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EXECUTIVE
Center for
Transportation

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THE UNDER SECRETARY OF COMMERCE
FOR TRANSPORTATION
WASHINGTON, D.C. 20230

September 2, 1965

Honorable Joseph A. Califano, Jr.
Special Assistant to the President
The White House
Washington, D. C.

Dear Mr. Califano:

In response to your memorandum dated August 12, 1965, attached are nine papers dealing with different problems in transportation. They are for consideration in connection with the legislative program for fiscal year 1966. You are, of course, aware of the serious limitations which the September 1 deadline you imposed placed on the work of the Task Force in preparing this material. There was comparatively little opportunity for discussion and deliberation by the Task Force as a whole but the meetings which were held proved extremely valuable for considering the ideas which are contained in these papers. The Task Force did not deal with the maritime area at all nor did it consider the supersonic transport. There will be major legislative programs in both these areas next year. Neither agencies nor Task Force members have cleared the proposals.

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Some specific comments are in order.

1. Primarily through the efforts of the Bureau of the Budget staff, we have collected a substantial amount of data on existing transportation programs of the Federal Government. This information is summarized in the tables attached to the paper dealing with alternative reorganization plans. In the future, we will be able to build on the data we now have and to refine the information so that it will be useful for many purposes.

2. On the question of reorganization, the recommendation is for a Department of Transportation. There seems to be widespread agreement within the Government that this is the most logical course. It was recommended last year by two Presidential task forces, the one on transportation and the one on Government organization. The creation of a Department of Transportation would represent a major legislative effort. For the interim period until a Department of Transportation is created, there should be a National Transportation Council.

3 Reports filed Oversight Attachment 172

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3. With regard to transportation research, it appears that most of our needs can be met within the framework of existing legislation. There is a need for expanded university-level work in transportation and specific legislation authorizing grants may be necessary here. Otherwise, increases in budgets of the various agencies with transportation responsibilities, improved coordination and some reorientation of their research efforts is possible. The research problem and the fragmentation of both research and development efforts is related to the overall organizational problem in the transportation field.

4. On the question of highway safety, your memorandum raised three separate points. These have been treated within a single, comprehensive framework and there is a single paper dealing with the problem of highway safety. This is a problem of tremendous importance to the country. Total number of fatalities and serious injuries is staggering. The economic waste that goes down this rathole is fantastic. With the projected increases in population, number of automobiles and passenger miles, the problem assumes even greater proportions. The public generally is becoming more aware of this problem and also more receptive to the kind of action which will be necessary to effect improvements. This is a critical factor because a great majority of actions which appear reasonable involve some restrictions on individual choice.

A separate task force dealing with highway safety had recently been established in the Office of the Under Secretary for Transportation. It has been working with all interested agencies of Government, the automobile manufacturers and private organizations. A report from this task force, including its recommendation for a full-scale legislative program, should be completed by September 21. The urgency of the highway safety problem requires that the Federal Government move rapidly. However, its complexity requires that our first major efforts be on firm ground if we are to be sure of progress.

5. With regard to highway beautification, the prospects for legislation this session have recently taken a turn for the better. If we do in fact get the legislation which is currently being considered by the Congress, we will need to reassess our position for the coming fiscal year. In any case, the scenic roads proposal will be an important part of next year's program.

