through spot improvements and through enforcement of truck noise standards.

AIR QUALITY

We will encourage the utilization of less polluting forms of transportation wherever possible and support the efforts of other agencies (primarily the Environmental Protection Agency) which have regulatory responsibilities over air quality. Thus, in our environmental analysis of transportation projects, we consider the impact of proposed projects on air quality to be a significant element of concern, and we require that projects be consistent with State and local plans to improve air quality. Moreover, the urban traffic management measures discussed earlier are part of the effort to improve air quality through reduction of unnecessary automobile usage. We support the national effort to reduce automotive emissions, recognizing however that as abatement approaches 80 percent and higher the incremental economic and energy costs rise rapidly and the incremental benefits become smaller. Without regressing in the

continued improvement of air quality, we must allow abatement technology to catch up with demands for energy efficiency.

LAND USE

Because transportation has such a significant impact on land use, which in turn is a crucial element in determining the quality of the human environment, we will continue to integrate transportation planning and decisionmaking into overall land use planning and decisionmaking. For many years, the Department's programs affecting urban areas have been developed with the participation of local officials having responsibility for planning and implementing land use requirements. Institutional barriers may arise at the local level because of dispersed responsibility for implementing programs affecting land use. Nevertheless, we must assure that the impacts of transportation programs on land use are brought to the attention of local officials and that every effort is made to assure that transportation serves local land use objectives. Our continuing policy will be to provide increased flexibility to local officials in the use of Federal-aid urban transportation funds, enabling these funds to be used for either highway or transit needs as best serves local transportation and land use objectives.

WATER

In the marine environment, the Coast Guard is the primary law enforcement agency responsible for enforcing Federal anti-pollution laws and treaties. Past actions have concentrated on developing adequate cleanup capability for removing oil and hazardous materials from the water. Increasing emphasis is being directed toward prevention, including regulations related to the transportation of hazardous substances and the disposal of vessel wastes and sewage.

Our concern for marine environment has resulted in exhaustive studies of segregated ballast for oil tankers. While such construction techniques may offer protection to the coastal waters, immediate establishment of the Vessel Traffic System (VTS), coupled with increased LORAN-C coverage and separated sea lanes, should offer improved cost beneficial protection against oil spills caused by collisions and groundings.

In summary, improvement of our environment is a continuing national commitment. We must proceed with determination, on the basis of scientific fact and with a proper appreciation for the economic costs involved. Just as we will not take any Federal action with a significant impact on the environment without an impact analysis and statement, neither should we seek narrow solutions to environmental problems without an appreciation of their consequences for other governmental goals. In addition, we are establishing procedures which will result in a speed-up of the time to complete the environmental review process. With reason and foresight, we will continue to build a better transportation system that will contribute to the quality of our environment.

ENERGY

The Arab oil embargo highlighted the near-term problems of rapid increases in energy prices and uncertainties in the supply of imported petroleum. The longer-term problem revolves around the finite nature of U.S. and world petroleum resources. Major uncertainties are associated with quantifying recoverable petroleum reserves and with predicting the time frame within which substitute energy sources will be available in major quantities. Transportation is particularly vulnerable to increased costs and supply interruptions since it currently is almost completely dependent on petroleum-based energy.

Near-and-mid-term options for addressing these problems include:

- Conservation and efficiency improvement;
- Expansion of domestic supply;
- Establishment of a strategic petroleum reserve in order to reduce the impact of any future interruptions in imported supply;
- International consumer country arrangements such as those proposed by the International Energy Agency.

Transportation policy has a dual role to play in these measures. As a major consumer of energy, transportation must participate substantially in energy conservation programs and must increase the efficiency with which energy is used. Secondly, as part of the Nation's energy supply infrastructure, transportation must provide an efficient energy distribution network.

Energy conservation is a national imperative and has become a major factor in transportation decisionmaking. In order to help the transporta-

tion sector do its share in decreasing U.S. reliance on foreign imports (now more than 37 percent of U.S. consumption) and in conserving the use of limited domestic resources, our policy should be:

- Continued promotion of improved fuel efficiency through technological improvements, more efficient, intelligent and socially-responsible use of the automobile and public transport, more rational route structures and the removal of unreasonable regulatory constraints on service, voluntary joint programs with industry to conserve fuel and promote efficiency, and amendments to safety and environmental requirements that do not compromise their primary purpose but which provide a more energy-efficient alternative;
- Encouragement of railroads and inland waterways as energy-efficient alternatives for the movement of bulk freight over long distances;
- Support of energy conservation programs for trucks and intercity passenger travel;
- Priority funding for proposals for subsidy, new facilities or RD & D that demonstrate comparative energy efficiency;
- In most instances, full assimilation by the private sector of the increased cost of energy, with the market place as the ultimate allocator of energy resources.
- Development of short range policies to help some of the transportation modes adjust to sudden, sharp increases in fuel cost as they occur.

We will continue to emphasize key energy conservation programs such as:

- The 55 mph speed limit, now a condition of Federal-aid highway project approval;
- The automobile fuel economy improvement program;
- Carpooling promotional and information programs;
- Improved urban traffic management and transit services as a condition of urban highway and mass transit funding;
- The FAA seven-point program for jet fuel conservation, including revision of gatehold and air traffic flow procedures, increased use of optimum cruising speeds and altitudes, use of flight simulators for training and check flights, accelerated installations of instrument landing capability on approach runways and improving runway and taxiway technology.

Civil Rights

In transportation, as in other areas of our society, there has been in the past a neglect of our recently-recognized obligations toward women, minority racial and ethnic groups, the poor and the disadvantaged. It is our policy to improve this situation with particular emphasis on three areas:

- Employment and capital opportunities both in the public and private transportation sectors;
- The service rendered by transportation;
- Planning and decisionmaking.

Employment and Capital

Massive amounts of Federal money are being used to build and revitalize the Nation's transportation system. Our policies must assure that minorities and women participate fully in the employment and capital opportunities thus provided Women and minority group persons are underrepresented in the employment structures of tho transportation industries and in the public sector transportation agencies at all levels of government. This is particularly the case with higher level positions, in policy-making and management. It is our policy to enforce effectively the civil rights laws and responsibilities. We are moving to hire significant numbers of women and minorities and to place those qualified in management and policy-making positions. We are also encouraging present employees to upgrade their management and policy development skills through a variety of training opportunities. These efforts will be undertaken in such a way as not to affect adversely other groups. We are strongly encouraging the transportation agencies at other levels of government and the private sector transportation industries to make every effort in this direction. A major policy initiative during the coming year will be to seek out innovative ways of using the substantial employment and capital opportunities generated by Federal transportation expenditures to help achieve full employment, with particular emphasis on the disadvantaged. We also wish to assist women and minorities in becoming involved in the actual construction, management and ownership of such transportation facilities or of the companies which build or operate them.

SERVICE

The transportation service provided by the public modes often neglects the needs of the spectrum of groups whose mobility is limited:

- Those persons in urban and rural areas who are too poor to afford either personal or public modes of travel and who are consequently shut off from many of the benefits of society to which they are entitled;
- Those who are too young or too old to drive;
- Those persons who are suffering from temporary or permanent physical disabilities.

It is our policy to assure that, where feasible and economically practicable, service alternatives are created that will be available to meet the needs of these persons and will be inexpensive, safe and easy to use.

PLANNING AND DECISION MAKING

For transportation to serve adequately the needs of women, minority groups and disadvantaged persons, they must be involved in the planning for the future of transportation and in the decision making that will implement the systems of the future. Full and accurate understanding of the problems faced by these groups cannot be gained adequately in any other way. This involvement may come through employment of women and minority group persons in key planning and executive positions, and more pervasively, through their participation in the community discussion and review that should be a part of making transportation plans and decisions. We will encourage such community involvement in our work with State and local governments to improve the process of transportation planning.

Transportation Consumers

A major concern of the Federal government is to be responsive to the needs and concerns of the individual transportation consumer—the user, purchaser and shipper of transportation goods and services, those for whom adequate transportation is not physically, economically or geographically accessible, and those affected by transportation systems.

Our consumer participation policy will continue to emphasize:

- Meaningful public hearings on major policy issues conducted by the top executive officers of the Department in different locations around the country;
- Periodic public opinion surveys to gauge the adequacy of transportation services from the consumer's perspective;
- Workshops and conferences to identify problem areas and formulate government policies that are responsive to consumer needs;
- Funding research on transportation issues of special interest to consumers;
- The integration of consumer views into the Department's planning and decisionmaking process rather than isolating consumer views in a separate consumer advocacy function.

It is our policy to assure that consumer interests receive full consideration in the decisionmaking process. Citizen involvement in the development of rules and regulations is essential, and all Department of Transportation components have been directed to use the Federal Register advance notice of proposed rulemaking; to allow a minimum of receive full consideration in the decisionmaking 45 days for public comment, and to evaluate consumer comments carefully before the promulgation of final regulations and standards. In addition, we will seek increased consumer participation on the advisory committees that serve the Department, and we will continue to require citizen participation in transportation planning at the State and local levels as a condition of many Federal transportation grant and assistance programs.

To enable consumers to participate knowledgeably, our policy encourages dissemination of information to consumers about transportation issues, including:

- Education programs and curriculum guides for teachers from kindergarten through the adult level to enable students to become effective transportation consumers and, ultimately, more knowledgeable participants in community transportation planning;
- Informational pamphlets on drinking and driving, the use of seat belts, boating safety, and similar subjects.

Effective consumer participation is vital in order to make government truly responsible and responsive to the public interest. Since the consumer point of view, however, may rightfully be as diverse as

the different types of consumers, we fail to see how these diverse views can be represented by a government consumer advocate. So, we seek solutions through opening up the process to all consumers. For making consumerism work requires the commitment of those who use, benefit from, or are deprived of transportation services. A few groups have helped significantly in the formulation of air, surface and water transportation policies. But more general public concern, expressed through more effective organization, is required to bring transportation consumers up to the level of influence that they should have, commensurate with the strong lobbies of other segments of the transportation sectors and with the effective record of many consumer groups involved in social policies.

V. INTERNATIONAL TRANSPORTATION

In an increasingly interdependent international economy, U.S. transportation provides vital links among the world's Nations. Since the end of World War II, international trade and travel have grown at exponential rates and the U.S. has become increasingly dependent upon the foreign markets and foreign resources which international transportation makes accessible.

While the basic policy goal remains the same—i.e., the assurance of safe, efficient and economical service for our Nation's commerce rendered by privately owned transportation companies—the area of international transportation presents special challenges. Foremost is the need to deal with the interests of other Nations. Governments may share the objective of efficient transportation service but differ sharply about how such transportation should be organized, regulated, developed and promoted. We must recognize that international transportation is based upon international law and treaties and, since many parts of the world have economic and governmental philosophies different from those of the U.S., policies by which we conduct our international transportation might not be the same as those by which we are able to conduct our domestic transportation. International transportation, thus, calls for both political and economic accommodation. Nowhere is such accommodation more required than in aviation, the most widely regulated and most highly visible international transport mode.

Currently, a very broad range of issues and policy decisions confront the United States in the field of international transportation:

- The organization and regulation of international air transportation;
- The structure of international shipping services;
- The safety and environmental consequences of international transportation operations, including the pollution controls and the noise and other standards required on international transport equipment entering the U.S.;
- The compatibility of equipment employed for international multimodal services, including the containerization of cargo;
- The development of appropriate international legal regimes on such questions as liability and claims procedures, balancing equitably the interests of carriers and shippers;
- Simplification and standardization of the documentation and processing required to serve both private sector and governmental needs;
- The flow of travelers and baggage across international borders subject to customs and other types of inspection processing;
- The viability and profitability of U.S. private flag carriers when much of their foreign competition is governmentally owned or subsidized;
- The prospect for continued world preeminence of the U.S. aeronautical manufacturing industry in light of the challenge from subsidized European competitors.

An important element of international transportation policy is "facilitation," i.e., simplifying and expediting the international movement of passengers and goods through terminals. Facilitation saves both time and money. We will work vigorously to simplify entry and departure clearance procedures for passengers and cargo, improve terminal layout and baggage and cargo handling facilities and standardize documentation requirements for carriers and shippers. We will exploit fully electronic data processing techniques in order to eliminate most documents and improve passenger processing, ticketing, baggage control and fare and rate determination.

Aviation

International aviation moves about 100 million passengers and six billion ton-miles of cargo yearly. In the past several years, the Nation's participation in this vital sector of world transportation has been threatened by the serious financial

problems of U.S. air carriers. While these problems were in large part caused by the rapid threefold increase in world fuel prices and the worldwide economic recession, they were aggravated by uneconomic route structures, excess passenger capacity, increasing foreign subsidized carrier competition, the need to clarify U.S. international air policy (i.e. how many U.S. carriers in the international business and with what domestic route support), noncompensatory fares, disproportionate foreign carrier usage by U.S. passengers and unfair foreign competitive practices.

Currently, international air transportation operates in a complex and changing regime of law and politics involving a few multilateral treaties, many bilateral arrangements and a wide collection of national laws, regulations and policies. In this context, continuation of a U.S. flag air transportation system will require continuing negotiations between the United States and other Nations to arrange equitable operating rights and privileges, including most favored Nation treatment for U.S. international transportation and tourism services.

Most Nations today pursue, in varying degrees, a policy of promoting their own air transport enterprises and protecting them against competition from foreign, and perhaps more powerful or efficient, operators. Where a Nation subsidizes its airline, it may try to shield it from competition by restricting the traffic or service offerings of its foreign competitors. U.S. policy, by contrast, has always sought and will continue to seek greater liberalization of the economic operating environment for international air transportation.

However, this policy is predicated on the assumption that the U.S. air carriers' opportunity to participate fully in the international air transportation system is assured. U.S. bilateral air-transportation agreements include provisions for governmental intervention if change in market demand levels require major capacity adjustments or if foreign carrier scheduling practices place U.S. carriers at a competitive disadvantage. Consequently, during 1974, discussions were initiated with certain foreign flag carriers and their respective governments about the problem of excess capacity. Capacity control agreements have been approved between U.S. carriers and the flag carriers of Venezuela, Switzerland, the United Kingdom, Greece and Italy. Meetings are continuing with other individual airlines on capacity control. While many countries are hesitant to reduce the operations of their flag carriers, equitable solutions to the excess capacity problem must be pursued until they are achieved. The pursuit of capacity agreements in the international transportation field, while the Department has generally opposed them in the domestic field, is merely recognition that the international transportation policy must consider the economic and political views of the foreign countries.

The general fare increases of the past few years have not substantially helped the finances of U.S. carriers, in part at least because of the wider use of lower promotional fare arrangements simultaneously introduced to help compete with charters and attract new customers. For example, in 1973, approximately 70 percent of all North Atlantic passengers on scheduled flights used these reduced fares. While this pricing strategy may have stimulated some additional traffic, it also seriously eroded the scheduled carriers' revenue base.

Moreover, the extensive illegal discounting and rebating within the international air travel industry erode the revenue of all carriers. Such practices undercut the fares established by agreement through the International Air Transportation Association (IATA) and approved by the CAB. Certain types of illegal charter groups have also diverted some traffic from the scheduled carriers. IATA has estimated that such practices cost the international air carriers $500 million annually on the North Atlantic routes alone.

To obtain better tariff enforcement, the U.S. government is moving on several fronts. The CAB has instituted formal proceedings against a number of foreign airlines for tariff violations. The Department of Transportation has completed a two-phase study of the impact of the travel agent/tour operator industry upon U.S. air carrier operations. Because the International Air Transportation Fair Competitive Practices Act of 1974 only prohibits ticket agents from giving rebates to the public, new legislation is under consideration that would outlaw carrier discounting and rebating to ticket agents and subject persons found guilty of such practices to civil and criminal penalties.

Competition has intensified over the North Atlantic, with 30 scheduled and 17 charter carriers now operating. The U.S. flag share of scheduled North Atlantic traffic has dropped from more than 60 percent in the early 1950's to about 39 percent.

No U.S. flag service is now available to a number of European cities. As the competitive environment has changed, the Administration has encouraged route restructuring and suspension of certain operations for U.S. flag carriers. As mandated by the International Air Transportation Fair Competitive Practices Act of 1974, the Administration is also encouraging the maximum use of U.S. carriers. Where direct service is available, all government-funded passenger and cargo traffic must be carried by U.S. flag carriers.

In the United States, international airports charge fees to carriers reflecting, in general, only their direct costs. Currently, only a portion of the Federal costs of operating the air traffic control system are covered by user charges. By contrast, an increasing number of foreign countries are recovering all, or at least a major part of, their full system costs directly from the carriers. This raises costs for U.S. international air carriers because many foreign carriers which pay the same landing fee may recoup such costs from general government subsidies.

Under the International Air Transportation Fair Competitive Practices Act of 1974, the Executive Branch must review all forms of discrimination or unfair competitive practices to which U.S. air carriers may be subjected and take action to eliminate them. As discriminatory charges by foreign governments or airport operators or charges that unreasonably exceed comparable user charges in the United States are documented, we will initiate talks with the other governments, seeking adjustment of the charges before a countervailing charge is assessed by the U.S. government on their air carriers.

Recognizing that international aviation is a rapidly changing industry, an interagency committee is currently reviewing international aviation policy to update the government's 1970 policy statement. For this review, four objectives have been adopted:

- To best meet the needs of the consumer by providing for the international transportation of people, mail and goods safely, efficiently and at reasonable costs wherever a substantial need for air transportation service exists;
- To provide for a viable, economical and efficient international air transportation industry and for the continued development of civil aeronautics and air commerce;
- To assure a fair and competitive role and the opportunity for major participation by private enterprise U.S. air carriers in international air transportation and a favorable impact of the international air transportation system on the economic growth, economic stability and security of the United States;
- To contribute toward and be consistent with United States national defense and foreign and commercial policy objectives, and other national objectives.

Among the specific issues under consideration are:

- Multilateral approaches to aviation problems;
- An appropriate regulatory environment;
- The relationship between demand, capacity, costs and rates;
- The role of facilitation in the improvement of air transport services;
- The relationship between scheduled and charter services;
- The relative roles of the private and public sectors in international aviation;
- The IATA system of rate determination;
- New approaches to international route definition;
- The role of the U.S. aerospace industry in international aviation.

As we resolve these issues, we must keep in mind the U.S. public interest in having economically viable, privately owned U.S. air carriers and the fact that other countries might not accept our ways of solving our domestic airline problems.

The broader question in U.S. international aviation policy concerns the optimal structure for U.S. flag carriers and international routes. Should we emphasize one or two U.S. worldwide carriers, or should we seek to give the U.S. international carriers some domestic routes and to liberalize entry for other U.S. carriers into international markets moving toward a regionally-oriented structure with strong domestic feeder support in each region?

A healthy, financially viable U.S. air carrier industry causes the development and continuation of a healthy aircraft manufacturing industry. The demand for new generation aircraft first by U.S. carriers ultimately creates foreign demand for such U.S. aircraft. We must adopt policies that

will enable the U.S. aircraft manufacturers to retain their world preeminence since the industry yields the second largest balance of payments benefit to the U.S.

Within the foregoing framework, we will continue to seek the appropriate liberalization of the economic operating environment for international air transportation and greater simplification of procedures for the entry and departure of passengers and clearance of cargo.

Shipping

The vast preponderance of our foreign trade moves by ocean vessel, and we expect this will always be true. For this reason, the cost and quality of maritime transportation is now and will continue to be of vital concern to our economy. Our policy is designed to achieve the most efficient, safe and economical flow of traffic. However, our maritime situation differs from most other areas of transportation in that although we maintain and promote a U.S. flag merchant marine, it carries only a small part of our foreign trade. As a Nation, we are consumers rather than producers of ocean transportation services. Thus, we need to balance two goals—the preservation of a viable U.S. merchant marine adequate to serve our national interests and the availability of reliable, low cost shipping services to sustain our foreign commerce.

As a fundamental principle, the United States has always favored free competition among the world's ocean carriers. To provide stability, the Congress has permitted carriers in our trades to combine in liner conferences and to establish common tariffs and arrangements for service. However, such conferences must be open to all qualified carriers, and the right of non-conference lines to serve our needs must be protected. The Federal Maritime Commission should prevent any conference practices which threaten to disadvantage shippers.

At the same time, we have sought to maintain a U.S. merchant marine and a supporting shipbuilding capabilty. Because the national interests involved are substantial, they have not been left to the chance that these industries would prosper in the open international competition otherwise desired. Subsidy, flag preference on certain government cargoes and other promotional measures have been adopted to sustain a national maritime industry of reasonable size with expansion potential in event of national emergency. However, we have not interfered with the routing of purely commercial cargo through various types of flag preference or cargo sharing to the extent practiced by some other Nations.

Recent technical developments in ocean shipping have had a major, if not revolutionary, impact on the industry and will affect its economy and organization in profound ways. Foremost of these has been the growth of unitized cargo systems. These new systems have opened vast opportunities for a more efficient through-transportation between inland points, with cargoes transferred rapidly and securely between the maritime and other modes. They have also promoted the development of new families of ocean-going vessels which, being capital rather than labor-intensive, tend to reduce the competitive disadvantages of U.S. vessels. Thus, fewer ships carry more cargo and, with shorter port turnaround times, are able to make more voyages. Pressures for changes in the organization and practices of shipping conferences are developing, and as these innovations permit container ports to serve larger hinterlands, the established competitive relationships among ports and conferences are being altered. Because containers and similar equipment provide through-service across national borders, new international clearance arrangements are becoming necessary.

