

Eno

MEMORANDUM TO THE COUNCIL
Center for
Transportation

January 20, 1955

A meeting was held in Mr. du Pont's office, presided over by Mr. Martin of the White House staff, with reference to the President's Advisory Committee's Report. Mr. Martin apparently wanted suggestions as to Presidential message on the report and possibly legislation. He was surprised when Mr. du Pont, Mr. Folsom, and Mr. Pearson brought out that the Inter-Agency Committee had not been kept informed nor given advice to the Clay Committee; and also that the Bureau of the Budget and the Treasury Department felt certain serious matters in the report should be cleared up.

Mr. Pearson remarked that Roger Jones' memorandum of January 14 calling for comments had put pressure on all addressees to have answers in today. However, Mr. du Pont said Secretary Weeks was out of town and would not be back for several days. Mr. Martin wants a meeting on Saturday, at which time he hopes all the comments can be considered and differences resolved.

I did not know until I arrived at the meeting today that any comments had been called for by the Bureau of the Budget six days ago.

I made the point that we have had two or three months to put forward any matters we felt strongly about; that this had been done in the case of toll roads and decision received from the President's Committee; that it seemed to me that the Committee Report had been submitted to the President, widely broadcast and now was in printed form; that now every effort to back it up should be made.

Letters from the American Trucking Association and the National Association for Motor Bus Operators addressed to the White House were read before Mr. Martin arrived. These letters reflected the group interests of these organizations, namely: that Federal highway aid continue; that the Federal Government finance the Interstate System; that there be no toll roads; that money paid to States who had existing toll roads be utilized to retire bonds in order to hasten the making of the roads free; that there be no future toll roads.

Mr. Folsom remarked that he thought the President's message should be very general and that the Administration itself should not draw up a bill but let Congress do that. When Mr. Martin arrived later he stated he thought the message should be rather specific although that was before he knew that there were important matters in the Report being questioned. Mr. Folsom said that General Clay had convinced Secretary Humphrey that the gasoline tax could do the financing; that the Secretary had, prior thereto, wanted tolls; that the Treasury Department still thinks it is a good over-all plan; that, however, if there are any tolls to be collected anywhere they were still hopeful that somehow the U. S. Treasury might benefit therefrom.

The Treasury is still struggling with the problem of just what arrangements they can make to channel gasoline taxes so that revenue from them can

be made to the new Corporation. The Treasury stated that the Corporation might be made a partnership one with the States, in which case it would be easier to have the Corporation's bonds outside the debt limit. Mr. du Pont thought this would be complicated.

Frequent mention was made of Senator Byrd's opposition and ideas although Mr. du Pont said that Mr. Anderson (Road Commissioner in Virginia?), who attended the meetings of the Clay Committee and had spoken in favor of its plan had been Byrd's adviser on roads.

Mr. Folsom said the Treasury had some objections to the provision suggested to authorize the Corporation to receive funds from the States to extend its bond issues. Mr. Folsom said that the Treasury wanted nothing to do with State financing; and that they, the Treasury, wanted to deal with only the Interstate System. Mr. Folsom also said one of the biggest problems was how to handle existing toll roads. The Treasury does not favor paying for them.

It was stated that the matter on the Report and message thereon was to come up at the Cabinet meeting on Friday but Mr. Martin stated that this could be postponed. (I took it that it would be postponed because of all the issues that had been raised.)

Mr. Pearson said that the Comptroller General had displayed opposition to the formation of a new corporation because of certain legal reasons and, therefore, thought was given to changing it to an Authority. I believe there is a law which specifically mentions that the obligations of all Federal Corporations must be considered within the debt limit.

Mr. du Pont felt that the administrative setup in the top management is not clear. The Report provides that the primary function of the new agency is to exercise the proposed financing authority; then later that it would approve agreements with the States and resolve differences between the States and the Bureau of Public Roads. Du Pont felt that this was conflicting. Others also felt that it was not clear just who was carrying the responsibility for the execution of the work and who was holding whom responsible and to whom. Mr. du Pont thought this could be cleared up.

Mr. du Pont also felt that the man who would be in charge should have greater authority as to hiring new men at appropriate salaries. Mr. du Pont felt, however, that a very small amount of increased administrative expenditure would be needed for the Bureau of Public Roads to administer the project.

My own comments (not made at the meeting). These are made in the light of the situation now, since the Committee's Report is out and in print.

1. Toll Roads

My most basic comment has always been that this could have been a toll proposition. However, in view of everything that has happened, I believe it should now be accepted that this cannot be attained and that we should accept the Advisory Committee's Report in this respect.