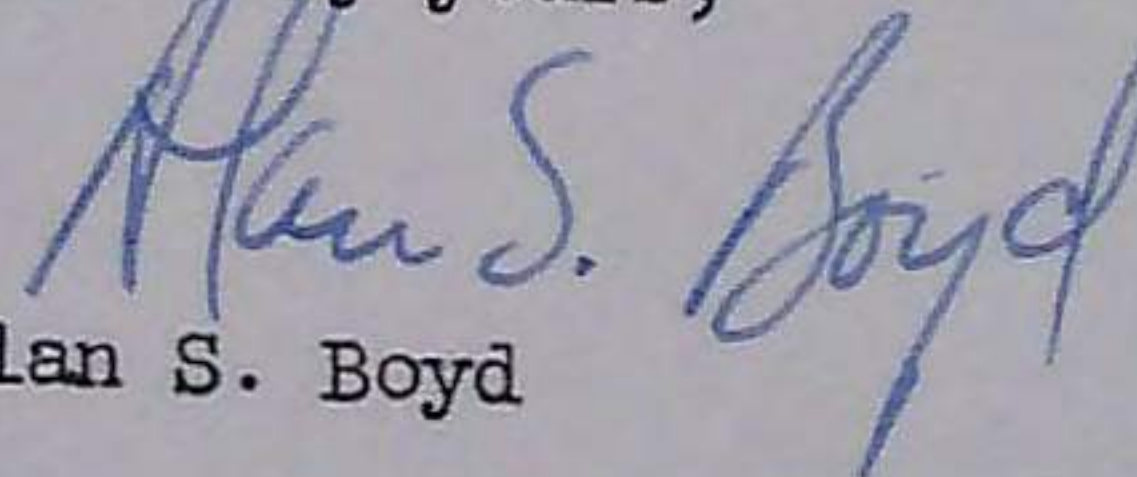
6. Additional legislation will be necessary to finance the Federal-aid highway system if we are to keep the interstate system on schedule. Recommendations are included in the paper dealing with highway financing. The present interstate system runs to 1972. While some work is underway with regard to post-1972 highway planning, it is too early to consider this for part of a legislative program.

7. The Administration's position with regard to user charges in the field of transportation is well established. The proposals which were included in the President's budget message this year were not considered by the Congress. The paper on user charges for the Federal airways and inland waterways considers the present situation and makes recommendations.

8. In the area of coordination of Federal programs assisting urban mass transit, substantial steps have been taken in the past two years to bring about overall improvements. The measures which have only recently gone into effect can be expected to produce considerably improved results in the near future. Their full implementation will require more time.

9. The question of regulatory philosophy is quite important. Specific proposals following President Kennedy's Transportation Message in 1962 would have gone a long way toward what is commonly termed deregulation. There was strong opposition to deregulation from virtually all segments of the transportation industry. Only the railroads seemed receptive and there were differences of opinion among the railroads based largely on regional factors. There is no doubt that considerably more flexibility in regulation would be desirable and that we can move toward greater reliance on competitive market forces in transportation. The paper on regulation makes a number of proposals which would liberalize the regulatory framework. The question of whether or not to seek legislation which would bring about much more broad-scale deregulation should be considered carefully in the light of the strong political reaction and the fact that we have less information than we would like on the impact of deregulation.

Sincerely yours,



Alan S. Boyd

Attachments

Papers Prepared by the Task Force on Transportation Legislation

August 1965

1. Transportation Research and Development
2. Highway Safety
3. Alternate Reorganization Plans
4. Transport Regulation
5. Federal-aid Highway Financing
6. Highway Toll Facilities
7. Aviation and Waterway User Charges
8. Highway Beautification Program
9. Highway-Mass Transit Coordination

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TRANSPORTATION RESEARCH AND DEVELOPMENT

Statement of the Idea

The proposal is for expansion of federally-supported research and development in the area of transportation.

Current Federal Activity

There is a wide variety of transportation research and development programs spread throughout the Government. Generally, these programs are closely related to the specific missions of the parent agencies. To a large extent, the fragmentation of this activity is a natural consequence of the fragmentation of transportation responsibility. The total amount of Federal expenditures on transportation research and development of all types for FY 1965 was \$455 million. Of this amount, \$243 million was in the Department of Defense. The research activities of civilian agencies ranged from \$95 million in the Federal Aviation Agency to \$200,000 in the District of Columbia Government.