Along all of our coasts, including the Great Lakes, ports have been driven by their historically competitive relationships to meet the requirements of the new technology. Container handling facilities involve enormous investments, and adequate returns on these investments will require a high level of utilization. It appears most unlikely that all U.S. ports now preparing for container services will prove economically viable. On the contrary, it is more probable that the economies of scale permitted by the new technology can be realized only by concentrating container terminals at fewer locations. We must develop policies which will permit these choices to be made in the national interest.

A second major innovation has been the supertanker. This vessel type has raised special problems of structural integrity, navigation and traffic separation, pollution potential and adequacy of port facilities. The ability of the United States to take full advantage of the economies of scale which have stimulated the growth of the supertanker fleet has been denied by the shallow approaches to our

coastal ports and refineries. New deepwater offloading facilities, sometimes called superports, will be required. Such facilities, exposed to the open sea, present a variety of structural and operational challenges and will require stringent standards and regulation if the ocean and coastal environment is to be preserved. Under the Deep Water Port Act of 1974, the Department of Transportation is determining the requirements for constructing such facilities in American waters.

The above developments may require a more active Federal role in port development planning. We should not spend Federal and local funds on more port development than the Nation needs. We can determine with reasonable precision the overall economic efficiency requirements for the Nation. But we also need to develop specific criteria to guide decisions on national port development efforts where there are competing State and local interests involved as well as other national priorities, such as the environment and the discouragement of reliance on petroleum imports.

The St. Lawrence Seaway Development Corporation is unique as it is the only waterway in the Nation maintained entirely through user charges. The Federal government should lend its full support to programs, such as lengthening the shipping season, which generate additional traffic and cargo for this valuable resource.

The balance between competitive and noncompetitive forces in international shipping appears to be shifting substantially in favor of the latter. Developing countries, at both carrier and intergovernmental levels, are creating systems of cargo pooling and allocation that would subject shipping conditions and rates increasingly to cartel arrangements and administrative direction, rather than to the play of market forces. Examples include an increasing number of bilateral arrangements between Nations which reserve the bulk of their common trade to their national fleets, governmental encouragement of conference pooling systems that exclude independents or third-flag carriers and the recent international endorsement of restrictive bilateral agreements contained in the United Nations Conference on Trade and Development (UNCTAD) Code of Conduct for Liner Conferences. We are examining the implications of commercial cargo preference in terms of both the cost and quality of services to shippers over the long run.

Another barrier to efficient international maritime transport arises from the outdated international legal regimes covering cargo data and cargo liability. The applicable provisions of the governing Brussels Convention have not been modified since their adoption in 1924. In this modern age of container shipping, these rules make efficient cargo movement very difficult.

United States international shipping policy should be re-examined to provide clear guidelines for future action in the following areas:

- On the organization of the ocean shipping market, we must determine our position on bilateral and multilateral devices for restricting competition. This will require reconciling our requirements as consumers of shipping and our requirements for a viable U.S. merchant marine in the context of various international constraints.
- We must determine to what extent flag preference on certain government cargoes, construction and operating subsidies and other promotional measures are needed to achieve national goals.
- We must re-examine the Federal role in port planning and establish criteria which promote the economic self-sufficiency of all our ports by avoiding investments that exceed future requirements and result in massive and unwarrranted financial obligations.
- Working with other Nations, we must revise obsolete international laws and conventions concerning cargo movement.

ALTERNATIVE POLICY APPROACHES

Much of the controversy inherent in international transportation stems from a lack of agreement on the basic premises for operating international services. Some argue that international transportation should be regarded as any other industry in the free enterprise system; others argue that it should be viewed as a public utility.

Proponents of the public utility approach argue that:

(1) Terminals—whether water or airports—are generally considered to be public utilities;

(2) In many countries, internal or domestic common carriage is either heavily regulated or nationalized;

(3) The substantial promotion of merchant marines and airlines by many foreign governments

reflect a judgment that international transportation is vital to national interests and must be supported even if not competitive in the world market.

The principal argument for using the free enterprise or "workable competition" approach is that the market provides the best means for allocating resources. Moreover, implicit in the public utility approach is the eventual need for some form of supranational regulatory agency which would have to exercise control over rates as well as entry and abandonment of services. In the light of past domestic experience with transportation regulation and the importance of national sovereignty, the public utility approach does not appear to be a promising one for improving international transportation services.

International transportation should provide adequate, efficient and reliable service in an environment capable of adopting new technology and responding to changing user needs at prices established within a competitive framework. Efficient management should be able to earn a reasonable profit in order to attract capital from the private market. Implicit in this approach is preference for competition over both its substitute, regulation, and its opposite, monopoly, as the means of allocating resources for transportation. In this view, any governmental action which reduces the efficiency of international transportation is as economically undesirable as any anticompetitive practice by users or carriers which similarly increases cost.

Our objectives in international transportation should include adequate services at fair rates for users, the end of discriminatory promotional policies by governments and the evolution of cartelized ratemaking into more competitive arrangements. Despite efforts by a number of governments to find a better substitute, the market mechanism still appears to be the best device for resource allocation. However, achieving workable competition in international transportation will require a tremendous effort in modifying the present environment.

It will not be easy to obtain these objectives. Carriers will have to receive sufficient revenues to support their services, replace their equipment and provide an adequate return on their investment. Users will have to be provided with the services in a manner and at rates that will reduce impediments to the international movements of people and goods. Governments will have to be assured that essential national requirements will be met and that public monies invested in improved infrastructure will return adequate benefits to the respective national economies.

VI. CONCLUDING NOTE

In our democratic constitutional society, a transportation policy statement issued by the head of one Federal Department does not become the Nation's transportation policy. Even more important, a transportation policy is not a plan. Policy helps direct decisionmaking along more rational lines toward national goals and provides the reasons for proposed changes, but it does not define the optimal infrastructure or transportation system for the future, or identify the cities in which we will build rapid transit systems or designate which railroads will become the appropriate nationwide interstate freight railroad system.

It may be useful, in conclusion, however, to anticipate what the transportation system might look like if the policy set forth in this statement were first adopted and then successfully translated into programmatic action. We would see a more safe, efficient, accessible, diverse, competitive transportation system, mainly in the private sector, which would enhance the Nation's environment, economy and quality of life, by providing:

- Privately owned, financially healthy and competitive high performance national networks of marine, rail, truck, bus, pipeline and air freight and passenger service;
- A system of feeder lines and links that provide access to the nationwide interstate systems and effectively meet the transportation needs of urban, suburban and rural areas, privately maintained where possible, and supported, on a fiscally responsible basis, primarily by States and local governments with Federal financial participation where necessary;
- A safer, more energy-efficient, environmentally sound automobile that will be utilized more intelligently and with greater social responsibility but which will continue to be the most pervasive form of transportation, essential to our life style and economic activity.
- A modern highway system which serves the needs of the future, consistent with our environmental and new energy concerns;
- Progress each year in safety performance, environmental protection, energy conservation and transportation crime prevention.
- Comprehensive urban transportation systems, involving efficient mass transit and a mix of modes that are consistent with broader metropolitan goals;
- Safe and modern rural transportation facilities, providing access to the Interstate network and creating an infrastructure that enhances rural living and development;
- A strong international transportation system with the participation of privately owned financially healthy, unsubsidized U.S. flag carriers;
- More equal competition between firms and among modes, freed from the encumberance of outmoded regulatory restraints;
- New, more cost-effective, energy-efficient and intermodal technology;
- Accessible transportation for the poor, the minority, the handicapped and the elderly;
- Opportunities for employment and advancement for all citizens, particularly women, minorities and the disadvantaged;
- An economy conducive to adequate capital formation, enabling private firms to earn a reasonable return on investment and keep facilities and equipment modern, safe and environmentally sound.

A more perfect transportation system will evolve primarily through the efforts of an innovative, competitive, and forward looking private sector. The Federal Government must support this evolution, reinforcing the strengths of our system and shoring up its weakness.

At a time when there is claimed to be an erosion of public confidence in the capacity of government to respond to public needs efficiently, it becomes imperative to define clearly and realistically the responsibility and potentiality of the Federal Government.

Only when the reality of limited Federal resources is fully recognized and expectations accordingly brought into balance with that reality, will the gap between the promise of legislation and the performance of the government be narrowed.

Only when we cease to seek narrowly focused solutions to the problems of each transportation mode and begin to plan comprehensively, will the distortions of Federal intervention yield to the efficiency of intermodal competition and cooperation.

Only when we realize that practices of the past do not necessarily provide the best transportation systems needed today, will we have the courage to terminate programs that have fulfilled or failed to attain their original purposes, and seek new solutions to the needs of tomorrow.

Only when the level of government closest to the problems has the necessary financial resources, program flexibility and management authority, will we succeed in blending transportation systems with broader national and community development goals.

Although there are old habits and ways of thinking, and strong forces of politics, precedent and program inertia at work, we must now seek new, more efficient ways of responding to the Nation's transportation needs. This document is an initial attempt to do so. It may well contain inconsistencies, omissions and policies that the public will not accept. It is hoped, however, that it will stimulate discussion of the issues so that there will be progress and ultimately consensus on a policy which we will all work to implement.

APPENDIX 1
TRANSPORTATION SYSTEM PERFORMANCE MEASURES

The various elements of the Department are working together to develop programs for more useful measures of the present and projected performance of the Nation's transportation system.

Currently, data are reported on the performance of today's systems and estimates of the performance of planned systems yet to be developed. They provide a basis for understanding how our Nation's transportation facilities are currently performing, how they are expected to perform in the future, and how that performance might vary among the States and urban areas. When collected and examined over a period of time, they permit the evaluation of particular investment programs and policies in terms of changes in system performance.

The attachment summarizes some of the more important performance measures which have been identified for measurement and reporting by State and local governments.

The great variation existing in the level and sophistication of planning in the different modal areas tempers the extent and sophistication of the performance measure data which can be requested. Some of these measures are actual "on the ground" measurements of performance, whereas others are the results of planning estimates or the output from simulation models. Some of the data items shown in the listing are in the nature of "impact measures," (e.g., pollution output, household dislocations, etc.) but can also be interpreted as measures of performance of the transportation facilities. Finally, the reporting units for these measures vary between the different modal categories. For example, the transportation planning assistance programs of the FHWA, UMTA, and FAA allow for the reporting of transportation performance measures on an individual urban area basis. In the smaller urban areas and for rural areas, performance information is far less obtainable at this time. Many States and urban areas are just recently initiating programs which will result in transportation performance measurement. The Department is actually supporting the expansion of such activity through the operating administrations' planning assistance programs and through the National Transportation Studies. Our current plans are to expand and standardize the actual measurement of "on the ground" performance, as opposed to simulation output or engineering estimates. This would be done in order to improve the comparability while at the same time focusing only on certain key measures, some of which might be measured every two years, and others less frequently. At the same time, planners from the various operating elements of the Department will continue efforts targeted at the identification of those performance measures which are most useful in carrying out the Department's functions.

SUMMARY OF PERFORMANCE MEASURES REPORTED BY STATES UNDER THE 1974 NATIONAL TRANSPORTATION STUDY

HIGHWAYS

1. Freeway capacity measures.
2. Average travel speeds.
3. Congestion levels on freeways.
4. Amounts of total highway travel occurring on freeways.
5. Average trip lengths (time and distance).
6. Accident injuries and fatalities.
7. Population and job dislocation from highway construction.
8. Pollutant output levels.

URBAN PUBLIC TRANSPORTATION

1. Accessibility of residential population and employment areas to public transportation.
2. Average operating speed.
3. Average headways.
4. Average trip lengths.
5. Density of public transportation service.
6. Average vehicle occupancy.
7. Fleet utilization.
8. Fares.
9. Accident related injuries and fatalities.
10. Pollutant output levels.
11. Population and job dislocation from transit facility construction.

AIRPORTS

Air Carrier (A/C) or Reliever Airports Serving Hubs

1. Annual and peak hour passenger enplanements and A/C operations.
2. Annual cargo tons handled.
3. Peak hour delay per operation.
4. Access time from central business district to airport.
5. Out of pocket cost to travel from central business district to airport.
6. Distance to nearest alternative A/C airport.
7. Population and jobs relocated as a result of future airport construction or modification.
8. Annual pounds of pollutants emitted by aircraft.
9. Population and jobs within 30 minutes driving time of each primary system airport.
10. Noise exposure within the 30 and 40 NEF contours (number of residents and employees).

MARINE TERMINALS

1. Cargo (tons and number of containers) handled per day.
2. Cargo handled during peak day of the year (by type).
3. Average number of weeks per year port is closed by ice.
4. Number of ferry passengers served during peak day of year.
5. Classification of types of berths available as well as cargo handling capability (slurry, lash, etc.).

RAILROAD, BUS AND TRUCK TERMINALS

1. Number of vehicles and passengers which can be handled during the peak hours and annually.
2. Amount of cargo (tons and containers or trailers) which can be handled per hour and annually.

APPENDIX II

Total Federal transportation subsidies—general

There is no standard government usage of the term subsidy. As used here it is net Federal subsidy, defined as total Federal expenditures minus user charges received. Therefore:

1. The figures in the following table do not reflect the relative magnitude of the various Federal programs, but only the difference between overall expenditures and receipts. (For instance, total fiscal year 1974 authorizations under the Federal-Aid Highway Act were $6.049 billion; of this $5.566 billion was financed from the Highway Trust Fund, leaving a net of $483 million. To this must be added expenditures from general tax revenues for roads in the Appalachia Region, $168 million, plus expenditures under the Highway Beautification program, $55 million, minus funds expended on urban transportation, the results of which appear as the entry on line 1 under Highways.).

2. The national aggregate receipts classified as user charges may overlap with those which would be interpreted elsewhere as taxes for purposes of raising general revenues. (For instance, within the highway example, the taxes paid are not directly proportional to use and there are extensive cross subsidies among users; i.e., between cars and trucks, between urban users and rural users and between those who seldom use the Interstate system and those who use it extensively.).

3. Although the figures demonstrate the relative balances between expenditures and receipts for each mode (e.g., the preponderance of Federal highway costs are met by compensating receipts), they do not convey the relative impacts on the modes of these Federal programs (e.g., the very magnitude of the Federal-Aid Highway program tends to favor auto and truck transportation over other modes).

TABLE 1.—*Total Federal Transportation Subsidies*

[In thousands of dollars]

	Aviation	Urban mass transportation	Highways	Railroads	Marine	Pipelines	Totals
1. Federal grants less user charges	73, 462	925, 500	621, 270	205, 204	428, 176	0	----------
2. Federally caused cross subsidies	0	96, 000	(96, 000)	0	0	0	----------
3. Federal services and facility operations less user charges	593, 000	0	0	0	1, 121, 377	0	----------
4. Assumption of legal risks	8, 000	0	Unknown	0	Nil	0	----------
5. Deferred tax payments	0	0	0	0	13, 466	0	----------
6. Federal R. & D. and planning	280, 810	120, 500	0	24, 350	40, 000	Nil	----------
7. Administrative and regulatory costs	18, 000	7, 000	20, 000	2, 700	35, 000	0	----------
Subtotals	973, 272	1, 149, 000	545, 270	232, 254	1, 638, 019	Nil	4, 537, 815
Urbanized area travel subtotals	----------	1, 149, 000	101, 135	----------	----------	----------	1, 250, 135
Rest of domestic travel subtotals	949, 552	----------	426, 135	232, 254	805, 227	Nil	2, 413, 168
International travel subtotals	23, 720	----------	18, 000	----------	832, 792	----------	874, 512

Notes: (1) Based on 1974 actual expenditures where readily available. (2) Capital investments were not annualized. (3) Totals do not include general revenue sharing funds spent on transportation ($1,005,000 largely on highways and urban mass transportation), risk assumed on loans, Federal reimbursement of local user charges ($2,577,000 for highways), differences in regulation or economic regulatory costs.

TABLE 2.—*Percentage of net Federal subsidies per unit of transportation*

Net Federal subsidy [1] as a percent of the net Federal plus user expenditure, per unit of transportation service (units: freight—ton-miles, passengers—passenger-miles)

	Percent
Urbanized area passenger travel:	
Private auto	1.9
Taxi	0.2
Bus	29.2
Rapid rail	58.5
Rail commuter	23.5
Other domestic passenger travel:	
Private auto	nil
Bus	nil
Rail	23.0
Air carrier	5.0
General aviation	13.0
Domestic freight:	
Air	2.1
Highway	0.9
Rail	0.7
Marine [2]	40.0–52.2

[1] Net Federal subsidy is defined as in table 1. Receipts from user charges have been deducted from the totals.

[2] Depends on allocation of: (a) Marine safety expenditures between passengers and freight; (b) marine water pollution expenditures between shore and waterborne sources, and (c) search and rescue expenditures between rescue associated with aviation and marine, and within the marine category between domestic marine freight haulage and other marine activity (for example, foreign ships, fishing vessels, recreational boating, etc.).

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D. NATIONAL
POLICY PROGRESS

A PROGRESS REPORT

Implementation of the 1975 Statement of National Transportation Policy

September 17, 1976
Washington, D.C.

PROGRESS IN IMPLEMENTATION OF POLICIES AND PROGRAMS

1. Implement Rail Revitalization Programs

a. Policy

(1) Rail Freight Service.—The Department is strongly committed to the development and modernization of a nationwide, privately-owned, interstate rail freight system. Such a system is essential to the national interest and is necessary to assure at the lowest possible cost a means to meet with sufficient capacity the increasing transportation needs of a growing economy and to support national priorities of defense, energy conservation, environmental protection and safety.

The railroad industry faces a challenge of immense proportions in meeting these objectives. It must restructure along more rational and efficient lines. Excess, duplicative capacity must be reduced. Non-essential routes must be eliminated. Facilities remaining in the rationalized system must be modernized. Management and labor issues must be dealt with sensibly and courageously.

Action in these areas will produce a stronger industry that will benefit all—labor, management, shippers and consumers.

(2) Rail Passenger Service.—Some of the reasons for supporting vital freight service also apply to railroad passenger service. However, major differences exist between the benefits they generate. For example, rail passenger service does not play the same vital role as does rail freight in the Nation's economy and defense. Nevertheless, in certain markets, rail passenger service has the potential to substantially support national priorities of energy conservation, environmental protection, safety and alleviation of congestion. Clearly, national policy must distinguish between intercity rail freight and passenger service.

Five years of operational experience indicate that without increasing amounts of Federal subsidy, Amtrak will be unable to attract any significant share of the intercity passenger market. The question of whether national priorities warrant the continuation of a high level of Federal financial support for Amtrak remains a serious issue. To resolve it, the Department intends to make a major reassessment of Amtrak's role in the Nation's transportation system.

b. Programs and Implementation Progress

A major opportunity to improve America's transportation and build a stronger economy is provided by the Railroad Revitalization and Regulatory Reform Act (Railroad Act), which the President signed into law on February 5, 1976.

Few other transportation bills passed in this century have more important implications for American transportation than this law. The Railroad Act:

- Formalizes the reorganization of six bankrupt railroads in the Northeast and Midwest into a new carrier called the Consolidated Railroad Corporation (ConRail);
- Institute a number of reforms in the regulation of railroads by the Interstate Commerce Commission (ICC);
- Provides Federal financial assistance nationwide for the rehabilitation and improvement of rail facilities and equipment;
- Provides transitional Federal financial assistance for the development of self-supporting transportation alternatives to unprofitable light density rail line services;
- Launches a program to improve intercity rail passenger service in the densely populated Northeast Corridor from Washington, D.C., to Boston, Mass., and
- Provides for extensive research and numerous studies to be prepared by the Department in such areas as railroad mergers, consolidations and abandonments; regulations and guidelines for financial assistance, loan guarantees, nationwide and regional branch line subsidies, and development of multimodal transportation programs.

A number of the actions the industry must take on the path toward revitalization is made possible by the combined effects of the new rail regulatory policies, expedited merger procedures and the Federal loan guarantees and other assistance that the Act will provide. One of the beneficial aspects of this process of rail freight modernization and improvements to the Northeast Corridor passenger system will be the creation of highly productive new jobs. We anticipate more than 34,000 man-years of work on the Northeast Corridor improvement project alone over the next five years. These, in turn, will generate or preserve many more thousands of jobs in the private sector.

(1) Rail Freight Service.—On April 1, 1976, the new Federally-assisted ConRail assumed the rail operations of the six bankrupt rail carriers in the Northeast and Midwest. ConRail is operating some 17,000 miles of line, and will spend more than $6 billion over the next ten years to improve track and other facilities. The Final System Plan forecasts that ConRail will achieve profitable operations by 1979 and fully repay the $2.1 billion Federal investment with interest.

The transfer of rail services from the bankrupt carriers to ConRail, and the first several months of ConRail operation of those services, have occurred smoothly from both the service and financial standpoints.

Despite the intense efforts of the Department to bring the two sides together, discussions between labor and management prior to ConRail's assumption of operations failed to result in an agreement for two profitable carriers, the Chessie and the Southern, to acquire over 2,000 miles of track of the bankrupt carriers. As a result, ConRail was forced to acquire the lines, not only depriving the region's rail system of many millions of private dollars that the two railroads had planned to invest in their acquisitions, but also greatly reducing rail competition in the region and making ConRail much larger that originally planned.

The Department, in the meantime, moved quickly to implement the new Railroad Act of 1976. As required by the Act, the Department is:

(a) Filing in rail regulatory reform proceedings before the Interstate Commerce Commission;

(b) Developing and issuing regulations and financing agreements for the Federal financial assistance to be provided to the rail industry;

(c) Implementing the local rail service assistance program for more than 3,000 miles of light density line in the region which was not included in ConRail and which the States have identified in their rail plans as being important to local freight needs, and

(d) Conducting research projects, the results of which will help shape the revitalization needs of the Nation's railroad system, the Federal Government's role in helping to meet those needs and the technology and operational technique development programs to support this role.