2. Use of the Gas Tax

(a) Hereto I have opposed this but since it has been accepted in principle by the Treasury I think opposition should be dropped. If the issuance of bonds becomes a major objection because of the total high interest involved (\$11.5 billion), I believe the Federal gas tax should be increased from 2¢ to 3¢ or 3½¢, whatever is necessary so that the project can be paid for on a pay-as-you-go basis. This was not mentioned at the meeting, but at one time Mr. Kestnbaum was for it and various writers have been for it.

(b) The Treasury Method of Channeling of the Gas Tax to the New Program. Although the Treasury has never established a special fund into which all taxes from one source had been collected, neither has the Federal Government ever gone on record that they propose to finance a specific program from one specific revenue source. I think it would appear to be the clearest cut way to do it. It must be remembered that the plan envisages \$623 million a year being first set aside from gas tax revenue for the Federal aid road system. To insure this and to know exactly what the new Corporation can count on in successive years for the great new program, I think the Treasury would almost have to establish such a separate fund.

3. Management

Fundamentally, I have always felt that the new agency should have a strong management whose functions and authorities are clearly defined. After such definition it could be provided that qualified personnel from the Bureau of Public Roads be transferred to it or to it as a new division of the Bureau, and that the Corporation operate through the State Highway Departments. I still feel that anything less than this will result in weak administration.

I also feel just a small increment to present administrative costs of the Bureau of Public Roads is wishful thinking. If it were true, then most certainly the Bureau of Public Roads must have a presently wasteful administration. It is hard to see how an organization that has been administering Federal aid of a magnitude of a half billion dollars a year can take on a great pressure program of five times that amount with only a small addition to its administrative overhead. For management I believe that there should be a managing director with an efficient staff of professional men, and that there be an advisory board consisting of the Secretary of the Treasury, Commerce, and Defense, - which advisory board will have the financing function. The managing director of the Authority can be made responsible to the Secretary of Commerce and the new Authority placed in that department. The chain of authority and responsibility should be clearly outlined. These matters would be clarified in the appropriate section of the Report.

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January 24, 1955

Attended a meeting in the Conference Room, west end of the White House, on the general subject of the Clay Report on Highways. Present were Governor Adams, Mr. Martin, Director of the Budget, Hughes, Assistant Director of the Budget, Pearson, Under Secretary of Agriculture, Peterson, Major General Yount (Army), Mr. Lanphier (from Army or Defense), Dr. Hauge (had to leave early), Secretary Humphrey, Under Secretary Folsom, Secretary Weeks, Mr. du Pont, and Mr. Turner, Bureau of Public Roads.

There was much discussion as to how to handle the Clay Report; whether it should be forwarded as representing the President's views; forwarded merely as informative; not forwarded at all, but a message written outlining major points which were thought acceptable, and various other alternatives.

Treasury had a number of things on which they could not agree. Mr. Humphrey said he could not go along with having the Highway's costs a charge against general revenues but he was willing to subscribe to the theory of a "dedicated" tax such as the gas tax. Treasury thought that the message should have a very broad approach. Governor Adams stated that he felt we had to back up the Clay Report in general, the Report's main point being that the Federal Government was going to take over responsibility for interstate roads and that the financing would be by the gas tax revenues. He indicated that the White House had first thought it would be a toll road but the Committee had found otherwise. Later Governor Adams seemed to defer to having more consideration given to the major points not agreed to by Treasury. It was brought out that due to the events of the week the message on Roads would not be sent up on the 27th but next week some time.

Department of Commerce wanted clarification on the management details. Bureau of the Budget thought that there were quite a lot of financial details which should be worked out although they did not clarify this as much as the Treasury. It was then also brought out that very probably Mr. Martin and Governor Adams should discuss the matter with the Congressional leaders that would handle it. He stated that the Congressional forces generally expect a bill as a point of departure for them to work on. It was finally decided that Mr. du Pont should draw up the major provisions and skeleton draft of a bill; that also Treasury and Budget should get together on what they thought should be the financing provisions, assuming, however, the basic recommendations of the Clay Report, namely the gas tax, should be the source of revenue. When these things have been done, there will be preliminary meetings in the White House to crystallize, and then a meeting between Mr. Martin and Governor Adams with the Congressmen of the Committee and Subcommittee who will handle the matter.

First of the foregoing preliminaries will be a meeting on financing between the Bureau of the Budget and the Treasury at 11:00 in Mr. Hughes' office tomorrow, January 25. Later will be a meeting of Mr. du Pont's Inter-Agency Committee probably Thursday morning, January 27, in Mr. du Pont's office on the draft he has prepared. Do you think I should attend the former meeting or shall we now leave the matter of financing up to Treasury and the Bureau of the Budget to thrash out?

