

DATE 10/16/64

TO: _____ ter

FROM: Gordon M. Murray

REMARKS:

Mr. Gordon asked that we prepare the attached note for use by the White House staff.

(Gordon M. Murray)

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Transportation Task Force
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The Transportation Task Force will have its fourth meeting on Monday, October 19. The following observations may require substantial modification at the conclusion of that meeting. At the present time, I see the situation as follows:

1. Ideas.

a. Rate policy. Some of the ideas will be far reaching, but gradual in effect and, therefore, dramatic. They involve changes in regulatory statutes, particularly the Interstate Commerce Act, which could bring about radical changes in the transportation industry over the long run, e.g., requiring all carriers to haul the vehicles of others, including non-carriers. This could turn the rate structure upside down. Another such proposal is to shift the burden of proof in rate cases from the carrier proposing the change to the shippers and opposing carriers. These ideas have real merit in terms of less regulation, more competition, but they may not be very realistic in terms of industry acquiescence.

b. Public investment policy. Will emphasize cost/benefit analysis, tie to user charge policy. Some far-out suggestions, e.g., Federal purchase of State toll road bonds selling at a discount (West Virginia, Calumet) have been mentioned, probably will not survive.

c. User charges and subsidies. Probably will support first, oppose second. Nothing new. In accord with executive branch positions for many years.

d. Maritime policy. Will be more like Bureau-Council ideas, less like Maritime Administration's. Logical ideas, certain to be resisted by the industry and the bureaucracy: buy some ships abroad, change subsidy formula to encourage innovation and reduce costs, reduce cargo preference, eliminate subsidy for liner service.

e. Merger policy. Will suggest that maintenance of competition is not a valid test intra-railroad, emphasize alternatives for merger, such as abandonment of facilities, development of jointly-owned facilities, and--where the real need is to write off useless capacity--bankruptcy.

f. Operating rights. Will recommend less restriction on entry, fewer limitations on routes and service rights.

EXECUTIVE

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g. Government organization. Somewhat more exciting recommendations for a Department of Transportation, a Transportation Investment Review Board, a greatly strengthened Interagency Merger Committee, and a new organization to represent the executive branch in regulatory proceedings dealing with rates, operating rights, etc. These ideas have merit and may be feasible. My understanding is that similar recommendations will be made by the Task Force on Government Organization.

2. Costs.

Most of the ideas likely to survive would require very limited, if any, additional Government expenditures, except that I cannot estimate the fiscal effects of establishment of a Department of Transportation.

3. Critique.

I sense a cleavage in this task force between market analysts and institutional economists. In my view the latter are less doctrinaire, see more clearly the complexity of economic problems, and are aware of the inadequacy of most simple solutions. It is too soon to say whether a consensus can be reached on the most important issues, even as to identifying what they are. It now appears unlikely that a report can be completed by November 15. Four sections of the first draft of a formal report have been prepared, but at least four other major sections remain to be done. The four sections already drafted have not been subjected to close review, and until after the next meeting it is impossible to estimate whether they will survive or be so hacked up as to require new beginnings.