(2) Rail Passenger Service.—In accord with the Policy Statement, the Department also is closely scrutinizing the level of intercity rail passenger service which the Nation requires for a balanced transportation system, and what level of Federal support is required for such service.

In this regard, the Department supported Amtrak's route and service criteria recently approved by the Congress. Under the new criteria, Amtrak can add or discontinue intercity rail passenger routes and services based upon priority rankings determined by distinct economic, social and environmental considerations. With such criteria, Amtrak can pursue a more deliberate evaluation of the costs and benefits of various intercity rail passenger services.

In the Administration's proposed Amtrak Improvement Act of 1976, the Department recommended a level of Federal financial support for Amtrak which would encourage it to more efficiently concentrate its intercity service.

The Department is also proceeding with the Northeast Corridor Improvement Project established by Title VII of the Railroad Act, which authorized up to $1.75 billion in Federal funding. The project will take five years to complete and should result in major improvements in service reliability and passenger comfort in the heavily-populated, heavily-traveled Washington-to-Boston corridor. The Federal Railroad Administration (FRA) is developing the design, engineering and construction management requirements which will be necessary for timely completion of the project with a minimum of interference to ongoing Amtrak corridor operations.

2. Encourage Energy Conservation

a. Policy

Energy conservation is a national imperative; it has become a major factor in transportation decision making. Therefore, our policy is to work toward:

- Continued promotion of improved fuel efficiency through technological improvements; more efficient, intelligent and socially responsible use of the automobile and public transport; more rational route structures and the removal of unreasonable regulatory constraints on service; voluntary joint programs with industry to conserve fuel and promote efficiency, and amendments to safety and environmental requirements that do not compromise their primary purpose but which provide a more energy-efficient alternative;
- Encouragement of railroads and inland waterway carriers as energy-efficient alternatives for the movement of bulk freight over long distances;
- Support of energy conservation programs for trucks and intercity passenger travel;
- Priority funding of proposals for subsidy, new facilities or research, development and demonstration programs (RD&D) that demonstrate comparative energy efficiency;
- In most instances, full assimilation by the private sector of the increased cost of energy, with the marketplace as the ultimate allocator of energy resources, and
- Development of short range policies to help some of the transportation modes adjust to sudden, sharp increases in fuel cost as they occur.

b. Programs and Implementation Progress

We are continuing to emphasize such important energy conservation programs as:

- The 55-mph speed limit, enforcement of which is now a condition of Federal-aid highway project approval;
- The automobile fuel economy improvement program;
- Carpooling promotional and information programs;
- Improved urban transportation management plans, and
- The effort by the Federal Aviation Administration (FAA) to improve aviation energy efficiency through a seven-point action program and recently developed follow-on options available to the FAA and industry for increasing aviation fuel efficiency. The latter effort was described in detail in a report to the Congress on April 20, 1976.

Also key to the Department's policy implementation program is the Energy Policy and Conservation Act which the President signed into law on December 22, 1975.

The Act provides a foundation upon which we can meet a substantial portion of President Ford's midterm goals for energy independence that he set forth in his first State-of-the-Union Address. It also sets fuel economy standards for automobile production for model years 1978–80 and 1985, leaving to the Secretary of Transportation the determination of standards for the intermediate years.

The fuel economy program demands a thorough understanding of automotive technology, the manufacturing process and the dynamics of the marketplace. If decisions lead to new types of improved cars which the public does not buy, we risk widespread economic dislocations and unemployment. If decisions are correct, the American public will have a choice of improved automobiles that meet varied family, business and recreational needs.

The Federal Government's challenge is to work with industry to develop automobiles that respond in a balanced way to society's need for safety, energy conservation, environmental protection and reasonable cost to consumers. Here, there are no simple solutions. The single-minded pursuit of any single goal could play havoc with the others.

For this reason, it is imperative that Congressional action on the Clean Air Act is compatible with the Energy Act and related efforts to make progress in the areas of fuel economy and safety. By the same token, it is incumbent on the Executive Branch to make certain that its numerous policies and regulations affecting the automobile are mutually compatible and are in fact needed to achieve our desired goals.

The U.S. automotive industry has made significant progress toward achieving the voluntary

goal of 40 percent improvement in fuel economy by 1980, which the President set in September 1974. And it is doing so while continuing to build safer and cleaner automobiles. At the same time, studies conducted for the Interagency Task Force on Motor Vehicle Goals Beyond 1980 indicate that large savings in automobile fuel usage are potentially feasible for the 1980s, while simultaneously reducing highway accidents and fatalities and air pollution due to cars.

Building a better car is only a partial solution to the need for greater safety and energy conservation. Making more intelligent, socially responsible use of the automobile is also essential. For this reason, such measures as the national 55-mph speed limit law and transportation improvement plans and programs at the local level are also important, including the vigorous promotion of carpooling programs.

3. Implement Regulatory Reform in Transportation

a. Policy

In our current reexamination of economic regulatory policy, we are taking a much harder look at the way present regulation protects markets and the effects of this protection on cost-based prices, optimum productivity and energy efficiency. We are working to achieve specific reforms in the regulatory system by advocacy before the three Federal transportation regulatory agencies and through proposed legislation. At the same time, we are implementing the Secretary's program to improve the Department's regulatory processes.

Among our priorities for economic regulatory reform, we have proposed statutory amendments to:

- Make healthy competition a primary objective of regulatory action;
- Allow greater price flexibility and more price-service quality options, letting competition establish rates in the marketplace;
- Prohibit anticompetitive practices and limit the right of carriers to set rates by collective agreement through rate bureaus which are immunized from antitrust law;
- Liberalize somewhat restrictions on carriers entering markets with new services and require prompt regulatory consideration of their applications;
- Permit carriers greater freedom to abandon unprofitable operations;
- Abolish archaic constraints on service that waste fuel and encourage inefficiency;
- Encourage intermodal competition, and
- Encourage intermodal joint use of facilities, including appropriate tests and demonstrations.

b. Programs and Implementation Progress

(1) Rail Freight.—The recently enacted Railroad Act facilitates the Department's regulatory reform policy objectives. The regulatory changes contained in it will contribute importantly to a revitalized rail industry that better serves shippers and benefits consumers across the country.

Key features of the Act, and the Department's actions on them are described below:

(a) *Market Dominance.*—The Department has filed comments on a proposal by the ICC to establish standards to measure market dominance. The Department proposed a set of standards that would more closely relate to the pricing flexibility intended by Congress in the Act.

(b) *Distinct Service Pricing/Seasonal/Regional Rates.*—Studies by the Department are underway to identify criteria and issues related to these subjects. The Department will submit comments on these issues when they are formally considered by the ICC.

(c) *Uniform System of Accounts.*—Informal comments have been sent by the Department to the ICC regarding the agency's proposal to revise railroad accounting procedures. Rulemaking procedures related to the definition of variable cost, avoidable cost for branch lines and branch line accounting have not been formally established by the ICC, but are intertwined with issues involved in revising the railroad accounting system.

(d) *Adequate Revenue Levels.*—The issues related to this subject will be considered in an ongoing ICC investigation, Ex Parte 271,

Rate Base and Rate of Return, in which the Department is a party.

(e) *Rate Bureau Agreements.*—The Department intends to comment on the revised rate bureau agreements which have been submitted for the ICC's approval under Section 208 of the legislation.

(f) *Demurrage Charges.*—The issues raised with regard to demurrage charges will be considered in Ex Parte 289, *Remittance of Demurrage Charges by Common Carriers of Property for Rail.* The Department is a party to this case.

(g) *Joint Rate Divisions and an Investigation of Recyclable Rates.*—The Department is monitoring these matters.

(2) Aviation.—In aviation, we have proposed amending the Federal Aviation Act of 1958 to make increased reliance on competitive market forces a primary objective of certification by the Civil Aeronautics Board (CAB). We have recommended legislation to increase competition while preserving the important national and consumer interests that our airlines serve.

The proposed legislation, the Aviation Act of 1975, recognizes the need to move carefully during the transition to a more competitive system. We want to ensure that all airlines have an equal opportunity to adjust to the requirements of the marketplace, that they are not penalized because of financial turbulence during transition, and that the objective of increased efficiency is in fact being achieved.

Specifically, the proposed legislation provides for increasing pricing flexibility, some liberalization of entry and exit policy over a transitional period, prevention of anticompetitive practices and expedited administrative processes. We have proposed permitting air carriers to lower prices without regulatory interference to the direct cost level, permitting some upward price flexibility subject to supervision by the CAB. The entry features of the Aviation Act would free carriers from cumbersome certificate restrictions, permit some sensible expansion by existing firms into new markets and encourage some new entrants. The Department also has proposed an amendment to the Act to provide for improved service to small communities at reduced cost to the taxpayer.

Hearings on the proposed Act have been held in the House and Senate.

(3) Motor Carriers.—On November 13, 1975, the Department transmitted to the Congress the Motor Carrier Reform Act (MCRA), which proposed important and far-reaching changes in ICC regulation of the interstate trucking and bus industries. The MCRA has been introduced in both the House and Senate.

The provisions of the proposed Act were formulated to bring about increased competition and efficiency, lower costs, greater innovation and more equitable marketplace conditions in the provision of motor carrier services to the consuming public.

Hearings on the proposed MCRA are expected to be held soon.

Among the major provisions of the MCRA are the following:

(a) *Elimination of Motor Carrier Rate Bureaus' Antitrust Immunity.*—After three years, the MCRA would prohibit carrier associations from discussing, agreeing or voting on all rates except joint or interline rates. Rate bureaus, however, would be allowed to continue to provide members with useful administrative services, such as tariff publication and data collection activities.

(b) *Relaxation of Arbitrary and Wasteful Entry and Service Restrictions.*—Existing ICC regulatory practices have unduly fostered inefficient use of truck capacity and constrained service options to shippers. The MCRA provides for significantly eased entry for new firms who can show that they are fit, willing, and able to provide service and who propose to charge rates that are non-discriminatory and at least equal to their costs.

The ICC would continue to exercise some oversight over entry under the MCRA. At the same time, however, the proposed reforms would permit greater reliance on marketplace forces for directing traffic to well-managed, efficient firms.

(c) *Increase in Price Competition and Consumer Choice for Motor Carrier Service.*—The MCRA provides for a gradual introduction of increased pricing flexibility for regulated motor carriers. Carriers would be permitted to adjust rates upward or downward within speci-

fied percentage ranges without fear of ICC suspension of the rates, provided the rates were compensatory and non-discriminatory.

The present regulatory scheme for motor carriers forces them to compete primarily in terms of service competition, since price competition is severely restricted by adherence to a regulated rate structure for all carriers of less-than-truckload general freight shipments. Consumers are forced to pay for a level of service which they might not choose if they were offered a variety of price/service options. The MCRA's pricing flexibility provisions would bring about marketplace pressures on carriers to hold costs down and offer a greater range of price/service choices to the shipping public.

(4) Departmental Regulatory Reform.—In addition, in keeping with the President's economic regulatory reform objectives, the Department initiated, effective May 1, 1976, new policies aimed at reforming its internal regulatory procedures. The new policies are designed to avoid the imposition of unnecessary costs on industry, consumers and all government agencies.

The policies require the Department's managers to calculate and consider costs and benefits to the public and government, as well as other impacts, before proposing new regulations. A summary of each analysis is to be published in the Federal Register when the regulation is proposed.

In addition, the Department's officers are required to notify the Secretary of the need for, and the substance and anticipated consequence of, costly and controversial regulations at least 30 days before they are proposed.

And, finally, each element of the Department is required to establish a systematic means of reviewing existing regulations to assure they remain effective and justifiable.

As these regulatory reform programs move forward, we are also pursuing the principles contained in the Policy Statement in our interventions in proceedings before the three Federal independent transportation regulatory agencies—the ICC, CAB and Federal Maritime Commission (FMC).

4. Improve Federal Capital Grant Processes

a. Policy

Numerous categorical grant programs have been established over time to respond to particular transportation needs and concerns. These programs have separate requirements and limited objectives, and potential recipients are required to fulfill extensive requirements but are allowed only limited flexibility in the use of Federal transportation funds. A high priority of the Ford Administration is to increase the flexibility of State and local governments to respond to critical needs and to have the ability to use Federal resources for the most important projects, especially those which focus on interstate commerce and defense needs.

Departmental policy and recommendations, therefore, are directed toward:

- Consolidating and simplifying existing grant programs;
- Increasing flexibility in the use of Federal transportation funds;
- Ensuring effective use of limited Federal resources to meet high priority national needs, and
- Providing incentives to encourage efficiency in the use of existing services and facilities.

b. Programs and Implementation Progress

Both the airport and highway legislation proposed by the Administration sought increased flexibility in the use of funds, greater State and local involvement, consolidation of existing categorical grant programs and restructuring of the financing of these programs. Although the Federal-Aid Highway Act of 1976 provided for some program consolidation and increased flexibility in the use of funds, it basically continues existing programs for two more years.

In working to improve Federal capital grant processes, Secretary Coleman formed a Departmental task force to address the issues involved in the development of a unified transportation program. The task force is considering alternative methods of program consolidation and whether these should be implemented on an incremental basis.

5. Improve Urban and Suburban Transportation

a. Policy

Departmental policy in the area of improving urban and suburban transportation is directed toward:

- Improving planning, coordination and implementation of both highways and transit within urbanized areas;
- Encouraging and improving efficiency in the use of existing facilities and services;
- Seeking the most cost-effective alternatives for major transportation investments, and
- Reducing costs in the construction of new transit systems or the expansion of present systems through the utilization of improved construction technologies and contractual procedures.

b. Programs and Implementation Progress

(1) Planning.—In September 1975, the Federal Highway Administration (FHWA) and the Urban Mass Transportation Administration (UMTA) jointly issued regulations directed toward improving urban planning and decision making. The policy set forth in these regulations constitutes a major step in unifying highway and public transportation planning and programming in urban and suburban areas.

The regulations—which were developed under the provisions of the Federal-Aid Highway Act of 1973—require State Governors to designate a metropolitan planning organization (MPO) for each urbanized area as the forum for cooperative decision making by principal elected officials of general purpose local government. In accordance with section 112 of the 1973 Act, the MPOs, in cooperation with the States and publicly owned operators of mass transportation services, are responsible for carrying out the urban transportation planning process which includes developing plans for highway and mass transit improvements and programming of projects. Thus, highway and transit planning for urbanized areas is more fully integrated and the planning body is given significantly more authority to program projects.

In response to the urban system study requirement in the Federal-Aid Highway Act of 1976, the Department is analyzing the various types of organizations which carry out the planning process. We are looking at the degree of representation of various governmental units, organizational structure, authority provided by State and local laws and other issues that affect planning at the State and local levels. Representatives of major national organizations representing State and local officials and transportation interests were invited to participate in a liaison capacity to the study.

(2) Efficient Use of Existing Facilities.—The Department has been actively engaged in the development of Federal policies that encourage implementation of low-capital measures to improve the efficiency of existing facilities and services. For example, the urban transportation planning and programming regulations of FHWA and UMTA, became effective in October 1975; they require urbanized areas to develop a transportation plan which includes a transportation systems management (TSM) element. UMTA also developed separate, additional criteria conditioning mass transit grant approval on the implementation of TSM programs.

TSMs are directed toward providing for short-range transportation needs. They involve making efficient use of the existing transportation system through such measures as traffic operations improvements, preferential treatment for transit and other high-occupancy vehicles, appropriate provisions for pedestrians and bicycles, management and control of parking, and changes in transit fare structures and automobile tolls to reduce peak-period travel. A number of these techniques are being demonstrated and refined in UMTA's service and methods demonstration program.

After March 30, 1977, UMTA mass transit grant approval will be conditioned on demonstration of reasonable progress in implementing previously programmed TSM projects.

In addition to the TSM requirement, UMTA and FHWA plan to undertake a number of selected demonstrations of particular systems management approaches. In April 1976, five candidate cities were selected to participate in the design of auto restricted zone demonstrations in downtown areas. It is anticipated that two or more of the five cities will be selected for Federal demonstration funding to help imple-

ment their plans. The candidate cities are Boston, Massachusetts; Burlington, Vermont; Memphis, Tennessee; Providence, Rhode Island, and Tucson, Arizona.

The Department also is discussing the possibility of various congestion pricing approaches with a number of cities.

(3) Urban Mass Transportation Investment Policy.—Rapidly increasing demands on the Federal mass transit assistance program—particularly for large-scale rehabilitation of existing systems, major extensions and construction of new facilities—necessitated the development of a policy to assure that limited capital funds are used as productively as possible. The UMTA policy, published in the Federal Register on August 1, 1975, requires careful evaluation of alternative courses of action and indicates that Federal assistance will be confined to cost-effective alternatives. The policy also establishes the principle that major mass transportation investment projects must be implemented in stages, with initial segments of fixed guideway systems constructed in corridors where projected travel demand within a 15-year time frame justifies the need for high capacity transit service.

Administrative procedures and criteria have been developed by UMTA to aid in the selection of fixed guideway projects for Federal financial assistance. These procedures and criteria are now being refined based upon comments expressed at a conference in April 1976, which was co-sponsored by UMTA and the Transportation Research Board. The final policy statement is expected to be published in the near future.

UMTA also is in the process of developing proposed guidelines and technical information related to mass transit investment criteria.

(4) Construction Projects.—In conjunction with the development of urban/suburban transportation systems, the Department is considering procedures to assure that major construction projects are not interrupted or delayed by labor disputes once work was begun. Such procedures have not been necessarily in the case of Federally funded highway construction, both because such projects are typically short term (average duration of 14.5 months) and because the number of unions involved is relatively small, where highway contractors are organized.

In the case of longer-range mass transportation construction projects, the Department recognizes that the interests of all parties—the Federal Government which is supplying the funds, the local government agency which is sponsoring the project, the construction unions representing the workers to be involved, and the general and special contractors who will do the actual construction—must be consulted in advance of the project being undertaken. Procedures for developing the consultations and the negotiation of arrangements for the uninterrupted performance of the contracts are also being explored by the Department.

The major cost of any new system is associated with the construction of the fixed facility (80–90 percent). Therefore, the Department has an active program in transportation construction R&D of which the underground construction program (tunneling) is the major part at present. This work has shown that capital costs can be reduced by at least 30 to 40 percent by use of improved construction technologies, many of which are in use in other countries. Additional significant savings can be realized by changes in contractual procedures.

The Department is actively pursuing the implementation of these new procedures through workshops and by working directly with the industry and local authorities. Specific areas of interest include the possibility of incorporating precast concrete tunnel liners, use of slurry wall technology for cut and cover construction and changes in the contractual procedures.

Other significant technologies being pursued include less expensive station designs, the use of reinforced earth and improved site investigation techniques.

6. Improve Rural Transportation

a. Policy

The transportation needs of our citizens in rural and small urban areas have not had the same political attention that has been given to urbanized areas, perhaps in part because some of the Federal concerns, such as air pollution and congestion, are not as prevalent in rural areas. Consequently, less has been done at the Federal level to formulate a coordinated rural transportation policy to meet today's needs. This must and will be remedied.

The transportation related activities of the Federal Government substantially affect the economic well being of rural communities. A rural transportation policy should help meet the problems of rural poverty by facilitating access to employment, education and better medical services, and insure accessible interstate transportation for our citizens. Such a policy also should be coordinated with other Federal activities affecting rural communities as part of a broader national rural policy.

b. Programs and Implementation Progress

We have in place or under development several elements of a rural and small urban area transportation policy, including the following:

(1) A non-urbanized area mass transportation capital grants program, for which up to $500 million is authorized through fiscal year 1980.

(2) The Administration proposed in its highway bill a rural transportation assistance program which would have consolidated several Federal-aid highway categorical grant programs and given State and local government increased program flexibility to use funds for (a) highway construction on or off the Federal systems; (b) highway public transportation investments; and (c) safety improvements. Decision on a future program for operating and acquisition assistance will be made on the completion and evaluation of the current demonstration project.

Although the program consolidation was not accepted by the Congress, the Federal-Aid Highway Act of 1976 extends for another two years the availability of funds for demonstration projects for public mass transportation on highways in rural areas and small urban areas. The Department is however, continuing to investigate transportation problems in rural areas, particularly with regard to the movement of bulk freight. We will continue to work toward increasing program flexibility so that rural areas can use Federal aid for the purposes they consider most important.

(3) A program of partial Federal financial assistance for rural branch rail lines was extended to five years by the 1976 Railroad Act. The legislation also authorized increased funding levels, made capital acquisition and improvements eligible along with operating assistance, provided flexibility to use assistance for non-rail alternatives and extended coverage to branch lines throughout the Nation. The Department is presently developing program regulations and procedures. As the purpose of this assistance is to provide for conversion and adjustment to subsidy-free transportation, program implementation will be directed largely toward assisting the States in planning and developing more efficient forms of rural freight transportation.

(4) Research on and development and demonstration of more efficient public transit in rural areas are elements of the Department's rural highway public transportation demonstration program authorized by Section 147 of the Federal-Aid Highway Act of 1973, which was extended by the 1976 Highway Act. The program is now operational. The first phase of the program resulted in over 300 applications for Federal funds; 45 applicants were selected in 31 States to receive almost $10 million. The second phase will occur during 1976 for a total of approximately $15 million.

UMTA has also sponsored seminars in six cities on how to provide transit service to small communities. In addition, the Department has developed a state-of-the-art report on experience in providing rural transit services; it was disseminated during the summer of 1976.

The Department also is working with the States to develop statewide emergency medical evacuation systems largely in rural areas and has developed specific demonstration projects and cooperative arrangements with local military units. To date, more than $85 million has been provided to the States to improve emergency medical evacuation.