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January 27, 1955

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Financing National Highway Program

Mr. Pearson, Bureau of the Budget, told me yesterday evening that he expected a meeting would be called some time today probably in the White House west conference room on the subject of roads; that they sent over their paragraphs on financing; that they also sent over the rough draft of legislation covering the other elements than financing; that Mr. McCann was to take the data that he needed for the message from the two of them. With respect to financing, Mr. Burgess and the Bureau of the Budget asked me to assist in writing a paragraph on toll roads. They ruled out any purchase of toll roads already built after vacillating on this.

They finally, however, included a provision that from toll roads built in the future the Federal Government would receive a share of the toll even to the extent of in excess of what was necessary to cover amortization, if this should be feasible. *(Waters not so sure of this)*

Section 13 of the Highway Act of 1954 required a study to include toll highways to be submitted to Congress February 1. This report is practically finished and on Mr. du Pont's desk. I am told confidentially that the findings on tolls are probably along the lines of the Clay Report, but that ^{some} those of the research department of public roads are against toll roads and that this colors the report. Of course it is based on never permitting toll collections in one State to be used in another. I believe it is indefensible to make such a nation-wide study on the basis that this country is 48 countries instead of one.

I am exceedingly disturbed on this subject of toll roads. I do not believe American people should be saddled with a \$31 billion debt, \$11½ billion of which is interest, if the roads could be gotten for nothing.

I attended a meeting yesterday held by the Commissioner of Education on the subject of an educational program. Three top men of the 3 leading educational groups in the country were there. They said they meant to oppose the program vigorously and their major reason was that the road program was going to demand \$70 billion of funds from the States in the next 10 years and that this would use up all the money they had for education as well as roads. While this is not true it would be very hard to unfix it in the minds of the public. I am sending you another memorandum on the proposed school legislation. The important thing to remember is that it is and will be linked to the road program. I think that it is of high importance that this entire matter be brought to the attention of the President and that Sherman Adams hold a meeting with very limited attendance where he can go to the heart of this matter.

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February 1, 1955

J. S. Bragdon

Conference on Message and Legislation for Roads

Meeting was held at 3:30 in Governor Adams' office, January 31, on the question of the National Highway Program and the message. Present at the meeting were Governor Adams, Secretary Weeks, Secretary Humphrey, Assistant Secretary Folsom, Bureau of the Budget Director Hughes, General Clay, Mr. Bechtel of the Clay Committee and General Bragdon.

The message had been rewritten. Only one paragraph remained which went to the heart of the matter. It read as follows without the words in parenthesis:

"A sound Federal highway program can and should stand on its own feet with highway users providing the (total) dollars necessary for improvement in new construction. Underwriting of the (interstate) and Federal aid system should be based on the planned use of income from gas and diesel (oil) taxes, (augmented in certain instances by toll revenues)."

The words in parenthesis were added.

Secretary Humphrey suggested the use of the words "and toll" after the word taxes, but finally compromised on General Clay's suggestion as above, namely, the addition of the words "augmented in certain instances by toll revenues." This settled the matter of the message.

A discussion of an administration bill followed. Mr. Humphrey suggested waiting until reaction on the message could be noted. This was opposed on the ground that the administration should have a bill up promptly. Mr. Humphrey then asked what was to be the position on tolls. This precipitated a very warm discussion. General Clay was very voluble in his opposition to tolls. He stated that the organizations having most power with respect to roads, namely, the AAA and the Association of State Highway Officials were strongly against tolls; that all the Governors were against them; that we would have a "revolution" in some of the western States if we tried to charge tolls for the use of roads there which had always been free. He then stated if any other position was going to be taken in the legislation than their recommendation for financing with the gas and oil taxes, his report ought not to be sent forward. Governor Adams, I felt, was very favorable to all of Clay's remarks. It was finally decided that in the administration's bill for legislation it be entirely as in the Clay Report. Clay's office in Washington which has worked on the Report will assist in the drafting. General Clay will also assist in working with Congressmen in getting the bill through.

There was quite a lengthy discussion on the managing features. General Clay participated but stated he did not feel keenly on how they set this up.

So this ends the matter as far as toll roads are concerned. In other words, the American people will have a \$37 billion bill for something which they could have gotten for nothing, all because of (a) political feasibility, and (b) the horse and buggy anti-toll road sentiment in the Bureau of Public Roads.

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I stayed for a meeting on education, which is the subject of a separate memorandum.