The recently established research and development activities in the Office of the Under Secretary for Transportation are essentially policy-oriented and in this respect have a broader focus than the programs of any individual operating agency. This effort is intended to meet the research needs of the Under Secretary in carrying out his responsibility for formulating and recommending national transportation policy. It has as an additional objective the development of new technology in terms of both equipment and operating systems. This is funded at a level in excess of \$3 million per year. In addition, the Congress is currently considering

the High Speed Ground Transportation Act which would provide \$90 million over a three-year period for the specific purposes of developing high speed ground transport technology and a transportation data system.

In the past there has been inadequate coordination of Government research and development programs in the transportation field.

Objectives of Proposals

The two fundamental objectives of federally-supported transportation research and development are the development of information to assist in the formulation of effective national transportation policy and to advance the state of the art in transport technology and operations. The recently initiated policy support research program in the Office of the Under Secretary is intended to deepen our understanding of the interactions between transportation and the rest of the economy by evaluating the adequacy of transportation to meet national needs. This program will also undertake research and development in such areas as new management systems, where no single private organization could be expected to have the incentive to undertake an effort which might well be of general benefit to the transportation industry.

There is a clear need for an overall evaluation of the transportation research and development projects of all the agencies. In some areas there is a need to reorient the programs in the context of advancing technology. The High Speed Ground Transportation Act will accomplish this purpose in large measure with respect to rail transportation. The evidence indicates that private organizations, with governmental support, are performing the function well in the field of aviation. There is, however, a serious need

for advanced research in the maritime field. There is similarly room for more advanced technological work in the motor carrier field.

There is also a need for improving the techniques of economic analysis and its applicability to transportation problems. For example, more research is needed to identify the costs and the consequences of the transportation policies which have been adopted in the past and now require continuing budgetary support.

The existing legislative framework is adequate for the accomplishment of most of our transportation research objectives by reorienting existing research programs, achieving better coordination and assuring consistency with long-range policy and planning. In some areas budgetary increases will be necessary. This is particularly true in the maritime and motor transport areas. There is a further need for broadening the base of general inquiry into transportation and transportation-related areas. This would normally be carried on by universities, research institutes or in some cases by individuals working alone. Existing legislative enactments do not provide adequate means for Federal financing of this type activity. There is a question, however, as to whether non-governmental funds would not be available for worthwhile projects if they were properly identified and if there were sufficient interest on the part of the academic and scientific communities in undertaking such research work.

The Report of the Panel on Transportation Research and Development to the Secretary of Commerce in May 1965 found four basic needs in terms of overall transportation research capability:

1. Need for comprehensive analysis of economic, technological, and social factors as a background for government policy decisions.
2. Need for a more intensive transportation research program in the Department of Commerce.
3. Need for research on transportation systems and sub-systems.
4. Better support for a growing research and development program, notably dissemination of results and support of an educational program.

Specific requirements for an extensive grant program to universities and research institutes cannot be determined from present experience with transportation research. Some limited grants could be justified at present and could be funded from existing appropriations if authority existed. A grant program, essential as it is to an improved understanding of transportation research, should be introduced cautiously and gradually in the course of gaining further experience with task oriented research. Once such a program were launched, however, some longer term commitment would be required in the interest of sustained effort by research institutions.

To achieve this objective some amendatory language should be sought in the present legislative authority. As an alternative, transportation research grants could be made by general scientific agencies such as the National Science Foundation. However, such grants would be administered apart from the mainstream of transportation policy, as has been pointed out by spokesmen from the scientific agencies themselves. It appears that a program in the Department of Commerce or a Department of Transportation would be preferable.

HIGHWAY SAFETYSTATEMENT OF THE PROBLEM

Automobile accidents in the United States result in approximately 50,000 fatalities and injuries to nearly 4 million people each year. There are 250,000 pedestrian casualties. Economic losses run in the billions of dollars annually. In addition to the staggering waste of resources is the untold tragedy brought about by automobile accidents. The number of cars on the streets and highways is rising constantly and total passenger miles are increasing rapidly. Highway safety becomes a more and more serious problem. There has been little in the way of concerted effort to deal with the problem in the past.