(5) A national policy on rural airports and air service to small cities and remote regions was advanced by the Department's announcement on March 29, 1976, of an amendment to the Administration's proposed Aviation Act of 1975. The amendment would establish a program to halt the continuing decline of air service to small towns by encouraging low cost commuter airlines to fill the gaps left by withdrawal of airlines regulated by the Civil Aeronautics Board.

Under the proposed Aviation Act amendment, any community receiving service from a certificated carrier which feels it is in danger of losing

essential service may request the CAB to enter into a subsidy agreement with any fit, willing and able carrier, certificated or non-certificated, to provide continuation of the service. Agreements may be made for up to three-year periods and may be renewed up to 1985. Service under such agreements may be discontinued prior to 1985, as stated in the amendment "only in exceptional circumstances if continued operation is not practical or the need for the service has declined to the point where continued operation is not in the public interest."

7. Correct Federal Subsidy Inequities

a. Policy

A key theme of the Statement of National Transportation Policy deals with achieving Federal financing equity among the modes of transportation. The Policy Statement advances several policy considerations designed to foster more even-handedness in this regard, as set forth below:

(1) Federal subsidies are necessary in certain instances to serve important national purposes. These include conservation of energy, protection of the environment, preserving the urban centers, relieving congestion in certain high-density corridors, promoting rational land use in metropolitan areas, preventing ultimate nationalization of a vital service and maintaining access to remote areas;

(2) Even when it has been determined that Federal subsidies are really necessary, they should be periodically re-examined;

(3) Wherever possible the costs of Federal support should be recovered by user charges;

(4) The effect of subsidies on competing modes should be considered; where there is an adverse effect, the preference should be to reduce or eliminate the subsidy or adjust the user charges so that all users pay their full share;

(5) There should be a preference for capital rather than operating subsidies. However, care must be taken that capital subsidies do not induce excessive investment; where State and local governments are involved in the decision making and operation, they should bear a share of the total cost sufficient to ensure commitment to efficient management, and

(6) Where the political process determines that a subsidy is essential to the national interest because a particular form of transportation serves these interests more effectively, we should be prepared to take the next step in order to get the full benefit of the subsidy. This involves compatible adjustments in the Federal support of competing modes. We should not be inconsistent by continuing to subsidize a mode competing with an unsubsidized mode, thereby diverting traffic away from the preferred mode and decreasing its chances for economic self-sufficiency.

b. Programs and Implementation Progress

(1) Ports and Waterways.—Federal financial investment in waterways facilities—which are provided almost completely on a subsidy basis without charge to their users—has been a subject of long-standing national concern. At issue is whether Federal funds for waterway improvements should be recovered from those who benefit from them. If such recovery is proper and equitable, a second issue to resolve concerns the level and form of fees to be paid by waterway users.

A related issue involves the recovery of past investment. The Department has not pressed for recovery of prior capital and operating costs; the problems of measuring such costs under inflation, adoption of an appropriate interest rate or second-guessing national policy decisions going back to the nineteenth century would add too much complexity to the enactment and administration of such legislation. Although accepting these costs as such, the Department does support the recovery of current operating and capital costs through legislated user charges.

Cost sharing by users for waterway improvements provided by Federal funds is a central element of the Section 80 Study conducted by the Water Resources Council. In addition, the President's budget message for fiscal year 1977 called for the recovery of $80 million from inland waterway users.

An impact study has been initiated by the Department in cooperation with other Federal agencies. The first phase of the study will analyze traffic and diversion based on existing data and demand sensitivity studies. The second phase will be a longer term effort aimed at assess-

ing carrier, shipper and regional impacts that will include a more extensive development of data and methodology.

(2) Airports and Airways.—Two separate legislative proposals were submitted by the Administration to the Congress in 1975 on aviation development and financing.

One of the proposals was to continue the 1970 Airport and Airway Development Act (ADAP), with modifications. The final ADAP legislation incorporates a major change in user charge policy advocated by the Administration. It permits aviation trust fund monies to finance a sizable amount of FAA maintenance costs.

The other proposal recommended modifications in the user tax structure established by the Airport and Airway Revenue Act of 1970. The proposed changes, which are pending before the Congress, would slightly reduce the airline user share of aviation system costs and increase the share paid by the general aviation sector.

(3) Highways.—The extent to which motor carriers and others bear their share of the cost of construction and maintenance of the highways they use has not been fully established. Therefore, the Department has launched a research program to determine whether various highway users are paying an equitable level of fees.

(4) Amtrak.—While the Department has supported Federal funding of Amtrak rail passenger services, there is particular concern about continuing and increasing operating deficits in providing such services.

The Department has recommended to the Congress a Federal subsidy level for Amtrak to more accurately reflect national priorities and provide an incentive for Amtrak to concentrate its effort in markets where demand is relatively greater. It has strongly recommended that Amtrak undertake a careful review of its services, (1) to take advantage of management prerogatives strengthened by the adoption of route and service criteria, and (2) to determine routes on which rail passenger service cannot be justified as being in the public interest and therefore not eligible for Federal subsidy.

8. Promote Greater Involvement of Women, Minorities, Elderly and Handicapped

a. Policy

In transportation, as in other areas of our society, there has been in the past a neglect of our obligation toward women, minority racial and ethnic groups, the poor and the disadvantaged. We must, therefore, take aggressive and conscious action to achieve equal employment and capital opportunities for these citizens; fight discrimination, and insure to the extent practical and economically feasible that the transportation system is accessible to all citizens including the poor, the elderly and the handicapped. Our policy is to focus on these matters, with particular emphasis on three areas:

- Employment and capital opportunities both in the public and private transportation sectors;
- The service rendered by transportation sectors, and
- Planning and decision making.

b. Programs and Implementation Progress

(1) Access to Transportation.—A variety of actions have been taken to alleviate barriers to travel by the Nation's handicapped and elderly, including the following:

(a) Supporting research aimed at identifying special problems which handicapped and elderly persons experience in using public transportation;

(b) Supporting research aimed at designing, building, modifying and evaluating vehicles and facilities to make them accessible to and usable by persons with limited mobility;

(c) Supporting demonstrations incorporating different approaches to marketing transportation services to better meet the needs of special groups such as the handicapped, elderly, poor and other transportation deprived populations, and

(d) Providing grants to assist in purchasing vehicles and equipment that have been built and/or modified to accommodate persons with limited mobility.

In addition, two rulemaking activities were initiated to improve transportation for the handicapped and elderly. The first involves a Federal Aviation Administration notice of proposed rule-

making aimed at establishing uniform criteria for the transportation of handicapped persons in civil air carriers. FAA expects to issue rules by November 1976 governing the air transportation of the handicapped concurrently with an advisory circular that provides guidelines to the air carriers and their employees concerning the handling and seating of various categories of handicapped persons.

The second deals with FHWA and UMTA regulations published on April 30, 1976, which include advisory information on urban transportation planning for handicapped and elderly persons and additional criteria for UMTA grant approvals. The regulations became effective on May 31, 1976.

(2) Employment.—The Department is equally committed to improving the climate for employment opportunities for women, minorities, the handicapped and economically disadvantaged persons. This attitude is expressed in the Department's extensive internal and external equal employment opportunity programs and in its recruitment procedures.

(a) Internally, the Department has developed an action plan to facilitate the employment and utilization of women and minorities in jobs across the entire grade spectrum, including policy-making positions. The program, which has been approved by the Civil Service Commission, addresses the employment concerns of minorities, women and the disadvantaged; it focuses on such areas as retention rates, training, recruiting and upward mobility. A key program goal is to improve the Deparment's minority and female employment in fiscal year 1976. Another element of the program is directed toward the recruitment of minority and handicapped persons. The Department is currently working with 94 colleges and universities in these recruiting efforts and coordinators have been assigned throughout the agency to facilitate the employment of disabled veterans and handicapped persons. In addition, a program has been launched to ease or facilitate the physical movements of such persons throughout the Department.

(b) Externally, the Department's contract compliance program is designed to assure that affirmative action is taken by contractors and subcontractors to eliminate discrimination in employment because of race, color, religion, sex or national origin. The program emanates from Executive Orders 11246 and 11375. The Department is responsible for monitoring approximately 45,000 employer facilities.

(3) Minority Business Enterprise.—The Department has also instituted a program to assure that minority business enterprises are permitted to share in the free enterprise system. This program has internal and external aspects.

(a) Internally, there are programs for the award of contracts through the procedures of section 8(a) of the Small Business Act and through the identification of minority firms and solicitation of bids and proposals from them competitively. Contracts are being awarded for concession activities on Federal installations and available funds are deposited in minority banks.

(b) Externally, requirements are imposed upon grantee agencies and their contractors to institute affirmative action programs to seek out and offer opportunities to minority firms. Grantees are also encouraged to deposit funds in minority banks.

In addition, under the 1976 Railroad Act, the Department established a Minority Resource Center to act as an information clearinghouse and provide assistance to minority firms to assure them a share in the business opportunities created by the revitalization of the railroads.

Both internal and external programs are receiving top-level attention throughout the Department. In addition to orders issued within existing management systems, frequent communications have been exchanged between the Secretary and senior executives reflecting a positive approach in resolving special problem areas and developing actions to meet goals and overcome deficiencies.

(4) Decision Making.—A central goal of the Department's human resources program is to enhance the opportunity for minorities and women to have a role in affecting the decision making process. This need is being met by increased focus in the Department on creating a better employment atmosphere and by increased employment and upward mobility efforts.

The opportunity for participation by minorities and women in the decision making process is also being increased by assuring that they have opportunities to participate in programs intended to develop managers and executives.

9. Improving Viability of Domestic/International Air Carriers

a. Policy

Consistent with general transportation policy principles, the Administration is formulating an aviation policy that will serve as a basis for coordination among Executive Branch agencies, for advocacy before the Civil Aeronautics Board and in the submission of Administration legislative proposals to the Congress. Our aviation policy initiatives include both domestic and international issues.

(1) Domestic Air Policy Priorities

- Maintain aviation's excellent safety record, enhance existing safety regulations, drop unnecessary regulations and continue to upgrade the air traffic control system to reflect the needs of different users;
- Reform the air regulatory structure through increased pricing flexibility, some liberalization of entry and exit policy over a transitional period, prevention of anticompetitive practices, and acceleration of administrative processes;
- Strengthen the financial viability of well-managed carriers by supporting healthy competition between efficient carriers, permitting them to earn a reasonable rate of return on capital;
- Modernize Federal financing policies to determine when subsidies are appropriate for maintaining essential services that are unprofitable, but in the national interest;
- Improve the equity of the airports and airways user charge system;
- Improve airport planning consistent with regional land use planning, projected capacity requirements nationwide, fairness among State and metropolitan areas and environmental protection (such as noise abatement);
- Define the government's responsibility for promoting financially viable and competitive air carrier, airframe and engine manufacturing industries;
- Take measures to foster more efficient use of fuel, consistent with the national objectives of fuel conservation and market allocation of energy resources, and
- Recognize and support the development of general aviation, consistent with the need for it to pay its own way to the extent appropriate.

(2) International Air Policy Priorities

- Seek a more rational international route structure that maximizes fuel efficiency and minimizes adverse environmental impacts, develop improved domestic-international route system integration, and establish the relative roles of scheduled and charter service;
- Promote a stronger U.S. flag carrier system through an affirmative action program to represent U.S. foreign and commercial policy interests before international bodies and to protest vigorously against anticompetitive and discriminatory practices by subsidized foreign carriers;
- Seek fare structures that permit efficient, unsubsidized U.S. air carriers to earn a reasonable return on investment in order to attract capital from the private sector and to provide job opportunity, and
- Facilitate efforts by the U.S. airframe and engine manufacturing industry to maintain its leading role in international aviation.

b. Programs and Implementation Progress

(1) Domestic Air Transportation

(a) We are moving forward on a program to strengthen the ability of domestic air carriers to provide service to the public by promoting a more financially healthy, competitive air carrier industry. The principal initiative is in the Administration's comprehensive air transportation regulatory reform legislation, the proposed Aviation Act of 1975. The main thrust of the proposal is to increase pricing flexibility for domestic air carriers, with some liberalization of entry and exit over a transitional period to allow market forces to regulate air carrier prices.

(b) An amendment to the Aviation Act to allow for more efficient subsidy of small community air service was submitted to the Congress in March 1976.

The Department testified recently before the Senate Aviation Subcommittee and the House Aviation Subcommittee on the need for regulatory reform to strengthen the airline industry's ability to achieve productivity improvement and

to allow adequate air carrier profitability. Passage of this legislation remains an important air transportation policy objective, and significant progress has been made in demonstrating the need for air transportation regulatory reform.

(2) International Air Transportation.—International transportation is based upon international law and treaties. Since many countries have economic and governmental philosophies different from those of the U.S., the policies by which we conduct our international transportation may vary from those we employ in domestic transportation. International transportation calls for both political and economic accommodation. Nowhere is such accommodation more required than in aviation, the most widely regulated and most highly visible international transport mode.

Currently, a broad range of issues and policy decisions confront the United States in the field of international air transportation. Accordingly, we are acting on several programs to improve the operating climate for our international carriers as follows:

(a) Recognizing that international aviation is a rapidly changing industry, an interagency committee is currently reviewing international aviation policy to update the government's 1970 Statement of Policy. The review is nearing completion.

(b) Continued attention is being devoted toward implementing the Administration's seven-point Federal Action Plan to Improve the Profitability of U.S. Flag International Air Carriers. The Administration's commitment to the plan was reaffirmed by the Secretary on October 3, 1975, who noted progress in the areas of route restructuring, suspension of uneconomic services, capacity reduction, more compensatory rates for mail carriage, and promotion of travel by U.S. citizens on U.S. flag air carriers.

(c) Review is underway of the North Atlantic fare structure to determine how U.S. carriers can be assisted in developing a cost-related fare structure.

(d) The Department is coordinating with the Department of State and the Civil Aeronautics Board on developing a U.S. position on a new air services agreement with the United Kingdom. The U.K. served termination notice of the old agreement effective in June 1977.

10. Insure Adequacy of Energy Transportation Infrastructure

a. Policy

Major shifts are expected to occur in the future in both the sources of fuels consumed in the United States and in transportation services required to deliver those fuels. Domestic petroleum and gas sources will be opening in Alaska and the Outer Continental Shelf. Transportation from these new and more distant sources, by ship or by pipelines, involves new routes and new problems.

Possible development of oil shale and much western coal in areas not previously exploited for energy will likely create new rail, waterway, slurry pipeline or truck transportation needs. Major investments will be required to develop adequate capacities to transport the coal in increased quantities and/or over expected new routes. Transportation costs will comprise a substantial part of the delivered cost of fuels from such sources.

A critical task for the effective allocation of national resources and of insuring the adequacy of fuel supplies to all economic sectors is the timely and efficient expansion of the required transportation facilities. Departmental policies concerning the transportation of energy materials have the following objectives:

(1) Insure the adequacy and efficiency of the transportation network to handle increased flows of energy materials and changes in the types and locations of energy materials utilized;

(2) Insure the safe transport, storage and utilization of energy materials by water, rail, highway and pipeline, and

(3) Reform and modernize the regulatory systems for surface and water modes.

b. Programs and Implementation Progress

(1) Emphasis is being placed by the Department on:

(a) Identification and development of new policies, plans and programs to improve the transportation of energy resources, and

(b) Implementation of existing policies concerning the operation, safety and environmental impact of the energy transportation system.

(2) Implementation actions include the following:

(a) Assessment of major freight system requirements and potential constraints for projected energy movements by mode through 1980, 1985, and 1990, including recommendations of potential policies to facilitate future flows.

Departmental activities have involved the preparation of Project Independence Blueprint reports on requirements and constraints on the transport of energy materials. In February 1976, a two-volume staff study was published that updates the data on energy materials transportation in 1972 and projections to 1985. The data includes the volume of energy materials from each producing region to each consuming region; estimated flows by transportation mode (e.g., rail, truck, pipeline), and estimated flows by energy material (e.g., coal, oil, natural gas).

Additional studies are underway. For example, rail industry estimates are being developed of the amount of coal that will move by rail in 1980, the additional equipment and facilities required to handle the increased traffic, and the associated lead times involved. A second study is directed toward obtaining current barge industry estimates of the additional facilities and investment required to handle a doubling of coal traffic. A third study has the objective of developing updated forecasts of U.S. pipeline transportation needs to 1990. And a fourth study concerns highway needs to solve energy problems, which was required by Section 153 of the Federal-Aid Highway Act of 1976. The study is to determine the need for "special Federal assistance in the construction or reconstruction of highways on the Federal-aid system necessary for the transportation of coal or other uses in order to promote the solution of the Nation's energy problems."

(b) Research on the relative efficiency of alternative transportation modes and combinations of modes for energy materials distribution.

Since issuance of the Policy Statement, a staff study has been completed which discusses the pipelines versus other modes of coal transportation. The study addresses additional research needed for comprehensive assessments of particular slurry pipeline projects, including measures of their efficiency relative to other modes and their potential impacts on competing carriers. Work statements for contractor efforts in these research areas are currently in preparation.

(c) Extensive interagency coordination and support. The Department is currently involved in three interagency task forces dealing with problems of transportation of energy materials:

(1) *Coal Transportation Task Force.* The group is chaired by the Department and includes representatives of the Federal Energy Administration (FEA), Energy Research and Development Administration (ERDA), the Department of the Interior, and others. It is cooperating with a State task force on coal transport and with the National Governors Conference in exploring the implications for both the transportation industries and affected States of projected increases in coal mining in both established and new fields.

(2) *Northern Tier States Task Force.* This interagency group is studying means of meeting demands for crude oil by the States presently supplied by Canada, when the Canadians discontinue exports of crude oil to these States in 1980.

(3) *Alaskan Crude Oil Task Force.* This group is supporting FEA investigations of the transportation options and problems in utilizing Alaska crude oil in markets other than the West Coast States.

(d) Policies are also being implemented on the operation, safety and environmental impacts of the energy transportation system.

The Department's responsibilities in this category are guided in part by the Deepwater Port Act of 1974, which involves participation with other Federal agencies in licensing, construction and operation of deepwater ports. Oversight responsibility is assigned to the Office of Deepwater Ports in the Office of the Secretary. Operational responsibilities are assigned to the Materials Transportation Bureau (e.g., safe construction, operation and maintenance of pipelines on Federal lands and the Outer Continental Shelf) and the Coast Guard (e.g., policing environmental threats such as oil spills, and conducting oil "fingerprinting" and cleanup activities).

Other statutory authority calls for the Coast Guard to provide the operational, technical, regulatory and enforcement personnel, and facilities and activities necessary to insure safe transportation, storage and utilization of energy products

within the marine and the adjacent shore environment.

In addition, FHWA provides enforcement of safety regulations governing the transportation of hazardous commodities, including crude and refined energy materials, over highways by all motor carriers. The FRA is responsible for general railroad safety including transport of hazardous materials. The Office of Pipeline Safety Operations administers Departmental regulations for the safe transport of hazardous gases and liquids by pipeline in interstate and foreign commerce.

11. Improve Service and Productivity

a. Policy

In its enabling legislation, the Department was given a mandate to facilitate the development and improvement of coordinated transportation service to be provided by private enterprise to the maximum extent feasible; to encourage cooperation of Federal, State, and local governments, carriers, labor, and other interested parties toward the achievement of national transportation objectives; to stimulate technological advances in transportation; to provide general leadership in the identification and solution of transportation problems, and to develop and recommend to the President and the Congress for approval national transportation policies and programs to accomplish these objectives with the full and appropriate consideration of the needs of the public, users, carriers, industry, labor and the national defense.

In order to accomplish these objectives, Departmental policy is directed toward:

(1) Giving increased emphasis to improved service as distinguished from building new facilities;

(2) Encouraging continued development of more effective labor and management practices;

(3) Seeking out and testing improved methods of operation;

(4) Developing more efficient equipment and better techniques for the utilization of manpower and facilities;

(5) Assessing whether the transportation system is sufficiently flexible and adaptable to serve changing national priorities and lifestyles and new economic and community needs;

(6) Providing Federal leadership in stimulating new technology to reduce the substantial costs of future capital investments and operating expenses, to improve the cost effectiveness of current systems and to anticipate long-term transportation needs;

(7) Developing effective dissemination programs for the results of Federal research and development to the private sector and other governmental agencies;

(8) Initiating joint industry-government actions directed at the development of new technologies and procedures, and

(9) Seeking adoption of a procedure under which, before major Federal funds are committed to a project, the local sponsor will negotiate an agreement with the unions involved, thus ensuring that the project will not be interrupted by labor disputes.

b. Programs and Implementation Progress

(1) Emphasis has been placed on the development of transportation system management plans, as part of the transportation planning process in urbanized areas, to improve the efficiency of existing facilities and transit service and to conserve energy. These objectives are being met, in part, by joint FHWA/UMTA planning regulations that are now in effect.

(2) Top Federal priority is being given to the completion of the Interstate Highway System, especially where connective intercity links are concerned. The 1976 Federal-Aid Highway Act stipulates that the Department is to report to Congress before October 1, 1976, on intercity portions which will close essential gaps in the Interstate System. In reporting to Congress, the Department is to consider the connectivity of the Interstate System with other major transportation networks, including port facilities.

The 1976 Act also requires that 30 percent of each State's Interstate apportionment be used for the construction of intercity routes. This clearly moves in the direction recommended by the Administration's proposal, insofar as it would place emphasis on the routes considered important from a Federal perspective and would permit a more rational consideration of options for dealing with the future of the Interstate program.

(3) We are working to maintain a high level of performance on our Nation's major highways and will modernize and rehabilitate the older segments of the Interstate System. For the first time, funds are explicitly authorized in the Federal-Aid Highway Act of 1976 for the rehabilitation of routes on the Interstate System. $175 million is authorized for this purpose in fiscal year 1978 and a like amount in fiscal year 1979. Further, the Department is required to report to the Congress, within one year, its recommendations with respect to a permanent Federal program to maintain the performance levels of the Interstate System.