A meeting was held in Mr. du Pont's office, presided over by Mr. [unclear] of the White House staff, with reference to the President's [unclear] message and the report and possibly legislation. He was surprised [unclear] Mr. Martin apparently wanted suggestions as to [unclear] on the report and possibly legislation. He was surprised [unclear] Mr. du Pont, Mr. Folson, and Mr. Pearson brought out that the Inter- [unclear] Committee had not been kept informed nor given advice as to [unclear] and also that the interest of the [unclear] and the Treasury Department [unclear] certain serious matters in the report should be [unclear].

Mr. Pearson remarked that Roger Jones' memorandum of [unclear] writing for comments had put pressure on all addressees to have [unclear] [unclear]. However, Mr. du Pont said Secretary [unclear] was out of town [unclear] [unclear] bank for several days. Mr. Martin [unclear] a meeting on [unclear] [unclear] [unclear] he hopes all the comments can be considered and differences [unclear].

I did not know until [unclear] arrived at the [unclear] [unclear] [unclear] had been called for by the Bureau of the Budget six days ago.

I made the point that we have had two or three [unclear] to put forward any matters we felt strongly about; that this had been [unclear] in the case of toll roads and decision received from the President's [unclear] [unclear]; that it seemed to me that the Committee Report had been submitted to the President, widely broadcast and not was in related form; that [unclear] every effort to back it up should be made.

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Mr. Folson remarked that he thought the President's message should be very general and that the Administration itself should not draw up a bill [unclear] Congress do that. When Mr. Martin arrived later he stated he thought the message should be rather specific although that was before he knew that [unclear] more important matters in the Report being questioned. Mr. Folson said that General Clay had convinced Secretary Humphrey that the gasoline tax could do the financing; that the Secretary had, prior thereto, wanted tolls; that the Treasury Department still thinks it is a good over-all plan; that, however, if there are any tolls to be collected anywhere they were still hopeful that [unclear] the U. S. Treasury might benefit therefrom.

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Dr. Arthur F. Burns

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February 7, 1955

Meeting was held in Mr. du Pont's office at 2:30, Friday, February 4, 1955, to go over a draft of legislation for the Administration's bill on roads. Those present were: Mr. du Pont, Mr. Folsom - Treasury, Roger Jones - BOB (substitute for Mr. Pearson), Mr. Turner - Bureau of Public Roads, Mr. Grattison - Treasury, General Yount - Army, Dr. Chacey - Army, Mr. West - Defense, and Mr. Guilar - Defense.

Discussion was on the management; whether the new Commission (or Corporation) should report directly to the President or be under the Secretary of Commerce. Several wanted to discuss it with their Chiefs. It was then decided to put the matter off till 2:30 Monday, February 7th when they would reconvene in du Pont's office. There was very little left in the draft about toll roads but Mr. Folsom wanted to still leave the door open that the U. S. might benefit somewhat from tolls toward debt amortization. As written, it provided only for the Commission's establishing a credit for States with respect to new toll roads built. While I have always agreed with U. S. benefiting from tolls, it seemed rather forlorn to still strive along this line in view of the meeting held in Governor Adams' office where I understood it was decided to go along 100% with the Clay Committee Report.

Treasury also wanted it pinned down just how much moneys out of the gas revenue collections would go to other Federal aid. He wants this held absolutely to the \$622 million. Treasury is to submit the language.

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Dr. Arthur F. Burns

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February 8, 1955

Attended another meeting on roads in Mr. du Pont's office. The purpose was to again check the message and review another draft of the points to be covered in legislation. There were present Mr. Folsom and Mr. Grattison of Treasury, Mr. Pearson of BOB (left early), Mr. West and Mr. Guilar of Defense, General Yount and Dr. Chacey of Army, Mr. Turner and myself.

Again the major question was that of management. The new draft is attached. Unfortunately it had scattered in various points throughout the delineation of authorities and responsibilities. However, it set up the Corporation under the chairmanship of the Department of Commerce with the Secretary of the Treasury, the Commissioner of Public Roads, another member of Treasury, and three outside appointees representing the public (not full-time). Mr. Folsom vigorously objects on the grounds that the chairmanship should be under a prominent civilian and not the Secretary of Commerce; that the setup would not attract the high-grade men desired; that it was not what had been agreed at the previous meeting and also at the White House meeting and what General Clay contemplated.

I do not think it varied so much from what General Clay wanted and also the White House meeting had left this indefinite. I thought it was workable and Mr. Turner thought it did not differ much from the Clay Report and would be acceptable to General Clay. I do not ^{have much} put much thought in its not attracting high-grade people in the three public posts. Further, if a high-powered civilian is brought in at the head of such a Corporation, I believe there will be inevitable conflict between him and the Commissioner of Public Roads who it is stated will be the one who does the work. The Corporation is to decide questions of policy as well as finance.