Comprehensive Concept

Three separate highway safety topics were suggested. They were related primarily to a stepped-up effort in development of safer highways, a new motor vehicle safety program, and an enlarged statistical effort. In this paper they will be treated within a comprehensive concept of highway safety. The following definition and objective are part of this concept.

The Highway Safety Problem: The "system" is defective in its physical, human, and institutional components, causing the number and severity of accidents to be above an economically, socially, and politically acceptable level.

The Objective of an Action Program in Highway Safety: To reduce traffic accidents and their economic, social, and human consequences to a minimum consistent with other national goals.

CURRENT FEDERAL ACTIVITIES AND PROGRAMS

Office of the Under Secretary for Transportation

Since July a highway safety project utilizing ad hoc inter-agency task forces has been under way in the Office of the Under Secretary for Transportation. Its purpose is to examine all aspects of the subject. Initial efforts were directed toward defining the problem and objectives, preparing an inventory of existing programs, and examining the current work of the automobile and truck manufacturers. A task force is currently developing recommendations for a comprehensive federal program, including related agency budget and legislative requirements. Its report should be ready later in September.

Highway safety is a complex subject characterized by large numbers of opinions, activities, proposals, programs, and vested interests. These are characteristically lacking in any integration; some groups are concerned primarily with the highway, others with the vehicle, others with the driver, others with law enforcement. The automobile manufacturing companies hold the unanimous view that government must play the major role, but contend that primary responsibilities should be at state and local levels, with the federal role primarily one of coordination and promotion. The pedestrian seems to be the forgotten man in highway safety.

It is difficult to separate the effects of variables in the highway safety "system" because any single accident is the result of a statistically infrequent combination of events. Today, highway

safety is characterized by incomplete knowledge about all its components and their interactions, little research of a systems nature, and great controversy over the basic assumptions of action proposals. Although there are many statistics available, they lead to conflicting conclusions regarding the relative importance of factors affecting highway safety.

Federal Agency Activities

Federal involvement in highway safety is broad and diffuse. The national government operates in three major roles: as the instrumentality promoting the national well-being; as a user of personnel, plant and equipment; and as a promoter and regulator of the nation's highway system. In each of these roles, many agencies of the Federal government have an interest; but few of them have sizable funds specifically identified as directed toward highway safety per se.

The major item specifically identified in the Federal Budget for highway safety is the \$876,000 appropriation requested in fiscal year 1966 by the Bureau of Public Roads. This amount includes funding of the work of the President's Committee on Highway Safety, the Interdepartmental Highway Safety Board, and the National Driver Register Service; the latter is a service provided to the States to help them prevent the relicensing in other jurisdictions of persons who have had their licenses suspended or revoked. An additional \$3.5 million has been

identified by the Bureau as directly related to highway safety. There is, in addition, the "Spot Improvement Program" for high-accident locations (\$21 million in fiscal year 1965) and the Bureau's routine highway construction and traffic administration work.

The motor carrier safety activities of the Interstate Commerce Commission including inspection and other compliance work run between \$2 and \$3 million for spot checks of the national truck fleet. This meets part of the need to identify unsafe vehicles, but does very little to identify the truck driver who may be a safety problem regardless of the condition of his vehicle.

The Department of Health, Education and Welfare expends approximately half of its \$4 million research and information budget in the injury control area for work with direct relation to the sorts of injuries which may occur on the highway. However, comparatively little is yet known about the physical and physiological characteristics of the nation's drivers, the effects of drugs and other stimuli on their performance behind the wheel, and the physical conditions underlying present highway accidents and fatalities.

As fleet operators, and buyers of transportation equipment, the Department of Defense, the Post Office Department, and the General Services Administration all carry on activities aimed at

making Federally-owned and operated vehicles as safe as possible under the various constraints these agencies identify. The Federal Safety Council, whose secretariat and chairmanship are with the Department of Labor, also consider the automobile commutation of Federal workers to be an important part of their program.