The performance and physical condition of the highway system in 1975, as compared to 1970, will be measured to determine the effectiveness of past expenditures. The National Highway Inventory and Performance Study is currently being conducted by the States in cooperation with the Federal Highway Administration, and results should be available later this year.

(4) A study to determine the productivity impact of upgraded third generation air traffic control elements is in progress. Various ATC developments are planned or underway for flight service stations and terminal and en route centers to improve the productivity of the staffing.

The key to accomplishing these projected benefits is automation which provides the information processing to augment system capabilities for broader and more efficient service. Labor intensive flight processing procedures will be replaced and congested communications between pilots and controllers will be relieved with automated data transmissions via an improved discrete address beacon system. Completion of the study will provide a basis for decision making about these improvements.

(5) Development of State rail planning methodology is continuing. A report on rail planning procedures was released last year, and State rail plans are now being reviewed. A manual on rail planning methodology is being developed and will be updated and modified as the state-of-the-art advances.

(6) An analysis has been initiated of alternative methods of avoiding work stoppages on federally-funded transportation construction projects.

(7) Improved service and productivity in transportation are cornerstones of the Administration's overall regulatory reform program in the railroad, aviation and motor carrier industries. In addition, the Department's internal regulatory reform process is designed to minimize costs to the industry, consumers and other governmental entities.

(8) A summary of the Department's technical assistance programs and research efforts was compiled and disseminated to representatives of State and local governments and private industry.

(9) State-of-the-art reports were developed for use by State and local officials; the reports summarize the potential of, and experience with, new or improved solutions to transportation problems.

12. Safety, Environment and Consumer Participation

a. Policy

The Federal Government has a continuing responsibility to assure safe, environmentally-sound, energy-efficient, economic transportation services, accessible where feasible and practical to all citizens and responsive to the consumer.

The basic policies addressing these concerns are set forth in the Department of Transportation Act of 1966, the National Environmental Policy Act, the National Traffic and Motor Vehicle Safety Act of 1976, the Federal Railroad Safety Act of 1970, other relevant statutes, Presidential statements and Departmental orders. Specifically, it is the policy of the Department in:

(1) Safety.—To provide the highest practicable and feasible level of safety for people and property associated with or exposed to the Nation's transportation system.

(2) Environmental Affairs.—To utilize transportation to improve the environment wherever economically possible, and to avoid or minimize transportation's adverse impacts on the environment.

(3) Consumer Affairs.—To insure the participation of consumers or their representatives in public decision making and to encourage their involvement in private sector decision making.

In striving to achieve these policy objectives, the statutes, the courts, administrative processes and analytical methodology provide tools with which competing interests are weighed and the parameters are established in which discretionary judgment is exercised. But we must recognize that attempts to optimize in one area may have adverse consequences for another, or may be too costly in terms of the actual benefits. We need to make progress along all fronts, finding what is on balance in the long range public interest and protecting the rights of the individual and the choice of the consumer.

b. Programs and Implementation Progress

(1) Safety.—In continuing efforts to reduce transportation-related fatalities, injuries and property damage, the Department is pursuing a four-pronged program to promote transportation safety:

(a) *Accident Prevention.*—This program involves upgrading the pathway and terminal, the vehicle and the vehicle operator. Pathways and terminals improvements are being made through highway design standards and spot improvements, rail track inspection and maintenance requirements, grants for separation or signaling at rail grade crossings, effective operation of the air traffic control system, airport safety regulations, vessel traffic control systems, pipeline safety regulations and hazardous material packaging regulations.

The recent dramatic and sustained decrease in highway fatalities can be attributed in large part to the national 55-mph speed limit program (although reduced driving because of the gasoline shortage also contributed).

Vehicle safety improvements are moving forward through aircraft, ship and boat construction standards, railroad and motor carrier regulations, and motor vehicle safety regulations. In addition, standards have been established for air carrier, motor carrier, ship and rail operators and programs have been developed to improve automobile and truck driver and bicycle and motorcycle rider safety.

(b) *Accident Survival.*—Efforts are continuing to increase accident survival by upgrading the pathway (e.g., improved roadside barriers), the vehicle (e.g., protection of motor vehicle occupants through passenger restraint systems, redesign of rail vehicles for better seat anchorages, flotation requirements for pleasure boats, and nonflammable and nontoxic materials in aircraft passenger compartments), and by improving operator training and procedures (e.g., for aircraft emergency evacuations).

An analysis of the traffic mix of small and large vehicles was also underway as part of the Administration's study of Motor Vehicle Goals Beyond 1980.

(c) *Emergency Response.*—Improved emergency response is being encouraged through efforts directed at early communication of accident occurrence and location, quick transport of emergency vehicles to the site, emergency medical air removal of survivors to qualified trauma centers, as well as search and rescue for downed aircraft and waterborne vessels.

The Department currently is serving as a member of the Interagency Committee on Emergency Medical Services. In addition, the Department, through the National Highway Traffic Safety Administration (NHTSA), is reviewing possible standards for air ambulances.

(d) *Research, Data Collection and Evaluation.*—We have extensive efforts underway in safety research, data collection and accident investigation which are essential to achieving the foregoing priorities. And, as noted earlier, the Department has undertaken a critical review of its safety standards and regulations to determine which of these provide net social benefits.

The Department's National Highway Safety Needs Report, which was sent to the Congress on April 9, provides data on the cost-effectiveness of 37 highway safety countermeasures that can save lives and avoid injuries. The report concluded that increased seat belt usage and uniform enforcement of the national 55-mph speed limit stand out above all others in their potential for saving lives and avoiding injury at relatively low cost.

The Department expects to continue to make significant progress in safety in the future. In highway travel, for example, the adoption of motor vehicle safety standards such as safety belts, better traffic law enforcement and adjudication, and driver performance improvement programs are expected to result in a continued reduction in deaths and injuries. The Department

is also attempting to develop through its Research Safety Vehicle program a model automobile the occupants of which would survive a 50-mph head-on crash—a vehicle which also would be energy efficient and environmentally compatible.

In aviation, the FAA's upgraded third generation air traffic control system has the potential to enhance safety through aircraft separation assurance for non-controlled, beacon-equipped aircraft by automatically transmitting collision avoidance warnings. The FAA is also continuing its development of an independent airborne collision avoidance system. Terminal safety will be further enhanced by systems to detect hazardous wind shears and wake turbulence during landings and takeoff, while an improved airport surface traffic control system will assist in efficiently processing ground operations.

With respect to marine safety, legislation is pending in the Senate to implement new international rules of the road for preventing collisions at sea. If adopted, all vessels under U.S. jurisdiction on the high seas would be required to comply with the convention adopted by the Inter-Governmental Maritime Consultative Organization.

With respect to domestic waters, the three different sets of rules of the road now in effect for the Western Rivers, Great Lakes and Inland Waters should be made to conform as closely as possible to the international rules.

The Coast Guard is proceeding with the establishment of navigation networks covering the coastal and navigable waters of the Continental United States. In addition, to deal with the problem of increasing congestion of vessel traffic coupled with increasing amounts of hazardous cargoes, vessel traffic services will be enhanced as warranted. Such services have been established for San Francisco, Puget Sound and Houston and construction is underway at New York, New Orleans and Valdez.

Finally, the Department is conducting safety training for the Nation's transportation personnel at its Transportation Safety Institute. Courses are conducted in the fields of aviation, marine, highway, pipeline and hazardous materials. Over 4,000 people from Federal, State and local governments and from the industry attend each year. This training is in addition to safety training programs conducted each year by each operating administration in the Department.

(e) *Security of Passengers and Cargo and Transportation Facilities.*—The reliability, efficiency and integrity of the Nation's commerce are being impaired by unlawful acts which disrupt transportation operations, divert cargo from the custody of carriers or forwarders, and at the extreme, destroy transportation facilities causing injury or death of passengers, transportation personnel and the public close to the scene.

The Department of Transportation believes that the responsibility for assuming the minimum level of protection must be shared among government and private sector interests, with the private sector having the predominant role by removing opportunities for the commission of unlawful acts in all areas under its direct control.

The Department's air hijacking prevention program, the responsibility for which is shared by the airlines, airport operators and the Federal Government, has had a perfect record since implementation in 1973. Its cost has been paid by those who benefit—the air travelers and shippers —at a price of about 40 cents for each passenger's journey, a cost included in the fare.

Bomb threats and actual bombings of transportation facilities have increased in recent years. Immediately following the LaGuardia Airport tragic bombing with the loss of 14 lives and some 50 serious injuries, the Department initiated a study of passenger security in transportation terminals. Improved procedures for the security of air passengers and screening of checked baggage of U.S. and foreign air carriers were implemented in April 1976. The Department is also funding for further development an efficient explosive detection device for checked baggage and cargo in air commerce.

Theft of cargo has emerged during this decade as a serious problem. The total cost of theft-related cargo losses from our Nation's transportation system is now estimated to be in excess of $1 million annually.

In recognition of the problem, the Secretary of Transportation, at Presidential direction, has coordinated the efforts of Federal agencies and the transportation industry in the search for solutions. Through their cooperative efforts, a National Cargo Security Program was developed

and is now being implemented on a voluntary basis in cooperation with the transportation industry, and with the support of State and local governments, shippers, consignees, organized labor and insurers.

The program was formalized by Executive Order 11836, issued January 27, 1975, which also requires a report to the President on March 31, 1976, and annually thereafter on its effectiveness.

The first report was submitted to President Ford on March 23, 1976. It noted some progress by the air and motor carriers in reducing their rates of theft-related losses. The report recommended that the National Cargo Security Program continue through March 1977. The President, confirming his belief that the voluntary program has good potential for success, accepted the recommendation.

(2) Environment.—A central thrust of the Department's policy since its inception in 1967 has been to reduce transportation's adverse impacts on the quality of the environment and to protect and enhance that environment where possible.

As noted in the Policy Statement, the Department has written more environmental impact statements than any other Federal agency, analyzing the environmental impact of specific proposed actions and considerating alternative actions which better protect and enhance the environment. This process has involved thorough environmental analyses, public involvement and scrutiny, and extensive coordination with governmental agencies at all levels. As a result, numerous transportation projects during the past several years have been substantially revised, terminated, or transferred in location or even transportation mode to better serve social, environmental and community objectives.

The Department has been implementing programs to achieve policy objectives in four key areas of environmental impact:

(a) *Noise.*—The Department is making progress toward the goal of confining severe aircraft noise exposure levels around U.S. airports to the areas within the control of the airport operators. This policy will be advanced through regulations on aircraft engine noise, aircraft operational procedures and airport grant program requirements, including those relating to compatible land use around airports.

Research to support the formulation of rational and effective regulations is currently underway. The Department also imposed a number of terms and conditions in granting British/French Concorde supersonic transport landing rights in the United States. In February, the Secretary announced that limited scheduled commercial flights into the United States would be permitted for a demonstration period not to exceed 16 months. British Airways and Air France would each be able to conduct up to two Concorde flights per day into JFK airport in New York and up to one flight per day into Dulles airport near Washington subject to the following limitations and restrictions:

(1) No flight may be scheduled for landing or takeoff in the U.S. before 7 a.m. or after 10 p.m. local time;

(2) Flights of British Airways must originate from Heathrow Airport and those of Air France from Charles DeGaulle Airport, except where weather or other emergencies dictate otherwise;

(3) Authorization of any commercial flights in addition to those specifically permitted by this action will require a new environmental impact statement;

(4) In accordance with existing FAA regulations, the Concorde may not fly at supersonic speed over the U.S. or any of its territories, and

(5) The FAA is authorized to impose such additional noise abatement procedures as are safe, technologically possible, and necessary to minimize the noise impact, including, but not limited to the thrust cut-back on departure.

With respect to highway noise, the Department is working to assure that new highways constructed with Federal funds include noise reduction features and to reduce noise from existing highways through spot improvements, enforcement of truck noise standards and reduction of truck tire noise.

(b) *Air Quality.*—The Department has encouraged the utilization of less polluting forms of transportation wherever possible and has supported the efforts of other agencies (primarily the Environmental Protection Agency) which have regulatory responsibilities over air quality. Thus, in its environmental analysis of transportation projects, the Department considers the

impact of proposed projects on air quality to be a significant element of concern; projects are required to be consistent with State and local plans to improve air quality. Moreover, the urban traffic management measures discussed on page 7 are part of the effort to improve air quality through reduction of unnecessary automobile usage.

Finally, the Air Quality and Health Panel of the Interagency Task Force on Motor Vehicle Goals Beyond 1980 reports that on a nationwide basis the control of mobile source emissions has a substantial headstart as compared with stationary sources of carbon monoxide, hydrocarbons and nitrogen oxides.

(c) *Land Use.*—Because transportation has such a significant impact on land use, which in turn is a crucial element in determining the quality of the human environment, the Department is continuing to integrate transportation planning and decision making into overall land use planning and decision making.

In this regard, the Department's policy is to increase flexibility to local officials in the use of Federal-aid urban transportation funds, enabling these funds to be used for either highway or transit needs as best serves local transportation and land use objectives.

(d) *Water.*—In the marine environment, the Coast Guard is the primary law enforcement agency responsible for enforcing Federal antipollution laws and treaties. Past actions have concentrated on developing adequate cleanup capability for removing oil and hazardous materials from the water. Increasing emphasis is now being directed toward prevention, including regulations related to the transportation of hazardous substances and the disposal of vessel wastes and sewage.

The Department's concern for the marine environment has resulted in exhaustive studies of construction techniques may offer future protection to the coastal water, vessel traffic service, coupled with increased LORAN-C coverage and separated sea lanes, offer improved near-term cost beneficial protection against oil spills caused by collisions and groundings.

In summary, improvement of the environment is a continuing national commitment. The Department is proceeding with determination, on the basis of scientific fact and with a proper appreciation for the economic cost involved. Just as the Department will not take action with a significant impact on the environment without an impact analysis and statement, neither should it seek narrow solutions to environmental problems without an appreciation of their consequences for other governmental goals. The Department, meanwhile, is establishing procedures which will result in a speed-up of the time to complete the environmental review process.

(3) Consumer Participation.—Consumer representation, as stated in the Department's recently developed Consumer Representation Plan, is a matter of Departmental policy. Under the plan, all elements of the Department are to (1) continually strengthen their procedures for being responsive to consumer needs and concerns; (2) more aggressively solicit consumers' opinions; and (3) actively support consumer participation in Departmental activities.

To further the consumer interest in DOT, each of the six operating administrations having consumer responsibility now has a consumer affairs officer who has been identified by the head of the operating administrations to advance consumers' needs and concerns.

Since citizen involvement in the development of rules and regulations is essential, all Department components have been directed to use the Federal Register advance notice of proposed rulemaking, to allow sufficient time for public comment (minimum of 45 days), and to evaluate consumer comments carefully before final regulations and standards are published. In addition, the Department has been seeking increased consumer participation on the advisory committees that serve the Department, and it is continuing to require citizen participation in transportation planning at the State and local levels as a condition of many Federal transportation grant and assistance programs.

The public hearing process has been valuable in terms of resolving some of the more controversial issues before the Department. For example, extensive hearings were held by the Department prior to the issuance of the decision to permit Concorde flights to enter the U.S. at JFK and Dulles Airports over a 16-month experimental period. Comments by the public at

the hearings were carefully reviewed and factored into the decision making process.

Public hearings were also conducted on expansion of the St. Louis Airport system and the construction of Interstate 66 inside the Capital Beltway to Washington, D.C.

In addition, the Department conducted a thorough review of the discussions and testimony delivered by various elements of the public during the Vice President's recent series of White House conferences on domestic policy. The analysis, in turn, was brought to the attention of the Department's managers for consideration and possible incorporation in program development and implementation.

To enable consumers to participate knowledgeably, the Department also encourages dissemination of information to them about transportation issues, including:

- Educational materials for teachers to use in classes from kindergarten through the adult level to help students to become effective transportation consumers and, ultimately, more knowledgeable participants in community transportation planning, and
- Informational materials on subjects of consumer interest, such as the purchase of cars, drinking and driving, the use of seat belts, safe boating and how to deal with motor vehicle emergencies.

Effective consumer participation is vital if government is to be truly responsive to the public interest. Making consumerism work requires the commitment of those who use, benefit from, or are deprived of transportation services. Thus, the Department will continue to seek ways to interact productively with its many constituencies: Private citizens, private industry and the various elements of State and local governments.

13. Strengthen Research, Development and Demonstration Programs

a. Policy

Federal leadership in stimulating new technology is needed to reduce the substantial costs of future capital investments and operating expenses, to improve the cost-effectiveness of current systems and to anticipate long-term transportation needs. Transportation policy emphasizes the concentration of limited research, development and demonstration funding on projects that:

- Develop incentives for more efficient intermodal service;
- Improve the information base, measures of performance, cost/benefit methodology, and planning and program evaluation capability;
- Support Federal regulatory responsibility in maintaining appropriate standards of safety and environment protection;
- Enable development of specialized equipment to carry out our operating responsibilities where the size of the potential market, or the degree of development risk, does not stimulate private sector participation, and
- Serve as a catalyst in developing new transportation systems where the private sector perceives a high risk in developing a viable market, but which ultimately will be operated by non-Federal agencies or firms.

b. Programs and Implementation Progress

Research, development and demonstration activities are being conducted by the several operating administrations within DOT in coordination with the policy framework established by the Secretary's Policy Statement. Some of the significant RD&D program activities are noted below:

- A LORAN-C project office has been established within the Office of the Assistant Secretary for Systems Development and Technology to coordinate the multimodal electronic navigation needs of the Department and to manage the implementation of a long-range multimodal program plan on LORAN-C application and developments;
- The data and analytical output of the automotive efficiency improvement program has been vital in the establishment of fuel economy goals and assessment of standards for the future;
- The feasibility of substantive reduction in energy requirements for urban rail systems has been demonstrated in revenue service on the New York system. The energy storage systems, utilizing a flywheel to store the kinetic energy normally dissipated in braking, achieved energy savings greater than 30 percent.
- The results of the RD&D program are being used in the private sector.

(1) Several urban areas—notably Rochester, New York and Ann Arbor, Michigan—have operational and expanding systems which provide flexible, demand-responsive integrated services on an area-wide basis.

(2) UMTA has initiated a project to demonstrate the benefits and cost-effectiveness of automated guideway transit systems in urban downtown areas and to assess the economic impact of improved circulation in the central city.

(3) The UMTA transportation planning system has been coordinated with FHWA highway planning tools into an integrated regional planning package for both highway and public transportation planning. These tools are being made available to State and local planning agencies.

- A vigorous development program continues toward upgrading the air traffic control system to provide needed system options for the future. Prototype components of the microwave landing system (MLS) are being demonstrated, including completely automated curved approaches and landings.
- The Department's university research program continued its emphasis on studies involving policy determination, safety analysis, socio-economic analysis and decision making, and fundamental technological problems. For example, the benefits of the concept of value capture as a funding mechanism for transit system deployment were explored by Rice University on a university research grant. In addition, investigations of tunneling and construction techniques, fundamental guideway-vehicle interactions, and materials have provided basic data for improving construction techniques.
- Research is underway to study non-capital alternatives to reduce congestion at airports and conserve fuel, such as peak spreading and diversion of non-essential air traffic at high density airports. Depending on results, follow-up may be justified to look at specific alternatives for future periods.
- System design of two research safety vehicles should be completed later this year. Once final design and fabrication are completed (work is scheduled to begin next year), an evaluation of the vehicles' performance in safety, fuel economy, and emissions, as well as an assessment of the cost of improved performance, can be undertaken.

These RD&D programs indicate an accelerating pace of accomplishment and implementation of the policy initiatives. They are being planned and conducted in consonance with a long-term RD&D plan of evolutionary transportation system development.

E. PROGRAM ISSUES

OFFICE OF THE SECRETARY

IMPLEMENTATION OF EXECUTIVE ORDER 11836 - "INCREASING THE EFFECTIVENESS OF THE TRANSPORTATION CARGO SECURITY PROGRAM"

BACKGROUND

Theft of cargo has emerged during this decade as a serious threat to the reliability, efficiency and integrity of the Nation's commerce. Theft-related losses are conservatively estimated to exceed more than one billion dollars annually in the transportation of goods, thus reducing industry profits; causing higher prices for consumer goods, and providing support for unlawful activities.

The Department of Transportation has no statutory authority to regulate measures to prevent cargo theft. Instead, at Presidential direction, the Secretary of Transportation has provided leadership and technical assistance in coordinating efforts of Federal agencies in working with the transportation industry to reduce theft-related losses. These activities were formalized by Executive Order 11836 which requires the Secretary of Transportation to report annually to the President on the effectiveness of the voluntary National Cargo Security Program.

STATUS

Highlights of the first report submitted March 31, 1976, were as follows:

- The airlines are making good progress in reducing the trend of air cargo theft losses.
- The motor carrier industry, which moves more theft-prone cargo than all the other carriers combined, is showing a gradual trend of improvement.
- The railroad industry reports its theft-related freight losses are increasing, but the data is not conclusive.
- The lack of maritime data is a significant deficiency in the National Cargo Security Program.

In view of the overall progress made thus far, the Secretary recommended that the National Cargo Security Program continue exactly as prescribed in Executive Order 11836 through March 31, 1977.

An analysis of progress of the voluntary program will be completed about February 1, 1977, for use in preparing the 1977 Report to the President.

