

December 13, 1954

MEMORANDUM FOR THE RECORD:

Eno
Center for
Transportation

Meeting of General Clay's Committee with Government Interagency Committee on President's Highway Proposal

All of General Clay's Committee and all of the Government Interagency Committee, with the exception of Mr. du Pont, the Chairman, were present; also Mr. Hauge. General Clay stated that their plan was designed so that there would be no increase in the public debt; no increase in the annual appropriation; and no increases in taxes. Reports from the field indicate it would take \$23 billion to bring the interstate up to the proposed standard; and they felt at least \$4 billion would have to be added for urban access. The system was to be planned to meet traffic conditions in 1974; life of the works to be 30 years. What States are now doing should continue. Of present Federal aid program \$622 million would be frozen for continuance of the various sections of Federal aid.

It was figured that the U. S. gas and lubricating taxes would support somewhere between \$23 to \$28 billion which would finance the program; that the increment in taxes due to the increase in traffic would probably be greater than amount necessary. As to toll roads, General Clay stated that they wished to encourage toll roads but decision as to toll roads and construction was to be by the States. If a State decided to build a toll road the new Authority would give them the funds equal to what the cost would have been to build the highway according to the Authority plan elsewhere. They believe they are thus encouraging toll roads and that this will lead to 5 to 6 billion toll roads being so built.

He stated that one of the original assumptions was that there would be no toll roads built by Federal funds. I asked him why they made that

decision. He stated three reasons; namely, (1) that they believed there would be a tremendous political furor if any toll road authority prescribed varying rates of tolls in the different States, (2) that many State Governors would not have toll roads in their States and this would lead to great opposition, and (3) in view of all the political considerations of such a program, his Committee would not wish to recommend a program which they thought was so infeasible as to be "whipped" before it got started. (My comment on this is that this is undoubtedly so now but if the original approach had been to sell this new highway as a brand new concept of a national road, it could have been done). In view of the strong statement in this respect, I no longer pursued the question of toll roads.

General Clay stated there would be a 5-man authority, of which the Chairman would be paid; that the Commissioner of public Roads would be the Executive Director; that it would be staffed entirely by the Bureau of Public Roads; that the Secretaries of the Treasury and Commerce or their representatives would be members of the 5-man authority. Question was asked who would make the annual plans for each year's program. He stated the "Authority". However, later when the statement was made that in the past all programs had been initiated by the States, he stated that the design and plans would continue to be submitted by the States for approval to the "Authority". Mr. Roberts then brought out that since under the new plan it would be known in advance what funds would be available, the annual program could be planned for well in advance with certainty of receiving certain amounts and that also since all these funds would be Federal, there could be no reason to not expect complete plans would be submitted in time for prompt initiation of work. In response as to whether there would be flexibility so that the program might be used as an anti-cyclical tool,

General Clay said there ought to be a great amount of flexibility, that their intent is to give the new organization a maximum amount of authority; that the head of the "Authority" spot work as to location and also within some limits increase or decrease the program at any one time. However, it was brought out that the annual appropriation by Congress would necessarily impose some limitation on this flexibility. (Comment: I believe they are over-optimistic as to this flexibility.)

Question was asked whether there might not be some funds required initially to the program before any revenues or bonds were issued. General Clay thought very little would be thus necessary but he would inform BOB of that after a few days' study.

General Clay stated that he was to submit the plan between Christmas and New Years but they might ask for some delay in order that they could consult leaders of Congress.

The representative of the Treasury seemed to be quite happy about the entire matter and stated that the secret of it all was the magnitude of the rates from the gasoline tax and its anticipated growth within the next 10 years as being capable of supporting such a large expenditure.