The highway safety aspects of urban transit have not received sufficient operational attention to make an estimate meaningful.

OBJECTIVES OF PROPOSALS

A systems or cost effectiveness approach is the only plausible unifying theme for combining funds and efforts to yield optimum results. Development of the most effective national program must be preceded by a rational selection from among the many alternatives (Exhibit I), based on their efficiency in the reduction of the number and severity of traffic accidents, and the total costs of the proposal on a national basis. Such an evaluation of the problem and alternative methods of solution is already well under way.

The federal action program must recognize explicitly the importance of stimulating more dynamic activities by the other groups, including manufacturers, concerned with highway safety. The details of such activities will have to be developed cooperatively with the other groups.

General Methods of Approach

At present there is no positive basis for the selection of the higher payoff action proposals for implementation by a

federal program. This does not mean that the Federal Government cannot take action. It does mean that any action program should be tested and evaluated for its effectiveness on a limited scale before full implementation is undertaken. Such trials can be:

- a) in the Federal Establishment with
 - vehicle fleets, using the approach of Public Law 88-515
 - Federal drivers
 - Federal lands (Interior and Military)
- b) in states and communities through Federally aided demonstration projects.

This approach will encourage innovations while maintaining a flexible program which builds on experience.

Recommendations

The principal proposal is the immediate creation of a Federal Highway Safety Center, in the Office of the Under Secretary for Transportation.

This Center would have three major missions:

1. Develop and guide a comprehensive highway safety program including necessary coordination of budgets and research plans. Its evaluations of operating effectiveness would increase the ability of the government to select those programs which have in combination the greatest efficiency in the reduction of the number and severity of accidents for the taxpayer's dollar.

Detailed operations would continue to be through the established organizations of several major federal departments, bureaus, and



agencies. It would also develop an integrated approach to include state and local governments, the private sector, and interested professional and civil groups. The Center would assure integrated analysis of all information, identify gaps in knowledge, recommend promising action programs, and provide dissemination of information and results.

2. Develop a data evaluation program providing for a vastly enlarged data assembly and analysis effort. It would work with private and state organizations to define needs for accident data and to assist them in its collection. Similarly, it would work to standardize terminology and reporting procedures throughout the nation.

3. Establish a causal investigation program. This program would involve the design and operation of a pilot program in a specific geographic area which would a) conduct in-depth investigation of a randomly sampled selection of accidents in the federal fleet assigned to the area; b) modify and refine the sampling method and technique of investigation; and c) point out the profitable areas for a larger program. The cost of this effort is roughly estimated to be about \$5,000 per accident investigated. Subsequent expansion of the program would include sampling other vehicle and driver populations and types of accidents. This would be a major collection and analysis effort. The cost is estimated at \$15-20 million per year for 5 years.

The accident statistics and causal investigation programs together would provide the information base for all other highway safety activities.

Legislative Requirements

Much of the enlarged program appears to be possible within the existing authority of the various agencies.

The Federal Highway Safety Center could apparently be established by Presidential action. However, because of the role it would have to play in coordinating activities of a large number of executive and regulatory agencies, it appears advisable to establish the Center through legislation.

OTHER ALTERNATIVE MEANS

The obvious alternative to the proposed integrated program is a continuation of the present approach--namely, to let each agency plan, develop, and operate its program with a minimum of concern for the interrelationship of each with all the others. This has led to the imbalances which are so evident in the present programs and to inadequate concern in all agencies as to whether larger yields in terms of reduced accidents could be achieved by different combinations of programs and priorities.

In contrast to this, the integrated program which results from the recommended systems evaluation will be a balanced combination of safety efforts. It is expected this integrated program will include:



1. Concentrated effort to remove accident hazards on older highways.

2. Changes in the design and character of the highway and its use.

3. Changes in the design of the vehicle including the imposition of new standards.

4. New signaling and traffic control devices including automatic features.

5. Demonstration programs to determine proper care and transport of the injured.

6. Aid programs to the state and local agencies to improve the quality of driver education and enforcement.

Details on some of the program components are shown in Exhibit I. These program items, or others which may be added or considered as alternatives after further study, are intended as parts of comprehensive systems approach and not as discrete program items.