The National Cargo Security Program is approaching a milestone where it will be necessary to decide whether to recommend to the President for continuance of the 100 percent voluntary approach to prevention of cargo theft or if it is now time to make distinctions between segments of the transportation system which are performing and those which are not. In the case of the latter, it would be necessary for DOT to initiate legislative proposals for authority to regulate certain weak spots in the transportation chain to maintain the integrity, efficiency and economy of U.S. commerce.

OFFICE OF THE SECRETARY

ALTON LOCKS AND DAM

BACKGROUND

Since its establishment, the Department of Transportation has not played an active or aggressive role in waterway investment issues. This was partially due to the political compromise which is evident in Sections 7 and 4b2 of the DOT Act. These sections limit the Department of Transportation's ability to enforce specific investment criteria for waterway development.

In February 1975 DOT was thrust into evaluation of waterway investments by a request from the Senate Commerce Committee for an analysis of the Corps of Engineers' Alton Locks and Dam replacement proposal. DOT responded with a 120-day study which found that the Corps' benefit analysis was unsatisfactory.

STATUS

The Alton Locks and Dam replacement controversy is still unresolved. In November of this year the Senate Commerce Committee requested that the Department of Transportation do another 120-day evaluation of the Corps of Engineers' modified single 1200-foot lock proposal. This report is due March 1, 1977. Beyond this, the Department of Transportation is being urged from several quarters to undertake a long-range (one to three-year) study of the future transportation requirements of the Upper Mississippi and Illinois Waterway System regions.

OFFICE OF THE SECRETARY

TRANSATLANTIC ROUTE PROCEEDING (CAB DOCKET 25908)

BACKGROUND

A recommended decision in the Transatlantic Route Proceeding was forwarded from the Civil Aeronautics Board to the President for review pursuant to Section 801 of the Federal Aviation Act in July 1976. Under this statute, all CAB decisions involving foreign air transportation are subject to the approval of the President. He may disapprove or modify any order when he finds such action is contrary to the national defense or foreign policy of the U.S. At issue in the case is the award to U.S. carriers of all transatlantic authority for the next five years. Involved are the applications of 16 cities seeking new coterminal status for transatlantic operations, the renewal applications of 9 cities currently holding such status on a temporary basis, and the application of 9 U.S. scheduled passenger carriers proposing numerous varied service patterns to the applicant cities.

The Board's decision would award incumbent carriers the authority they presently possess, except for substituting Northwest Airlines for Pan American World Airways as the U.S. carrier serving Scandinavia. Delta Airlines was granted new Atlanta, Dallas-Ft. Worth and Houston-London authority, and Pan American was granted new Dallas-Ft. Worth and Houston-London authority.

STATUS

If the President should return the recommended decision to the CAB for reconsideration, the case may be reopened for further hearings and the submission of evidence. If this occurs, the Department should present evidence on the record. Executive Order 11920 stresses that agencies who assist the President in the Section 801 review process provide their views to the CAB. DOT evidence would address the economic viability of proposed awards, the economic impact of new and renewed awards on the U.S. flag system, and the need for improved travel opportunities for U.S. travelers.

OFFICE OF THE SECRETARY

NORTH ATLANTIC AIR FARES (CAB DOCKET 29930)

BACKGROUND

In recent years there has been a recognition that the International Air Transport Association (IATA) scheduled fare structure on the North Atlantic is distorted. About 70 percent of the economy traffic move on promotional fares, some of which are below cost, while the other 30 percent are paying fares above cost. Both DOT and the Civil Aeronautics Board (CAB) have urged the IATA cartel to bring the fares more in line with the cost of service and, while IATA has paid lip service to that guidance, very little progress had been made. The British have expressed similar concerns about the fare structure in recent discussions. Because of this lack of progress within IATA, the CAB suspended proposed increases in the normal economy fare, among others, filed by the carriers in April, June and October, 1976. The October action by the CAB prevented an increase in the winter level of the normal economy fare, the first class fare and the 22-45 day excursion fare. DOT believes that the proposed increases in the first class and 22-45 day excursion fares were reasonable and should have been permitted. Given the suspension, the CAB believes the carriers should revert to last winter's fare levels while the carriers believe the fares in existence immediately before the suspension, that is the higher schedule fares, should be offered. On November 12, 1976, a U.S. District Court issued a permanent injunction allowing the schedule fares to be offered pending a CAB investigation.

STATUS

A DOT position is being developed with regard to winter fares. We are exploring a number of alternatives which would focus on the unreasonably high level of the normal economy fare. Similarly, new fare packages, expected to be filed in March by the carriers for the 1977 spring and summer seasons, will be evaluated on the basis of the level of the individual fares as well as on the overall revenue needs of the carriers.

OFFICE OF THE SECRETARY

UNITED KINGDOM BILATERAL NEGOTIATIONS

BACKGROUND

The United Kingdom's denunciation of the Bermuda air services agreement with the United States on June 22, 1976, becomes effective in June 1977. Consequently, the agreement is being renegotiated. This Bermuda agreement has served as the basic prototype for bilateral air agreements between the United States and other countries since 1946. Other major aviation nations such as Japan and Italy, with whom the United States will hold bilateral negotiations next year, are closely monitoring developments in the U.S.-U.K. negotiations. These countries and probably others will undoubtedly press for more restrictive regulatory frameworks in future agreements with the United States, particularly if any new U.S.-U.K. agreement provides such a precedent.

The U.K. officials have complained that under the existing Bermuda agreement, the balance of benefits favor the United States over the United Kingdom by a factor of three to one. The United Kingdom alleges that the agreement is out of date and no longer corresponds to the conditions of the early 1970's. The British position is that the new bilateral agreement must provide for a more equitable division of revenues through capacity controls and a diminishing market domination by the United States.

The goal of the United States is the continuation of the principles that airline managements be free to unilaterally set capacity according to their judgment of market demand. Equality of opportunity is our preferred principle, not necessarily equality of benefits. This objective of maintaining the historic Bermuda principles is restated in the recently issued Statement of U.S. International Air Transportation Policy. Thus, the United States believes that airline agreement on equal division of capacity will decrease potential market growth by curtailment of competition and produce an inadequate scheduling service. In essence, the British concept is that equal results should replace the fair and equal opportunity concept. While the United States recognizes the importance of the balance of benefits concept, this criteria is considered to be detrimental if such balance were achieved through abandoning economic efficiency.

STATUS

The schedule for the renegotiation talks started in September 1976, discussing procedural matters in London. October talks were in Washington and the principal agenda subjects were non-controversial topics to the agreement, such as articles on customs, airworthiness, user charges, consultation, and settlement of disputes. Additionally, there was a discussion concerning the assumptions for economic analysis.

The remaining schedule and subjects are as follows:

December 6 - 15 (London). Exchange of economic analysis papers.

January 17 - for 7 to 10 days (Washington). Consideration of U. S.-U. K. Atlantic rates, routes, capacity, and charter regime.

February 28 - for 7 to 10 days (London). Consideration of U. S.-U. K. Caribbean, Bermuda, and Pacific rates, routes and capacity. Charters are not scheduled to be discussed.

March 28 through April 6 (Washington). Completion of agreement.

May (London). Further talks if necessary.

In the event that the United States and the United Kingdom do not reach an understanding prior to the termination of the existing agreement, U. S. officials are drafting a paper regarding contingency plans.

The meeting to be held in Washington on January 17, 1977, will consider the North Atlantic market, including rates, routes, capacity and perhaps the charter regime. A U. S. position will be formulated shortly before that date.

OFFICE OF THE SECRETARY

AVIATION REGULATORY REFORM LEGISLATION

BACKGROUND

Since its inception, the Civil Aeronautics Board has attempted to apply traditional public utility type regulation to an airline industry which is basically competitive. There is a growing consensus that the consequences have been detrimental to both airlines and the public. The Board's Special Staff on Regulatory Reform, the Senate Subcommittee on Administrative Practice and Procedure, and the Board itself have all unanimously recommended fundamental changes in the present regulatory system. The changes would permit new firms to enter the industry, allow firms to offer innovative service options, and permit firms to engage in price competition. These reforms would be very much in the consumer's interest. Extensive hearings have been held in both the Senate and House. The Board, the Ford Administration, and the Chairmen of the Aviation Subcommittees in both the House and the Senate, among others, have introduced sweeping regulatory reform proposals.

STATUS

Senator Cannon (Aviation Subcommittee Chairman) has indicated that regulatory legislation is his first priority, and he desires to hold further hearings as early as possible--probably late February or early March. The ranking minority member, Senator Pearson, is working on his own bill and is expected to introduce it in January. Also during January, Senator Kennedy is expected to reintroduce his proposal which was co-sponsored by Senators Church, Buckley, Scott and Hart. Barring overt opposition by the new Administration, legislation is expected to pass the Senate early in the year. Since Glenn Anderson and Gene Snyder (House Aviation Subcommittee Chairman and ranking minority member, respectively) have introduced legislation, early House hearings are also likely. While Anderson said that he would like to move the legislation, House action is somewhat less likely than Senate action. The most likely legislation would seem to be some form of the bill introduced by Senator Cannon. In view of the early legislative action expected, the new Administration must be prepared, at a minimum, to testify on the issues as early as February. If the Administration wants to have a positive impact on the shaping of legislation, it will need to have a bill and supporting papers drafted before the hearings start--by February at the latest. If the Administration wishes to ignore or oppose the legislative action, preparations are not needed quite so soon.

OFFICE OF THE SECRETARY

STUDY OF FEDERAL AID TO RAIL TRANSPORTATION

BACKGROUND

Section 902 of the Railroad Revitalization and Regulatory Reform (RRRR) Act of 1976 (Public Law 94-210) requires the Secretary of Transportation to analyze the effects on the railroads of policies and methods of providing Federal aid to rail transportation and its modal competitors. The Secretary is to determine whether or not railroads have been "disadvantaged" by Federal aid to the non-rail modes and, by February 5, 1977, he is to report his Study findings to Congress, along with his recommendations for a "sound and rational policy with respect to Federal aid to rail transportation."

STATUS

The Office of the Assistant Secretary for Policy, Plans and International Affairs (TPI) is carrying out the Section 902 Study, and has contracted with the consulting firm of Richard J. Barber Associates, Inc. of Washington, D.C. to conduct part of the Study: the analysis of the effects of Federal actions on rail transportation in the context of the impacts of socio-economic forces on the railroads. TPI is itself conducting the analysis of the potential effects of the RRRR Act on the future viability of rail transportation, as well as putting together the Secretary's recommendations for future policy with respect to Federal aid to rail transportation. Drafts of several chapters of the Section 902 Study are now being reviewed by TPI and the modal administrations, and the entire Section 902 report to Congress will be circulated for review within the Department by TPI at the end of December 1976.

OFFICE OF THE SECRETARY

LITIGATION UNDER THE REGIONAL RAIL REORGANIZATION ACT OF 1973

BACKGROUND

The Department, together with the Department of Justice and the United States Railway Association, is participating in litigation before the Special Court for Rail Reorganization concerning the transfer of rail properties to ConRail. Under the Rail Reorganization Act of 1973, USRA, a quasi-public corporation, was directed to plan for and to implement the restructuring of the seven bankrupt Northeast railroads 1/ into an economically viable system capable of providing adequate and efficient rail service in the region. USRA did so by proposing the establishment of ConRail and designating the conveyance to it of the majority of the rail properties of the bankrupts and affiliated companies.

In return for their properties, the transferors received ConRail securities guaranteed by Certificates of Value, which are Federal obligations redeemable prior to 1987. The Special Court's primary task is to determine the value of the CV's. Under a formula established by the Rail Act, their value is to consist of the net liquidation value of the properties transferred to which the transferors are constitutionally entitled, less the value of other benefits provided by the Act, plus compensable unconstitutional erosion. 2/

STATUS

Litigation commenced in 1976 upon the completion of the conveyance to ConRail. The Special Court is attempting to resolve certain issues of general application in the valuation of the transferred properties

1/ These railroads are the Penn Central, the Erie Lackawanna, the Central Railroad of New Jersey, the Lehigh Valley, the Reading, the Lehigh and Hudson River, and the Ann Arbor.

2/ Erosion is a concept which describes the reduction in value of a bankrupt railroad caused by compelled deficit rail operations during its reorganization through physical deterioration of the property, and accrual of post-bankruptcy administration creditor which must be paid in full prior to the satisfaction of pre-bankruptcy claims.

before taking evidence. Likewise, it is in the process of deciding legal issues relating to the measurement of the amount of compensable unconstitutional erosion, if any, which the transferors have suffered before holding evidentiary proceedings on this aspect of the case.

The stakes in the Special Court litigation are considerable. USRA valued the transferred properties at $500 million by a methodology that assumed that in the absence of the Rail Act they would have been disposed of for non-rail salvage values. The transferors, on the other hand, have contended that they are worth at least $15 billion and that the proper standard of value should be that for rail use. The transferors' erosion claims amount to over $1 billion.

UNITED STATES COAST GUARD

FISHERIES CONSERVATION AND MANAGEMENT ACT OF 1976 (P.L. 94-265)

BACKGROUND

P.L. 94-265 was signed into law April 13, 1976, with an effective date of March 1, 1977. The intent of the law is to achieve and maintain maximum sustainable yield from the fish stocks within the 200 mile zone through fisheries management and control. The allowable catch of each species will be set by regional councils. U.S. fishermen will be authorized to take what they can up to the allowed catch. Foreign fishing vessels (F/V) may be licensed to take the remainder. The assumption has been made that foreign states will accept the principle of licensing and catch limitations.

The Act is controversial. It was actively opposed by the Departments of Defense, State and Justice in principle; unilateral action by the United States to assume control of activities in existing international waters creates a dangerous precedent.

The time constraint makes it unlikely that the very complex management plan in P.L. 94-265 and licensing under the Act will be completed by the March 1, 1977, implementation date. The procedure requires bilateral negotiations with the individual foreign countries to reach an agreement; 60 days for approval by the Congress of those agreements, 45 days for review by the regional boards, and 30 days for review by the Department of Commerce and application for the issuance of licenses. As of mid-November, an agreement with Poland is the only treaty negotiated.

STATUS

The Coast Guard is enforcing a number of U.S. Fisheries Laws and Treaties now and has been funded for additional resources. The limited number of bilateral treaties, if any, which will be processed to the issuance of license stage is a matter of concern. Strict interpretation of the law would require exclusion of all foreign fishing vessels from the 200 mile fisheries enforcement zone. U.S. options range from the above to deferral of enforcement with Congressional approval. More probable is a temporary licensing system for foreign nationals from a State which is negotiating in good faith. Any option except the first would probably require some form of Congressional assent. Modification to strict enforcement in the face of the militant U.S. fishermen will create political stress. This must be balanced against the possibility of international incidents from a strict enforcement policy, ranging in results from bad press up to confrontation.

UNITED STATES COAST GUARD

NOTICE OF PROPOSED RULEMAKING - MOBILE OFFSHORE DRILLING UNITS

BACKGROUND

The Coast Guard has been certificating drillships, drill barges and column stabilized semi-submersible units under the Rules and Regulations for Cargo and Miscellaneous Vessels. The bottom bearing self-elevating and submersible units, although vessels, have been regulated under the Rules and Regulations for Artificial Islands and Fixed Structures on the Outer Continental Shelf. Due to the unique operations and considerations affecting mobile drilling units, the Coast Guard is developing a new subchapter specifically addressing mobile offshore drilling units.

The Treasury Department in 1953 determined that bottom bearing mobile offshore drilling units were not subject to vessel inspection regulations. While early operations of bottom bearing mobile offshore drilling units were restricted to the shallow waters of the Gulf of Mexico, over the years, this type of unit changed in character in that it became much more numerous, increased in physical size, and started operating in deeper waters on a worldwide basis. This is particularly true of the self-elevating type units some of which have also been equipped with their own means of propulsion. By early 1960's, Federal agencies began documenting bottom bearing units as vessels of the United States, and some were obtaining load line assignments. Also during this period, both the State courts of Louisiana and the Federal courts, including the Supreme Court held that all classes of mobile offshore drilling units, including those of bottom bearing type, are and continue to be, vessels when engaged in the drilling mode.

STATUS

The Coast Guard is currently developing new regulations for mobile offshore drilling units in cooperation with the National Offshore Operations Industry Advisory Committee. These regulations are in an advanced state of development, and include both the currently inspected floating units (drillships, semi-submersibles and drill barges) along with the currently uninspected bottom bearing units (self-elevating and submersible). The Notice of Proposed Rulemaking will be issued in early 1977.

FEDERAL AVIATION ADMINISTRATION

FINANCIAL AID IMPLICATIONS OF AIRCRAFT NOISE RULE

BACKGROUND

Following several years of research and analysis establishing the technical and economic feasibility of "retrofitting" older jet aircraft with sound absorbing material to reduce their noise level, the Secretary of Transportation recommended to the President in July 1976 that the Federal Government require all commercial transport jet airplanes to conform to the noise standards applicable to currently manufactured aircraft by the end of 1984. Current commercial U.S. fleets include about 1,650 jets (as of the end of 1975) that do not conform to these standards. About 1,150 of these can be made to comply through retrofit, but slightly over 500 are 707's and DC-8's that may not be economical to retrofit (at a cost of $1.2 million to $2.6 million each), and some of these are projected to remain in operation through the next decade. The retirement of these aircraft then would have to be accelerated to meet the 1984 deadline and airlines would incur substantial costs for their replacement. The Secretary therefore also proposed to the President a special financing plan to enable the carriers to replace these aircraft. Acting on the Secretary's recommendations, President Ford, on October 21, 1976, directed the FAA to issue a regulation requiring the conformance of all commercial jet transport airplanes, but postponed the decision on a special financing plan, directing the Secretary to hold hearings on its need.

STATUS

The FAA will issue an amendment to the applicable regulation (FAR Part 36) to be effective January 1, 1977, and the Secretary will hold a hearing on the need for financing on December 1, 1976. Following the hearing, the Secretary will make his recommendation to the President. If the President agrees a financing plan is advised, the enabling legislation will be proposed to the Congress as a part of the Aviation Act of 1977. Since the issue will undoubtedly remain unresolved in Congress after January 20 and the airlines will be pressing for the early provision of a special financing arrangement to enable them to replace noisy aircraft by the deadline date stipulated in the amended regulation, the new Administration may have to make a choice early in the year. Some possible choices are: (1) supporting Secretary Coleman's proposal; (2) introducing another financing proposal; and (3) recommending there be no special financing, on the basis that beneficial effects of regulatory reform will enable the carriers to comply. Suspension, rescission or modification of the rule are also open choices, any of which could moot the financial aid question.

FEDERAL AVIATION ADMINISTRATION

ENVIRONMENTALLY SENSITIVE PROJECT: NEW AIR CARRIER AIRPORT FOR THE ST. LOUIS AREA

BACKGROUND

On September 1, Secretary Coleman announced, in an extensively written document, his decision to approve a request for a grant from an Illinois-chartered airport authority for land acquisition for a major new air carrier airport to serve the St. Louis metropolitan area, to be located at Columbia-Waterloo, Illinois. In making his decision, the Secretary set forth numerous conditions on that grant, primarily intended to minimize any adverse impacts (for example, on employees of the existing Lambert Airport in Missouri). The State of Missouri has initiated litigation to prevent implementation of the Secretary's decision, and the City of St. Louis and other Missouri government units are seeking to join the State in that litigation.

STATUS

The failure of Republican Governor Bond of Missouri to persuade Secretary Coleman to disapprove the Illinois grant request was an issue utilized by Governor-Elect Teasdale (Democrat) in his campaign against Governor Bond. It is therefore quite likely that Governor-Elect Teasdale will appeal to the new Secretary for a reversal of Secretary Coleman's decision.

FEDERAL HIGHWAY ADMINISTRATION

INTERSTATE SYSTEM REPORTS

BACKGROUND

Congress, in observing that the cost to complete the Interstate System has remained relatively constant, that many Interstate segments have been in use for more than 20 years and are in need of repair, that several States are willing to accelerate Interstate construction but are restrained by lack of Federal funds, and that priorities should be established within the program, have requested several one-time studies concerning the program.

STATUS

A report on the identification of these intercity portions which need to be constructed to close gaps in the System was requested to be submitted by October 1, 1976. The report is currently under review within the Department.

Congress required a study to identify and analyze optional means of financing the completion of the System, including the alternative of Federal reimbursement of interest on State issued bonds. The report is due February 5, 1977, and a first draft should be available by January 1, 1977.

A special study to determine the need for a separate and continuing Interstate rehabilitation program was also required. Data collection is underway and the study is to be submitted by May 5, 1977.

The next of the periodic Interstate Cost Estimates, which contain the total costs of completing the entire System in each State, and which are the basis for apportioning Interstate funds, is to be submitted to Congress by January 12, 1977. The report is currently nearing completion.

FEDERAL HIGHWAY ADMINISTRATION

HIGHWAY FUNDING LEGISLATION

BACKGROUND

Section 607 of the Congressional Budget and Impoundment Control Act of 1974 requires that legislation containing fiscal year (FY) 1979 funding authorizations must be submitted to Congress by May 15, 1977. As the highway program (except for the Interstate System) has funds authorized only through FY 1978 it comes under this deadline. In addition to extending program financing, such legislation could also address the future of the Highway Trust Fund which expires September 30, 1979; consolidation of programs; restructuring of the Interstate System; or contain a proposal to establish multimodal surface transportation programs.

STATUS

A pro forma bill has been submitted to the Office of the Secretary for review. The bill simply extends current funding levels for one year. If additional initiatives are to be undertaken at this time, revisions will be required.

FEDERAL HIGHWAY ADMINISTRATION

ENVIRONMENTALLY SENSITIVE PROJECT: I-478 IN MANHATTAN

BACKGROUND

The State of New York and the City have been considering alternatives for I-478 in the West Side Highway Corridor from the Battery to 42nd Street (the Lincoln Tunnel). The West Side Highway itself has been closed since 1973, when a section of it collapsed.