There ensued a lively discussion on many types of organization, all of which incidentally I had considered almost seven months ago in the drafts that I had drawn up. It looked almost as if we were right at the beginning as far as organization was concerned. It sustains the wisdom of my initial proposition that these major matters should be settled first before any attempt at details were gone into.

The question of organization is most fundamental. There should not be a division of responsibility nor should there be a division of authority since the two go hand-in-hand. Also, the top people should be on as high a level as possible. If organizationally it is desired to keep it under the Department of Commerce, that too could be effected. With these principles, it should not be difficult to prescribe the organization.

The matter was left that Mr. du Pont is to draw up a number of organizations and consult the Bureau of the Budget who Mr. Folsom thought was primarily concerned and who was absent during most of the "management" discussion.

This draft ignored incorporating the point suggested by Mr. Folsom at the previous meeting and apparently agreed upon, to leave the door open for the Federal Government participating in tolls to some extent for amortization. Mr. Folsom insisted that something be done in this respect. Other matters brought up were minor.

It was also stated that the message on roads would not go up until next week.

I again inquired whether I could have a copy of the report in response to Section 13 of the Highway Act of 1954. This is the one which was to make a study of different methods of financing. I was once told it was finished. Mr. du Pont stated that they had a 60-day extension beyond February 1. If there is such a thing as a preliminary copy, I would like to have one and the only way we could get it would be for Mr. Burns to ask either Mr. Weeks or Mr. du Pont.

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Dr. Arthur F. Burns

February 10, 1955

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National Highway Program

Mr. du Pont called with reference to the section of the proposed legislation dealing with management. Because of the confused state that this was in, as I mentioned in my last memorandum, Secretary Weeks called General Clay and General Clay discussed the matter with Governor Adams and also with Mr. du Pont and finally directed Mr. du Pont to write the draft up in accordance with the Clay Report. On this particular point I was in full agreement with Mr. du Pont, namely, that whoever was in direct charge of the work, call him what you would, should have wide authority commensurate with his responsibility and be answerable only to the Secretary of Commerce and not have a Commission or a Board intervening between him and higher authority. This I think is essential if the job is to be done expeditiously. Otherwise ~~either~~ the Head of the Commission or Corporation and the executive who is in real charge of the work, if they are strong characters, they will inevitably clash. There simply should not be three people, namely, the Secretary of Commerce, the Head of the Corporation (Commission or Authority) and the executive in charge of the work.

With reference to the Clay Report, while there was some lack of clarity here, the Report did not go into too much detail, and Clay himself said that he had no strong feelings with respect to the details as to how it was set up. In view of his remarks in Governor Adams' office, I felt that this could be worked out. However, Treasury insisted on a strong Commission which would be over the executive (Commissioner of Public Roads). I think they were wrong in this point of organization.

Mr. du Pont therefore stated that in view of Governor Adams' direction to him to produce a draft to include management in accordance with the Clay Report, he would not call his Interagency Committee again into session.

Eno

Dr. Arthur F. Burns

February 17, 1955

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National Highway Program

In my last memorandum I informed you that Mr. du Pont, at Governor Adams's direction, was drawing up a draft of legislation for the new highway plan which he was going to do without any other meetings of the Interagency Committee, to be submitted last Tuesday, February 15.

Mr. du Pont informed me this morning that there was disagreement over his draft and that it has now been redrafted by the Bureau of the Budget and the Treasury. He said they were all clear on the message but he did not expect the message to go up this week.

Mr. Pearson of BOB informed me that BOB and Treasury had prepared a new draft; that Mr. du Pont had wanted to reverse the priority of call on the 623 million which Clay's Committee had frozen for continuing Federal aid; that Mr. du Pont had wanted a number of details on personnel and equipment in the bill and would not delete these from his drafts.

Mr. Pearson said that Treasury and BOB were now together on a draft which they submitted to Governor Adams; that on organization, this draft paralleled the St. Lawrence Seaway (which, incidentally, I had on a number of occasions suggested); that it retain the major characteristics of the Clay Report on financing; that they would provide, however, that if a State built a toll road, they would be in contract with the U. S. under which the U. S. could share in the toll road revenues.

This latest draft is to be discussed with legislative leaders in the near future. I was unable to get anything definite on the precise date when the message and the legislation will go forward. It apparently is now in the hands of Governor Adams and Jack Martin. General Clay had breakfast with the President this morning.