POSSIBLE ACTIONS WHICH CAN BE TAKEN IN THE FIELD OF HIGHWAY SAFETY

TO REDUCE THE SEVERITY & COSTS OF ACCIDENTS

CHANGES IN THE

VEHICLE

- Improve performance to gain better vehicle control
- Improve commercial vehicle performance to restrict the range of operating characteristics on the same roadway
- Compulsory inspection laws
- Modifications of basic vehicle design to
 - a) reduce danger of explosion & fire
 - b) absorb impact force
 - c) reduce injury causes in passenger compartment
- Constraining devices placed in vehicle

TO REDUCE

CHANGES IN THE

HIGHWAY AND

ITS USE

- Separation of pedestrian traffic
- Removal of high accident features in roadway
- Restructure as one-way system
- Construction of new highways including all techniques of access control, vehicle separation and aids to traffic flow
- Lane markings
- Removal of roadside hazards
- Shielding about abutments, & hazards
- Placement of effective inter-lane barriers

CHANGES IN CONTROL DEVICES,

SIGNS AND

SIGNALS

- Development of clear signs of warning, direction or routing
- Encouragement of state adoption of standard signs & signals
- Inter car signalling through

TO REDUCE

- Breakaway sign supports
- Provision of an emergency call network to summon help for accident victims



TO REDUCE THE NUMBER OF ACCIDENTS THE SEVERITY & COSTS OF ACCIDENTS

- a) differentiating running lights and stop signals
 - b) de-acceleration signals
 - c) flasher warning lights
 - d) visible running lights from all sides
- Dissemination of emergency information by radio and other means
 - Driver assistance through electronic devices on the vehicle or along its path of travel

ATTENTION TO THE

DRIVER AS A

SYSTEM COMPONENT

NENT

- Driver education programs to provide the necessary skills both for urban and long distance driving. These would include a greater emphasis on defensive driving, and control of the vehicle under unusual circumstances.
- Driver motivation programs to promote consideration of safety in all driver tasks
- Attention to the criteria for driver licensing particularly in the cases of requirement for formal training, and for medical limitations
- Enforcement of licensing laws, and provision of license revocation for serious offenses
- Attention to the problems of highway hypnosis, drugs and alcohol in terms of enforcement and research

- Training and education programs to disseminate practices of correct first-aid and emergency attention
- Enactment of Good Samaritan Laws



ATTENTION TO THE INDIVIDUALS AS CONSUMERS OF MOTOR VEHICLES

- Programs of consumer education in vehicle safety features
- Promotion of the use of seat belts now installed, and other retraining devices

MOTOR VEHICLES

EDUCATION OF MECHANICS

- Programs of training automotive mechanics

MECHANICS

ATTENTION TO THE MEDICAL PROFESSION

- Publicity as to the effects of drugs on driver performance to help them advise their patients

- Promotion of emergency medical programs to increase the efficiency of care and transport of the injured
- Provision of the necessary rehabilitation programs for injured victims of traffic accidents