The State and City have decided to propose the so-called "Westway" alternative, which would be a six-lane interstate facility constructed largely on fill extending the existing shoreline into the Hudson River. The proposed final environmental impact statement (EIS) recommending this alternative has been submitted to the Washington office of the Federal Highway Administration for review. The project has strong opposition from community groups and some political leaders, on the grounds that it would continue to encourage automobile transportation in Manhattan, rather than utilize the funds for an "interstate transfer" to the New York subway system.

STATUS

It is unlikely that a Federal decision on this project could effectively be completed before January 20, and the new Administration will have to face a decision on the matter. The project has a price tag of approximately $1.2 billion, and may represent a first major action by the new Administration on a major urban highway proposal.

FEDERAL RAILROAD ADMINISTRATION

RAILROAD REHABILITATION AND IMPROVEMENT FINANCING

BACKGROUND

The Railroad Revitalization and Regulatory Reform Act of 1976 was signed into law on February 5, 1976. Title V of this Act establishes a program of financial assistance for railroads to acquire or rehabilitate and improve facilities or equipment. Funding is provided through an authorization of $1 billion in obligation guarantees and purchase by the Secretary of up to $600 million in redeemable preference shares issued by the railroads.

Proposed regulations to implement Title V were published in the Federal Register on June 1, 1976. Following a public meeting to discuss the regulations and expiration of a public comment period, revised final regulations were issued on October 8, 1976. Budget authority to implement $400 million in obligation guarantee authority and $70 million in redeemable preference shares has been provided in FY 1977. The Rail Transportation Improvement Act of 1976 was enacted on October 19, 1976. Provisions in this Act modify the funding procedures. As a result of this, revised regulations to incorporate these changes are being prepared. Preapplication conferences are currently being conducted, and it is anticipated that applications will have been received by the end of 1976 from several railroads.

STATUS

The final step in the process is now underway - the development of guidelines for approving and determining priorities among applications. At issue is the degree to which the availability of Federal assistance will be directly tied to implementation of the industry restructuring provisions of the Act. Revised final regulation for the loan guarantee program will be published this calendar year. A notice of proposed rulemaking (NPRM) for revising the redeemable preference share program will also be published this year; the final revised regulation should be published during February 1977 upon specific approval of the Secretary.

FEDERAL RAILROAD ADMINISTRATION

NORTHEAST CORRIDOR IMPROVEMENT PROJECT

BACKGROUND

The "Northeast Corridor Project" was begun by a special appropriation by Congress in 1963 officially establishing the Northeast Corridor Office in the Department of Commerce. This consisted of a series of studies, the last and most comprehensive completed in 1970, which served as the basis for the recommendations of the Secretary of Transportation which he presented to Congress in 1971.

The Northeast Corridor, a highly urbanized area between Washington, D.C., and Boston, Massachusetts, has a population of over 40 million or approximately 20 percent of the U.S. total. The current 80 million intercity passenger trips per year in the Corridor is expected to increase significantly by 1990, while the present air and highway systems serving the area already exhibit symptoms of increased congestion. The 457-mile rail spine between the two terminals is currently under-utilized. With improved service the Corridor rail system is forecast to be capable of relieving much of the future travel pressure on other modes as well as accommodating anticipated increased rail demand. The passenger expansion experienced under the Metroliner program demonstrated the results of improving rail service. Other advantages of increasing rail travel lie in greater energy efficiency, less reliance on scarce petroleum fuels through use of electric traction, and reduced undesirable environmental consequences caused by capacity expansion. Clean, quiet electric traction will require an extremely small fraction of the available commercial electricity supply in the Northeast. Heavy reliance on the existing right-of-way for an improved rail system avoids the sizeable land commitments that new highways and airports would require.

The Railroad Revitalization and Regulatory Reform Act of 1976 (RRRR Act) implements the improvement project and authorizes DOT to administer appropriations of $1.75 billion in Federal funds for that purpose. An additional $150 million is to be provided by states and local authorities as matching funds for fencing and portions of stations. Within five years, the $1.9 billion Northeast Corridor Improvement Project must enable the system to provide intercity train service on a regularly scheduled and dependable basis.

Since February 1976, Congress has appropriated a total of $200 million. The first year is being almost exclusively dedicated to system engineering, design, organization, procurement and negotiation of major contracts. To this end, a contract for system engineering, design, and construction administration and inspection was awarded on October 26, 1976.

On August 29, 1976, an agreement was signed with Amtrak delineating the relationship between FRA/NECP and Amtrak. Amtrak will be construction manager of work packages assigned to it and as a systems operator responsible for scheduling rail services with construction activities.

The NECP organization is a joint Federal Railroad Administration/Federal Highway Administration project team.

STATUS

FRA has developed a five-year financing plan which DOT believes must be met in order to (1) stay within authorization limitations, (2) complete the project in the specified time, and (3) make the trip times. Budgetary pressures may require decisions involving tradeoffs among these statutory goals and the demands of the national economy.

FEDERAL RAILROAD ADMINISTRATION

AMTRAK

BACKGROUND

The National Railroad Passenger Corporation (Amtrak) was created in 1971 as a "private for profit corporation" to operate rail passenger service over intercity routes. Federal support in the form of $40 million in grants and $100 million in Government guaranteed loans was provided to cover its transition expenses. The Corporation's other source of funds was $197M in "capital payments" from the railroads over three years for relieving them of intercity passenger service.

Experience has shown that Amtrak's operating deficit has constantly grown since the initial legislation; additional grant funds have been required annually totalling approximately $1.5 billion through FY 77. The operating deficit for FY 1977 will be $483 million. Presently, $900 million in guaranteed loans for capital acquisitions is authorized; approximately $657 million of which has been drawn down. Debt service adds approximately $45 million to each year's operating deficit with little likelihood of any of this debt ever being repaid from revenues. Capital funding since FY 1976 has been through grants which realistically recognize Amtrak's inability to reduce debt.

Federal grants presently cover all operating losses, so there is little incentive for the Corporation to effect economies by terminating unprofitable services. On a loss per passenger mile basis, the public subsidy of Amtrak riders ranges from a low of 2¢/mile on the Metroliners to a high of more than 20¢/mile on some routes. The highest avoidable total dollar deficit occurs on the New York-Florida route, which is $13.1 million annually.

The operating deficit is also a result of statutorily-required services the Corporation must operate, management deficiencies and inadequate cost controls, and the impact of inflation. A further factor is the continuing deterioration of the over-aged fleet of rolling stock inherited from the railroads which has only begun to be replaced or overhauled.

Since FY 1974, the role of the Department in controlling the use of Federal funds made available to Amtrak has been significantly reduced by revised legislation.

STATUS

At the direction of the Appropriations Committeees, the Department is studying elimination of some ICC service standards to permit the Corporation to operate within its budget ceiling. Additionally, DOT is looking at alternatives to Amtrak's existing corporate structure to make it more responsive to the public in view of the huge current subsidy. Also, as a member of the Amtrak Board of Directors, the Secretary will be involved in the monthly Board meetings. Of critical importance during the coming months is the Board's review of route and service criteria applied to the Amtrak System and recommendation for changes in the current system. As a member of the Board, the Secretary will be required to participate in operating and budgetary policy decisions that affect Amtrak and as the Secretary he will be required to make recommendations on Amtrak's budget to the President.

FEDERAL RAILROAD ADMINISTRATION

NATIONAL VISITOR CENTER/UNION STATION

BACKGROUND

The main building and concourse of Washington Union Station have been converted to the National Visitor Center (NVC) as called for in the Visitor Center Facilities Act of 1968 administered by the Department of the Interior (DOI). A replacement railroad station financed and built by the railroads to accommodate those functions displaced by the Visitor Center on behalf of commuter and intercity rail patrons is located under the parking garage. Funding included $16 million from the railroads (Chessie and the Penn Central), authorizations to the Department of the Interior, and grants from the Federal Highway Administration and the Urban Mass Transportation Administration. Total funding available is $47.6 million. Current cost estimates for completion total $49.6 million. Because of funding deficiencies, the 1,200-car parking garage is in an unfinished state. An elevated concourse ramp is being constructed to provide direct access from Columbus Plaza to this transit facility. Construction on the southeast portion of this ramp has also ceased due to funding inadequacies. The replacement railroad station is likewise only partially completed; its full development by the Chessie is contingent on completion of the above-referenced Southeast Ramp.

The Department is obligated by the Railroad Revitalization and Regulatory Reform Act of 1976 to develop rail passenger handling facilities for the southern terminus of the Northeast Corridor Improvement Program (NECIP) at Union Station. The partially completed replacement station is inadequate for today's rail activities and even in its fully completed state, would not begin to meet the projected 200-percent increase in passengers resulting from the NECIP. The 1974 Amtrak Improvement Act obligates the DOT to construct a model intermodal terminal at Union Station, incorporating not only the intercity and intracity rail modes, but also intracity and intercity bus modes. Five million dollars was authorized for undertaking this project. The initial study recommended re-utilization of the main building and concourse of Union Station for transportation purposes in concert with an ongoing National Visitor Center.

STATUS

The Department is on record with the Office of Management and Budget (OMB) as to its desire to immediately take over from DOI the responsibilities

associated with completing all projects for transportation purposes as a part of the Visitor Center at Union Station. This will require amending the Visitor Center Facilities Act and negotiating a lease and operating agreement with Amtrak.

FEDERAL RAILROAD ADMINISTRATION

REORGANIZATION OF THE NORTHEAST BANKRUPT RAILROAD ESTATES

BACKGROUND

Following the conveyance of the Northeastern railroad properties to ConRail on April 1, 1976, the bankrupt estates, which had formerly owned those properties, were faced with the problem of dealing with extensive creditor and equity-ownership claims against their remaining assets. Those assets in most cases include non-rail properties, some minor rail properties, and ConRail securities (including certificates of value). Two of the estates, the Penn Central Transportation Company (PCTC) and the Central of New Jersey (CNJ), are presently considering reorganization plans which will deal with the problem. Because the Government is still a creditor to both of those estates, the issue as to the proper posture for the Government with respect to those plans is an immediate one.

STATUS

In the case of the PCTC, the Government has been presented with a formal plan by certain creditors of the estate and has been asked to provide a reaction as to the treatment of the Government's claims. Those claims have the potential of reaching approximately $500 million and since they are covered by United States Railway Association loans under Section 211(h) of the Regional Rail Reorganization Act, guaranteed by DOT, we have a vital interest. Since August, the Department of Transportation has been actively involved in negotiations with those creditors as to the proper treatment of the Government's claims. Formal transmittal of the Government's position is being prepared for and will require the concurrence of the United States Railway Association, as the holder of the 211(h) obligations, and of the Justice Department, as the primary entity responsible for prosecuting Government claims.

In the case of the CNJ, a tentative proposal for treatment of the Government claims, which might amount to $24 million, has been advanced by the Trustee of the estate. That proposal has been analyzed by Federal Railroad Administration staff but has not yet been presented to senior officials of the Department. The Secretary will have to take action on approval of the plan in the near future.

No other estates have yet come forward with proposed plans of reorganization. The Government is a creditor to some of those estates in the

following approximate amounts (in millions): Reading Company - $34 million; Erie Lackawanna - $21 million; and Lehigh Valley - $17 million. In the absence of any reorganization plans for those estates, the Government will pursue satisfaction of its claims through the courts having jurisdiction over their reorganizations.

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

AMENDMENT OF FEDERAL MOTOR VEHICLE SAFETY STANDARD (FMVSS) 208, OCCUPANT CRASH PROTECTION (AIR BAG)

BACKGROUND

Several years ago it was recognized that new restraint systems were available for use in passenger cars that would provide an alternative to lap and shoulder belts. Air cushion restraint systems have been demonstrated to be feasible and possess the characteristics of being passive, meaning that they require no action by the vehicle occupant to be effective, and would prevent many more fatalities than was possible with lap and shoulder belts at existing or foreseeable-voluntary belt usage rates. Standard 208 was amended in March 1971, to require passive restraints in the front seats of passenger cars by August 15, 1973.

The amendment was judicially challenged by automobile manufacturers, and the Court held that the standard was practicable; that the amendment "was proper exercise of its (the Agency's) administrative discretion"; and that the decision to require passive restraints is supported by substantial evidence." However, the Court remanded the standard to the Agency because the test dummy provided in the standard was inadequately objective.

In August 1973, new dummy specifications and calibration procedures were issued, and General Motors began offering air bags as optional equipment on several luxury class 1974 automobiles. In March 1974, NHTSA again proposed to amend Standard 208 to require passive restraints. A comprehensive benefit/cost analysis of the proposed amendment was issued for comment in September 1974 and subsequently modified in response to the comments received.

In October 1974, Congress enacted legislation prohibiting interlock belt systems and continuous buzzers. Although the interlock systems had been a technical success in terms of reduced injuries and fatalities, they were a public relations failure. The Agency immediately rescinded the interlock requirements.

It is projected that if air cushions were in all cars they could save 11,000 fatalities and 170,000 injuries annually, whereas lap and shoulder belts at current usage rates will prevent only 3,000 fatalities and 160,000 injuries. At 70 percent belt usage rates, savings would be comparable. Actively and strictly

enforced State mandatory belt usage laws would probably be required to achieve 70 percent belt usage. NHTSA estimates that air cushion restraints would, on the average, add $131 to the retail price, and 42 pounds to the weight of passenger cars. Gasoline consumption would increase about 5 gallons per year.

STATUS

The current FMVSS 208 requires manufacturers to provide occupant crash protection in vehicles by one of three options:

1. Completely passive restraint systems providing protection in frontal, lateral, and rollover crashes.

2. Passive restraint systems providing protection in frontal crashes combined with seat belts with warning systems providing protection in lateral and rollover crashes.

3. Lap and shoulder belt protection with warning system.

The Department on July 15, 1976, issued a Notice of Proposed Rulemaking containing five options:

1. Continuation of Existing Requirements.

2. Seek Congressional approval of a new Traffic Safety Standard which would cause States to adopt mandatory safety belt usage laws.

3. Federal Field Test of Passive Restraints.

4. Mandatory Passive Restraints.

5. Require automobile manufacturers to make passive restraints available in some models.

A Secretarial decision on this proposal is expected by the end of 1976, but it is not known at this time what the final decision will be or what form it will take.

Any amendment of Standard 208 that requires a restraint system other than a belt system must be submitted to Congress for review and possible disapproval within 60 working days of submittal to Congress. Thus, the new Administration will need to review Secretary Coleman's decision and be prepared to present its views on passive restraint proposals to the House and Senate Commerce Committees by the end of February. (Alternatively, the new Administration may elect to seek Congressional approval for a temporary extension of the statutory deadline to permit more time for consideration.)

FEDERAL RAILROAD ADMINISTRATION

CONRAIL

BACKGROUND

In 1973, the Congress enacted the Regional Rail Reorganization Act of 1973 (RRRA) stipulating four broad purposes that provided for the establishment in the Northeast region of a rail system adequate to meet national and regional service requirements, the reorganization of the present carriers into an economically viable system, assistance to state and local authorities for the continuation of local rail services threatened with cessation, and necessary financial assistance at the lowest possible cost to the general taxpayer. The Act created the United States Railway Association (USRA) as the planning and funding agency and ConRail as the operating railroad to survive the bankrupts. A report by the Secretary of Transportation set forth his conclusions and recommendations relating to rail service in the region on February 1, 1974. USRA was directed to prepare a Preliminary System Plan (PSP) for restructuring the bankrupt carriers within 420 days.

The USRA PSP was released on February 25, 1975. Following extensive hearings conducted by the Interstate Commerce Commission (ICC), USRA refined the PSP and issued the Final System Plan (FSP) on July 26, 1975, recommending a railroad system including a ConRail structure of about 15,000 miles, acquisition of about 2,000 miles of line by the Chessie System and acquisition of trackage on the Delmarva Peninsula by the Southern Railway. As a back-up system, USRA recommended a "Unified ConRail" combining all essential lines into a 17,000 mile system. The Chessie and Southern did not meet the deadline of February 12, 1976, to conclude satisfactory labor agreements to implement the preferred structure, and ConRail began operating the larger 17,000 mile system on April 1, 1976.

The Railroad Revitalization and Regulatory Reform Act of 1976 (RRRR Act) authorized the implementation of the FSP and authorized $2.1 billion for USRA to purchase ConRail securities to assist in implementing the FSP and accomplishing needed improvements. The RRRR Act also established the Finance Committee consisting of the Secretary of Transportation, Secretary of the Treasury and Chairman of the USRA Board. The function of the Finance Committee is to oversee ConRail investment convenants, insure that ConRail attains the overall operating and financial results projected in the FSP and to periodically assess the likelihood that ConRail

will become financially self-sustaining without requiring Federal financial assistance substantially in excess of the amounts authorized. In the event that the Finance Committee makes a finding that ConRail is unlikely to achieve the desired goals, USRA may withhold further funding and the Finance Committee must submit a report to Congress.

STATUS

The Secretary will have to participate in future decisions of the USRA Board and Finance Committee at the next meeting of the Board in February 1977.

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

PASSENGER CAR FUEL ECONOMY STANDARDS - 1981 - 1984

BACKGROUND

Title III, Part A of the Energy Policy and Conservation Act (EPCA) P.L. 94-163, enacted December 22, 1975, incorporated a new "Title V - Improving Automotive Efficiency" to the Motor Vehicle and Cost Savings Act (15 U.S.C. 2001 et seq.). Section 502(a)(3) of Title V requires that by July 1, 1977, the Secretary prescribe passenger car average fuel economy standards for model years 1981-84 set at a level which (1) is the maximum feasible and (2) will result in steady progress toward the prescribed standard of 27.5 MPG for 1985. The Secretary delegated the authority to the NHTSA and this represents a significant increase in the scope of automotive regulatory authority assigned to that agency. The rulemaking in question is one of the most significant in the Department's history.

STATUS

Facts to date indicate the attainment of 27.5 MPG for the 1985 time frame appears uncertain for the manufacturers of a full line of passenger vehicles (i.e. - G.M., Ford, Chrysler). The technological analyses that are necessary require that engineering assumptions be made, and projections be made nine years into the future. Hindsight may make some of our initial assumptions and projections appear ill-conceived, and may tend to undermine the validity of the Automotive Fuel Economy Standards (AFESs). NHTSA will not be able to raise the AFESs above levels set in the rule if it becomes apparent that they are set too low, unless the change is made more than eighteen months prior to the beginning of the affected model year. Realistically, however, many of the technological options available involve appreciable risk. A full-line manufacturer would have to institute one or more of the following steps: (1) reduce automobile acceleration below current norms; (2) adopt the light-weight diesel engine in appreciable numbers; (3) introduce innovative automobile structures in the early 1980's; (4) accelerate the development and introduction of upgraded transmissions; (5) provide incentives for purchase of smaller cars.

EPCA places the most significant burden upon small full-line vehicle manufacturers who have the greatest problems in obtaining the added capital required to meet the standards. One possible strategy to ease the problem would be to propose amending the EPCA, to set standards on an annual basis instead of the current requirement for establishing 1981 through 1984 standards at one time. Non-passenger automobile fuel economy standards (e.g. off road vehicles, light trucks) are established

year by year, allowing different standards for different "classes" of vehicles, whereas passenger vehicles are required to meet a single average fuel economy standard for every manufacturer during each year.

The EPCA requires that economic practicability be considered in the drafting of fuel economy standards. Economic practicability is interpreted to include effects on individual manufacturers, automotive and supplier industries as a whole, and the Nation's consumers. Potential trouble would develop if predicted scenarios, based on best current knowledge, were to fail as follows: (1) unsatisfactory results occur in fuel economy improvement despite major investments; (2) strong buyer resistance reduces auto sales by a significant amount; or (3) a major auto manufacturer goes bankrupt. Such a failure would be most apt to occur during a general economic downturn. Public policy considerations associated with fuel consumption are: higher fuel prices and potentially severe shortages as domestic supplies are depleted; undesirable reliance on petroleum imports; the undesirable effects that future development of domestic energy resources could place on the environment; and a desire to reduce the rate of exhaustion of nonrenewable resources.

There exists a critical need for the Nation to conserve fuel in both the long and short term. Our ever-increasing dependency on foreign sources will have severe adverse effects on the Nation's balance of trade, and major disruptions in our economy could result from geo-political ambitions of oil-producing nations. The automotive fuel economy program represents a significant portion of the total EPCA effort to alleviate this critical situation.

The EPCA standards possess the following attributes: (1) they mandate the achievement of the Nation's post-1980 fuel economy goals instead of relying on market forces alone; (2) if the standard leads to more fuel-efficient automobiles than the market would have produced, as expected, the average operating costs will be reduced; (3) other inducements (e.g. tax credits) probably would be insufficient to motivate producers to undertake the necessary risky investments; (4) the standards leave purchasers with a considerable range of choice among car lines; (5) if consumers do not choose to purchase fuel-efficient automobiles and cause the manufacturers to incur civil penalties for noncompliance, consumers will in effect be taxed if the manufacturers increase the price of fuel inefficient cars to finance their civil penalties. The EPCA requires the Secretary of Transportation to report by January 1979 on the feasibility of meeting the fuel efficiency standards.

Actions which could increase consumer demand for fuel-efficient vehicles include: increased fuel taxes, deregulation of fuel prices, as well as variable excise taxes based on automobile fuel efficiency.

