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Bureau of the Budget
ROUTE SLIP

TO Mr. Broadbent
Mr. Sam Hughes
Mr. Seidman
Mr. Capron ←
~~Mr. Carey~~
~~The Director~~

- Take necessary action
- Approval or signature
- Comment
- Prepare reply
- Discuss with me
- For your information
- See remarks below

FROM C&H Div (Gordon M. Murray)

DATE September 9, 1965

REMARKS

Returned to Boyd - 9/13

~~Transportation Task Force report is returned herewith.~~
A factual digest of recommendations is attached in accordance with your informal request.

Memo of Sept 9 with further instructions obviously unavailable when this paper prepared. Rather than delay it for rewriting, we will supplement it with "comments" + "next steps" now requested

9/13/65 - Per our conversation. Retrieved report from Sam Hughes and have all three Blue copies ready to go back to Boyd. Director has not seen attached digest.

John

October 9, 1965

EXECUTIVE

TN

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* * Task Force on Transportation

1. Transportation Research and Development

Problem: Consider expansion of federally-supported transportation research and development, including grants to universities and research institutes.

Recommendations: Clear need to reevaluate all Federal transport research and development. Need advanced technological research in the maritime field and in motor transport. Need to improve techniques of economic analysis in transportation (mentions costing). No new legislation needed for in-house research, but more funds may be. Legislation would be needed for expanded academic-institute research, but if "worthwhile projects were properly identified" and there were "sufficient interest on the part of academic-scientific communities," private funds would likely be forthcoming. An extension grant program should be introduced cautiously and gradually; once started, longer term commitments would be required. Could be done by National Science Foundation. Such a program in Department of Commerce or Department of Transportation would be preferable.

2. Highway Safety

Problem: Motor vehicle accidents each year produce 50 thousand deaths, 4 million injuries, and billions of dollars in property damage.

Recommendation: Scattered agency efforts should be integrated in a "cost effectiveness approach," involving program choices based on comparisons of costs and benefits. Toward this end a Federal Highway Safety Center should be established in Commerce to (1) develop a comprehensive program, (2) operate a data evaluation program, and (3) establish a causal investigation program. (Latter task--much needed--might cost \$15-20 million per year for five years.) Center could be established by Presidential action but, because of its coordinating role, should get authority through legislation. The integrated program resulting from recommendation's implementation would include removal of accident hazards; changes in highway design and use, vehicle design standards, signaling and traffic control devices; demonstration programs on care of injured; and driver education.

3. Alternate Reorganization Plans

Problem: Fragmentation of transportation responsibilities now prevents effective policy formulation and consistent administration of programs in accordance with common policies. There is no focal point of responsibility for assuring that the United States has a national transportation system which makes use of modern technology and is adequate to the Nation's needs in peacetime or under emergency conditions.

Recommendations: The preferred alternative for transport organization is the creation of the Department of Transportation. The major activities dealing with operations, capital investment, transport research, and subsidy would be centered in such a department.

As a transitional step in preparing for the creation of a Department of Transportation, creation of a National Transportation Council is recommended. The Council would be created by Executive order and include Commerce, State, and Defense, FAA, and the three transportation regulatory commissions. The Council would consider major transportation policy issues, formulate policy recommendations for the President and supplant or subordinate other inter-agency groups dealing with transportation. It would also provide a systematic review of all transportation budgets to assure conformity with overall policy decisions, thereby making it unnecessary to establish a separate Investment Review Board.

With respect to regulation, the report rejects for the time being proposals to create a single regulatory agency. Instead it recommends reorganization of the ICC with a Presidentially appointed Chairman and a reduction in the number of members from 11 to 5 or 7. Also recommended is a transfer of safety responsibilities to a Department of Transportation or other Executive agency.

4. Transport Regulation

Problem: Achieve greater flexibility in all aspects of regulation, considering the economic impact of proposed changes on carriers and shippers.

Recommendation: Proposes "small selective list of amendments" to start process of liberalization: (a) simplify procedures governing discontinuance and abandonment of rail freight service, (b) require ICC to give greater weight to cost impact of technological and service innovations in setting rates, (c) repeal the "rule of three" on exempt water traffic, (d) repeal the June 1, 1939 limit on list of exempt bulk commodities, (e) create joint board on through routes and joint rates, (f) impost control of international air rates.

Mentions and rejects alternative approaches: (a) complete deregulation of trucking, (b) deregulation of all intercity passenger transport, (c) reduce scope of regulation of air transportation, (d) extend bulk and agricultural exemptions. Neither "the public" nor the legislators will consider these favorably.

5. Highway Financing

Problem: The 1965 estimate of the cost of the Interstate System shows a \$5 billion increase in Federal share. Highway user taxes accruing to the Highway Trust Fund at current rates will cover about \$2 billion of this, but \$3 billion of additional revenue must be raised. Moreover, the recent cost estimate does not include the cost of highway beautification, roughly estimated at \$1 billion, and of rising construction costs, which may add another \$2.5 billion to Interstate costs. Some \$6.6 billion extra may ultimately be needed.

Recommendation: Endorse (apparently) the Administration proposals. Seems to prefer larger tax increases designed to cover beautification and cost increases as well as the presently estimated \$3 billion deficiency. Two possible alternatives, both combining the auto excise and diesel fuel taxes, are discussed: (1) transfer auto excise at present declining rate to Trust Fund, plus an additional two cents -- in lieu of Administration's three cents -- on diesel fuel, plus a ten month extension of Trust Fund, and (2) transfer auto excise to Trust Fund at present 5 percent rate, plus additional two cents on diesel fuel.

6. Highway Toll Facilities

Problem: Authorities operating toll bridges and tunnels sometimes restrict construction of parallel free bridges needed to complete the Interstate System.

Recommendation: Enact legislation to make the financing and construction of bridges and tunnels accountable to the Department of Commerce. Other alternatives considered but regarded as less satisfactory were additional authority for the Corps and limited authority to Commerce to set aside toll compacts interfering with Interstate highways.

7. Aviation and Waterway User Charges

Problem: Review user charge proposals in terms of costs to be recovered and benefits to various classes of users.

Recommendation: Endorses (apparently) 1965 Administration proposals. Mentions general revenue financing and direct tolls and charges as alternatives, but suggests only that air freight and ticket taxes be "seriously considered as a compromise."

8. Highway Beautification

Problem: Billboards and junkyards constitute eyesores along the Nation's highways, and scenic highways for pleasure driving are too few.

Recommendations: Consideration should be given to modified legislative proposals aimed at eyesores. Billboard control could involve compensation for billboards eliminated and financing from the General Fund rather than the Trust Fund. Junkyard control measures might include State and local zoning, tax incentives to the industry, and guaranteed loans for scrap shredders.

Scenic highways should not be financed through diversion of secondary road funds but should be provided with "new" financing. Possible revenue sources are highway user taxes, cigarette taxes, and beer and soft drink taxes.

9. Highway-Mass Transit Coordination

Problem: Improved (a) coordination of Federal assistance to urban mass transportation systems, (b) methods of evaluating alternative solutions and (c) coordination of freight and passenger transport in urban areas.

Recommendations: Existing legislation is ample. A Department of Transportation putting all urban transportation programs under one roof is a possibility, but existing coordination mechanisms are adequate.