URBAN MASS TRANSPORTATION ADMINISTRATION

SECTION 13(c)

BACKGROUND

Since the beginning of the UMTA program in 1964, the legislation has contained a provision--known as "13(c)"--which requires the Secretary of Labor to certify as a condition of any UMTA capital grant that "fair and equitable arrangements" have been made to protect the interests of employees affected by such assistance. In 1974, these labor protective provisions were also applied to UMTA operating assistance grants when that authority was first enacted. Section 13(c) is grounded in practice, developed under the Interstate Commerce Act having to do with railroads, and was initially thought to be necessary to protect workers from harm as private transit companies were converted to public ownership with the help of UMTA grants. The legislative history makes clear that collective bargaining between transit management and labor was contemplated as the principle means by which protective arrangements would be defined, although the Secretary of Labor is clearly empowered to determine those arrangements on his own initiative.

STATUS

Major problems have grown up around the application and administration of the 13(c) provisions. The funding sources (local and State governments) and the transit operators allege that the way the Department of Labor(DOL) has administered the law has given transit unions an effective veto over all UMTA grants. They feel that an unnecessary annual collective bargaining event around protective arrangements has been created which unbalances labor-management relations generally and is used as leverage at the bargaining table on other issues, such as wages. Feelings run particularly strong about the application of 13(c) to operating assistance, with management arguing that Federal subsidy for operational costs can only help--not hurt--the interests of labor.

During the summer and fall of 1976, the Departments of Labor and Transportation negotiated at length to develop a set of administrative simplifications to 13(c) practice. Four key agreements were reached, with the help of the White House. The question now will be to press those agreements into practice by a reluctant DOL and over the objections of the unions (principally the Amalgamated Transit Union).

A fifth point was not resolved, and major efforts should be made to press the DOT position. On typical operating assistance grants, UMTA and DOT have argued that the Secretary of Labor should make a "negative declaration," finding that there is no reasonable likelihood of harm and therefore no need to negotiate and sign a protective arrangement around that grant. Virtually all key interest groups--the Conference of Mayors, the Governors Conference, the National Association of Counties (NACO), and the American Public Transit Association (APTA) strongly support the DOT position.

URBAN MASS TRANSPORTATION ADMINISTRATION

LEGISLATION

BACKGROUND

The National Mass Transportation Assistance Act (NMTA) was enacted in 1974 and projected an UMTA program with a six-year life (FY 1975-80). There has been a general consensus that the duration of the program should be extended periodically, on a rolling basis, so that UMTA can continue to make the multi-year contract commitments that are necessary in a program requiring major construction. Both the House and Senate are expected to act during 1977 to extend the UMTA program in some manner and/or to add new funding. President Ford decided this year to seek new authorizations for UMTA for FY 1980 and beyond, permitting the agency to spend out its capital grant authority in five years (FY 1974-79) rather than six years. Further, a bill to extend operating assistance grants to small urban and rural areas passed the Senate and almost passed the House in 1976, and is expected to be revived early in the 1977 session.

STATUS

The section 5 formula grant program is currently authorized through FY 80, and no immediate action on that program is necessary. The discretionary capital grant authority under section 3 is all committed. If the new Administration wants to continue assistance for additional rail transit projects, beyond those now committed in FY 79, legislation will have to be on the Hill by May 15, 1977. Harrison Williams will almost certainly be introducing his own bill in any event.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

TOLL DISCUSSIONS WITH CANADA AND ESTABLISHMENT OF U.S. POLICY

BACKGROUND

The Saint Lawrence Seaway is the vital international water transportation artery which provides access by ocean vessels to the industrial and agricultural heartland of America through Great Lakes ports. Access to U.S. ports such as Cleveland, Chicago and Duluth is through both Canadian and U.S. waters. The Saint Lawrence Seaway Development Corporation operates the Seaway jointly with the Saint Lawrence Seaway Authority of Canada. Daily interface between the two Seaway entities is required to assure proper operation of the system. Both Seaway entities are specifically directed by the statutes of their respective countries to negotiate directly with one another in establishing the level of tolls and the division of the revenues which those tolls generate.

Funds for operation and maintenance of the Seaway, for capital improvement, and for retirement of the original capital investment are obtained solely from fees charged to the users of the Seaway's facilities. The Seaway is the only inland waterway in the Continental United States which levies user charges.

Present tolls of $.90 per ton general cargo, $.40 per ton bulk cargo and $.04 per ton on the gross registered tonnage of the vessel have been in effect since 1959. Canada receives 73% of the revenue from tolls and the United States receives 27%. This division is roughly in the ratio of the investment by each country for the section of the Seaway lying between Montreal and Lake Erie. Canada also assesses lockage charges at the Welland Canal which lies between Lake Ontario and Lake Erie of $100 per lock for each of the eight locks. The United States does not participate in these revenues.

Currently, the revenues received by Canada fall far short of meeting their operations and maintenance costs. U.S. Seaway Corporation revenues are currently sufficient to meet our operating costs and retire our outstanding debt, which has now been reduced to $118,000,000. However, we estimate that beginning next year, FY 1978, we will no longer be able to fully meet our debt repayment schedule from revenues and beginning in FY 1983 we probably will be unable to meet our operations and maintenance costs.

The Saint Lawrence Seaway and its toll levels have been a matter of considerable political discussion over the past years. The Seaway has strong bipartisan support in Congress, especially from the Conference of Great Lakes Senators and the parallel organization in the House of Representatives. Attempts at toll increases in the past have been opposed by the United States largely as a result of the efforts of these groups.

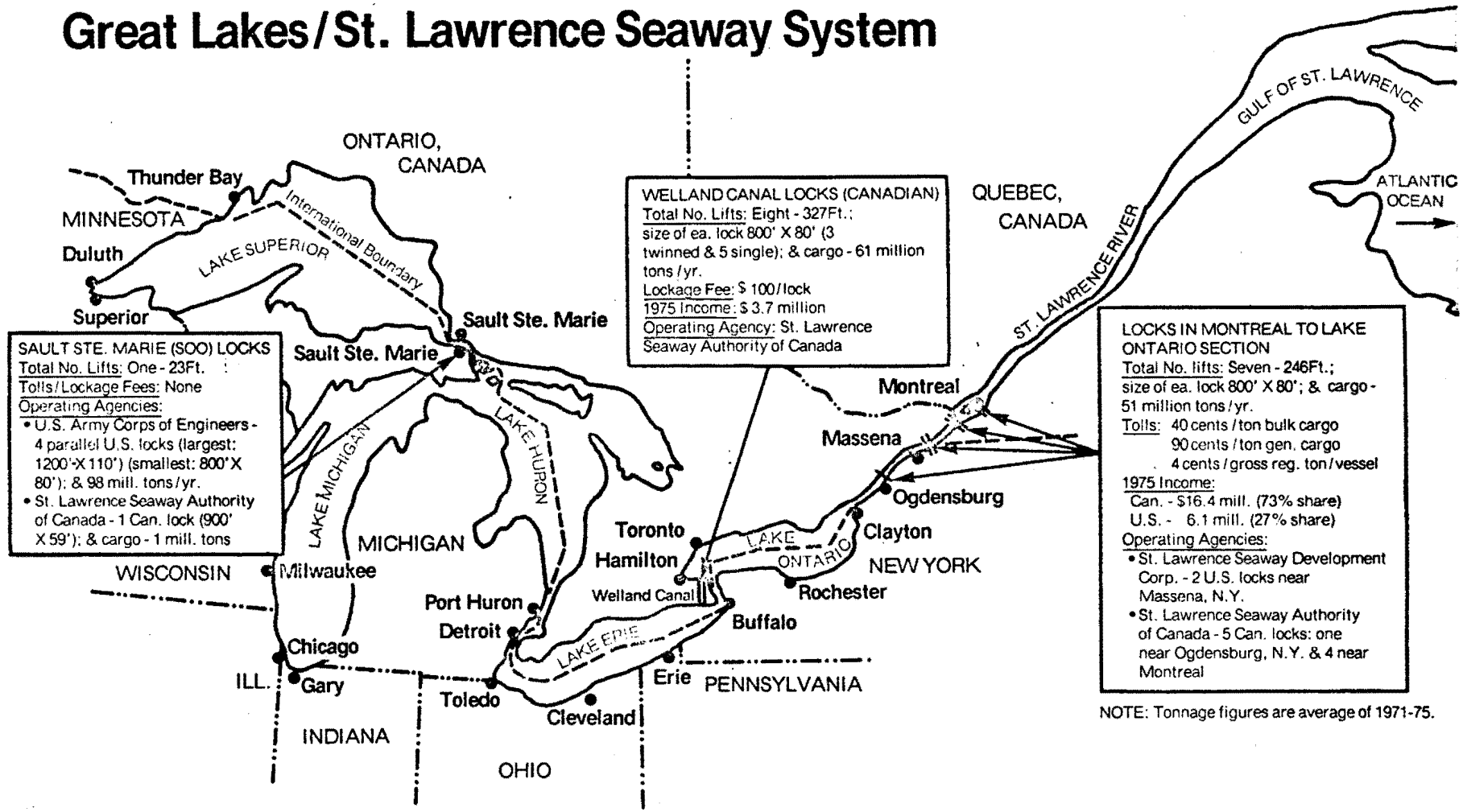
STATUS

Canada has indicated that it will shortly make a formal request for a substantial increase in tolls in the Seaway system. Because the United States does not participate in the Welland Canal revenues the Canadian request will probably be to assess toll increases primarily on the Welland. If allowed, this would in effect give Canada virtually complete control over U.S. goods moving through the Seaway system.

Based on informal advice we believe their request will include toll increases exceeding twice the present level. Unfortunately, higher tolls of the magnitude expected would impact negatively on U.S. cargoes, which are much more susceptible to diversions than are Canadian cargoes. As a result, the impact will be largely felt by U.S. Great Lakes ports.

Once Canada makes a formal request to increase tolls, the problem will be to establish a U.S. policy which is acceptable to the Executive and Legislative Branches of our government and then to negotiate with Canada in an effort to arrive at a solution acceptable to both countries. This will be an on-going matter which will require the early attention of the incoming Administration.

Great Lakes/St. Lawrence Seaway System



SAULT STE. MARIE (SOO) LOCKS
Total No. Lifts: One - 23Ft.
Tolls/Lockage Fees: None
Operating Agencies:
- U.S. Army Corps of Engineers - 4 parallel U.S. locks (largest: 1200'-X 110') (smallest: 800' X 80'); & 98 mill. tons/yr.
- St. Lawrence Seaway Authority of Canada - 1 Can. lock (900' X 59'); & cargo - 1 mill. tons

WELLAND CANAL LOCKS (CANADIAN)
Total No. Lifts: Eight - 327Ft.; size of ea. lock 800' X 80' (3 twinned & 5 single); & cargo - 61 million tons/yr.
Lockage Fee: $ 100/lock
1975 Income: $ 3.7 million
Operating Agency: St. Lawrence Seaway Authority of Canada

LOCKS IN MONTREAL TO LAKE ONTARIO SECTION
Total No. lifts: Seven - 246Ft.; size of ea. lock 800' X 80'; & cargo - 51 million tons/yr.
Tolls: 40 cents/ton bulk cargo
90 cents/ton gen. cargo
4 cents/gross reg. ton/vessel
1975 Income:
Can. - $16.4 mill. (73% share)
U.S. - 6.1 mill. (27% share)
Operating Agencies:
- St. Lawrence Seaway Development Corp. - 2 U.S. locks near Massena, N.Y.
- St. Lawrence Seaway Authority of Canada - 5 Can. locks: one near Ogdensburg, N.Y. & 4 near Montreal

NOTE: Tonnage figures are average of 1971-75.

Mileages: Duluth to Sault Ste. Marie – 394
Sault Ste. Marie to Port Huron, Mich. – 269
Port Huron to Welland Canal – 575
Welland Canal to Clayton, N.Y. – 186
Clayton to Montreal, Canada – 189
Montreal to Gulf of St. Lawrence – 425

CONGRESSIONAL STUDIES AND REPORTS

On the following pages are two listings of reports the Department must submit to Congress during the January 31 - June 1 period. These reports to Congress include any study that is either mandated by legislation or requested by a Congressional Committee. The first listing includes only those reports mandated on a one-time basis and the second listing includes those reports the Department must submit to the Congress annually.

ONE-TIME REPORTS DUE TO CONGRESS FROM JANUARY 31, 1977 to JUNE 1, 1977

NATURE OF REPORT	RESPONSIBLE OFFICE	DUE DATE TO S-1	DUE DATE	AUTHORITY
1. On the Fisheries Conservation and Management Act of 1976.	USCG	Feb. 1	March 1	P.L. 94-265
2. On the National Plan for Navigation.	OST	Feb. 15	March 15	House Subcommittee on Transportation
3. The Interstate Funding Study.	FHWA	Jan. 1	Feb. 5	Sec. 150(a) Fed.-Aid Highway Act of 1976
4. Study on the need to provide Federal Financial Assistance for Resurfacing, Restoration and Rehabilitation of Routes on the Interstate System.	FHWA	April 5	May 5	Sec. 150(b) Fed.-Aid Highway Act of 1976
5. Study on Highway Needs to Solve Energy Problems.	FHWA	April 5	May 5	Sec. 153 Federal Aid Highway Act of 1976
6. Study on the Highway Safety State and Community Grant Program.	NHTSA	June 1	July 1	Sec. 208(b) of the Federal-Aid Highway Act of 1976
7. Energy Program Review Report.	NHTSA	Dec. 15	Jan. 15	Sec 502(a)(2) of the Energy Policy and Conservation Act

NATURE OF REPORT	RESPONSIBLE OFFICE	DUE DATE TO S-1	DUE DATE	AUTHORITY
8. School Bus Safety Program.	NHTSA	Dec. 8	Jan. 8	P.L. 94-346
9. West Coast Corridor Study.	FRA	Dec. 30	Jan. 30	AMTRAK Act of 1974
10. Study on Section 902 of the 4R Act.	FRA	Jan. 5	Feb. 5	Sec. 902 Railroad Revit. and Reg. Reform Act of 1976
11. Study on Section 503 of the 4R Act.	FRA	Dec 30	Jan. 30	Sec 503 Railroad Revit. and Reg. Reform Act of 1976
12. On the conversion of abandoned Railroad Rights of Way.	FRA	Dec. 30	Jan. 30	Railroad Revit. and Reg. Refrom Act of 1976

RECURRING REPORTS DUE TO CONGRESS FROM JANUARY 31, 1977 TO JUNE 1, 1977

	NATURE OF REPORT	RESPONSIBLE OFFICE	DUE DATE TO S-1	DUE DATE	AUTHORITY
1.	On approved projects re urban area traffic operations improvement programs (TOPICS)	FHWA	Dec. 31	Jan. 31	23 U.S.C. 135(c)
2.	On management improvements & review of positions vacated; required by Government Employees Salary Reform Act of 1964 (Semiannual)	TAD-23	Dec. 31	Jan. 31	July '67 ltr Manpower 7 Civil Serv. Subcomte., House P.O. & C.S. Comte.
3.	On findings re performance of Federal-aid highway construction work that a method other than competitive-bid contract is in the public interest (Semiannual)	FHWA	Jan. 31	Mar. 1	23 U.S.C. 112(b)
4.	On outstanding grants and other contractual agreements under sec 4(c), Urban Mass Transportation Act	UMTA	Jan. 31	Mar. 1	48 U.S.C. 1603(d)
5.	On Freedom of Information Act Denials	S-80	Feb. 15	Mar. 1	5 U.S.C. 552(d)

NATURE OF REPORT	RESPONSIBLE OFFICE	DUE DATE TO S-1	DUE DATE	AUTHORITY
6. On amendments & modifications of contracts under authority to facilitate national defense.	Contracting Office of using agency	Feb. 15	Mar. 15	50 U.S.C. 1434
7. On effectiveness of antihijacking measures and recommendations (Semiannual)	FAA	Feb. 15	Mar. 15	P.L. 93-366 Sec. 315(a)
8. On administration of the Natural Gas Pipeline Safety Act of 1968 (incl. 10 specified items) & legislation recommendations	TES-5	*Feb. 5	Mar. 17	49 U.S.C. 1683
9. On scope of services under subchapter III, title III, Intergovernmental Coop. Act of 1968.	Office of using agency	Feb. 28	Mar. 30	P.L. 90-577 Sec. 304
10. On progress under Title I (Bumper Standards) Motor Vehicle Information & Cost Savings Act	NHTSA	Mar. 1	Mar. 31	P.L. 92-513 Sec. 112

*Transmitted by the President

NATURE OF REPORT	RESPONSIBLE OFFICE	DUE DATE TO S-1	DUE DATE	AUTHORITY
11. Joint; by Secretaries of DOT & HUD on how Fed activity can assure that urban transp. systems best serve natl. transp. needs and urban development	S-8	*Feb. 19	Apr. 1	49 U.S.C. 1653
12. On use of USCG housing authority	USCG	Mar. 1	Apr. 1	14 U.S.C. 475(f)
13. On number, rank, & positions of Armed Forces members detailed to DOT	TAD-12	Mar. 25	Apr. 1	49 U.S.C. 1657(d)(2)
14. On activities under the High Speed Ground Transportation Act of 1965	FRA	Mar. 3	Apr. 15	49 U.S.C. 1640(a)
15. On financial condition of the Penn Central Railroad	FRA	Mar. 27	Apr. 25	45 U.S.C. 669
16. On admin. of title II, Fed. Railroad Safety Act of 1970, & recommendations for add. legislation	FRA	*Mar. 21	May 1	45 U.S.C. 440

*Transmitted by the President

NATURE OF REPORT	RESPONSIBLE OFFICE	DUE DATE TO S-1	DUE DATE	AUTHORITY
17. On transportation of hazardous materials, & recommendations for add. Legislation	TES-5	*Mar. 21	May 1	P.L. 93-633 Title 1
18. On nonappropriated Fund Facility Construction	USCG	Apr. 15	May 15	USCG Policy
19. SLS Annual Report	SLS	Apr. 15	May 15	SLS Act P.L. 358
20. On contracts negotiated without advertising either a) for experimental, development, or research work, or b) as in the interest of natl. defense; citing contractors, amts., & work under each contract	USCG	Apr. 15	May 15	10 U.S.C. 2304(e)
21. On implementation of National Transportation Policy	TPI	Apr. 22	May 21	49 U.S.C. 1702(b)
22. Northeast Corridor Improvement Project Annual Report	FRA	Jan. 5	Feb. 5	49 U.S.C. 801

*Transmitted by the President

F. CARRYOVER LEGISLATION

CARRYOVER LEGISLATIVE PROPOSALS TO CONGRESS

95-1. -- Aviation Regulatory Reform -- This proposal would extend the philosophy of the Railroad Revitalization Act into the aviation area. Its basic purpose is to reform an excessively restrictive Federal aviation regulatory policy and to increase reliance upon the competitive forces of the market place. The bill will increase pricing flexibility, ease entry and exit limitations, and restrict anticompetitive agreements.

Status -- Introduced in the 94th Congress as H.R. 10261 and S. 2551. Hearings were held in the House and Senate in 1976.

Cost -- None.

95-2. -- Motor Carrier Regulatory Reform -- This bill would extend the philosophy of the Railroad Revitalization Act into the motor carriage area. Its basic purpose is to reform an excessively restrictive Federal motor carrier regulatory policy and to increase reliance upon the competitive forces of the market place. The bill will deal with such areas as increasing pricing flexibility, easing entry limitations, and removing artifical restraints to private carriage.

Status -- Transmitted to the 94th Congress on November 13, 1975. Introduced as H.R. 10909 and S. 2929. House hearings were held in September 1976.

Cost -- None.

95-3. -- No-Fault Auto Insurance Reform -- The Administration has never foreclosed the possibility of endorsing some type of Federal action to ensure the realization of no-fault auto insurance reform. From the beginning in 1971, various Administration officials have repeatedly and publicly stated that the alternative to timely and reasonable reform action by the States was preemption of the reform decision by the Federal Government.

Status -- The Department strongly recommended that the Administration support S. 354/H.R. 9650 in the 94th Congress. S. 354 was favorably reported from the Senate Commerce Committee on July 15, 1975, but the Senate recommitted the bill to Committee on March 31, 1976. H.R. 9650 was favorably reported by the Consumer Protection and Finance Subcommittee to the House Interstate and Foreign Commerce Committee, but no further action was taken.

95-4. -- Implementation of the 1972 IMCO International Regulations for the Prevention of Collisions at Sea -- This proposal would implement the IMCO Convention on the International Regulations for Preventing Collisions at Sea, 1972, with a grant of broad regulatory authority.

Status -- Introduced in the 94th Congress, 1st Session as S. 1348 and H.R. 5446. H.R. 5446 passed the Congress in modified form but was vetoed by the President in October 1976 because of a one-House veto provision.

Cost -- There are no cost implications to this proposal.

95-5. -- Comprehensive Oil Pollution Liability and Compensation -- This proposal would provide a comprehensive system of liability and compensation for oil spill damage and removal costs, to implement the International Conventions on Civil Liability for Oil Pollution Damage and the International Fund for Compensation for Oil Pollution Damages.

Status -- This proposal was introduced in the 94th Congress as H.R. 9294 and S. 2162.

Cost -- Estimated additional costs for the first five fiscal years following enactment are:

FY 1: $1,534,000
FY 2: $1,395,000
FY 3: $1,395,000
FY 4: $1,395,000
FY 5: $1,395,000

95-6. -- Coast Guard Regulatory Modernization -- This proposal is a composite of three bills all directed at eliminating outdated and burdensome requirements and permitting the introduction of modern techniques into the Coast Guard's oversight of maritime commerce. The bills relate to seamen and vessel documentation and measurement of vessels.

Status -- Transmitted to Congress on November 18, 1975. Introduced as H.R. 11410, 11411, and 1412 in the 94th Congress.

Cost -- This proposal would result in cost reduction of approximately $700,000 a year to the Government.