MODIFICATION OF

- Urban planning to adjust the patterns of traffic flow

THE ENVIRONMENT AND URBAN PAT-

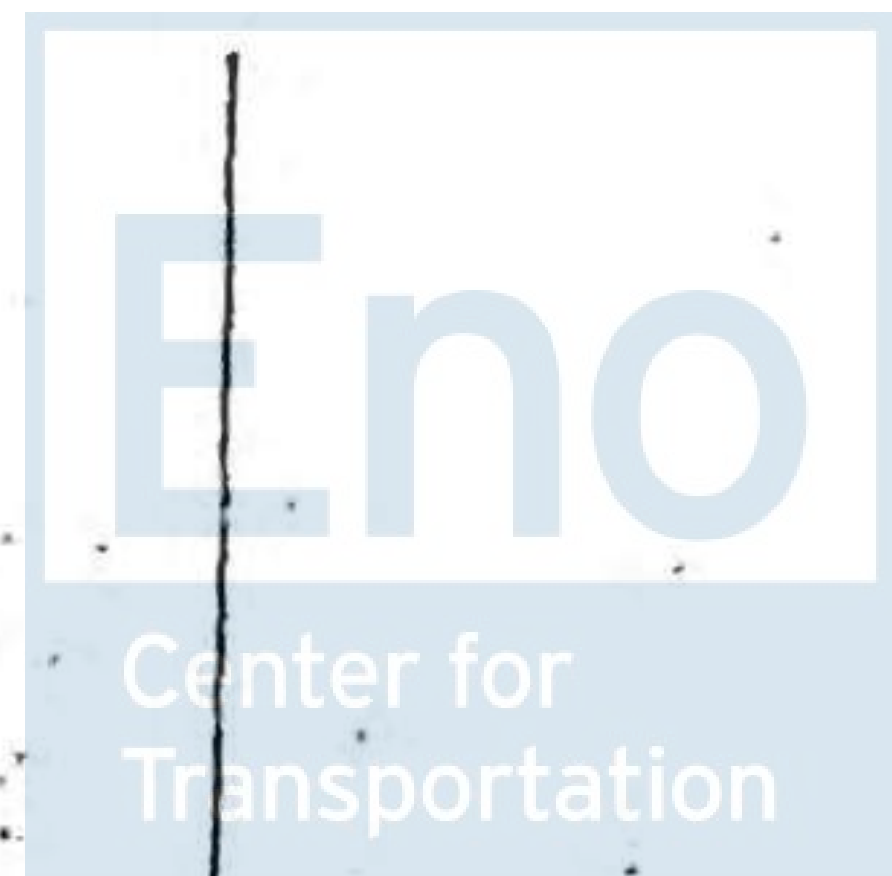
- Control of the access of automobiles and commercial vehicles to specific zones of control (times and types of access)

TERNS WHICH

- Alternative means of transportation including rapid transit

AFFECT HIGHWAY

SAFETY



TO REDUCE THE NUMBER OF ACCIDENTS TO REDUCE THE SEVERITY & COSTS OF ACCIDENTS

IMPROVEMENT OF ENFORCEMENT

- Promotion of uniform laws for signalling and traffic movement to ease the task of the interstate traveler
- Evaluation of the rationality of current speed restrictions and their enforcement to be followed with revision of existing practice where it is found lacking
- Promotion of uniform enforcement practice through the adoption of no-fix tickets and non-fee fines

ADJUSTMENT OF THE

- Provision of means to separate pedestrian movement from the roadbed

TRAFFIC CONSIST

- Education of pedestrians of the dangers of vehicle accidents
- Control of the movement of dangerous cargo movements
- Attention to the special problems of farm equipment and motorcycles in the mix of normal traffic flow

CHANGES IN THE

- Use of insurance charges and liability laws to provide an economic force to promote safe vehicles and driving practice

INSTITUTIONAL

- Encouragement of uniform laws and practices of enforcement

STRUCTURE TO

- Coordination of the national effort in the highway safety field among both governmental and non-governmental organizations

PROMOTE HIGH-

WAY SAFETY

- Changes to permit free exchange of accident statistics and results of research

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ALTERNATE REORGANIZATION PLANS

Statement of the Idea

Develop alternative reorganization plans to improve the efficiency of Government transportation functions. List the pros and cons of each. (For example, should there be a new Department of Transportation, an Interagency Committee on Regulatory Policies, a Transportation Investment Review Board, a Transportation Court of Appeals or a single transportation regulatory body, or restructuring of the ICC to reduce membership from 11 to 5 and make the Chairman a Presidential appointee.) In this connection, inventory existing transportation programs of the Federal Government indicating what these programs are, major expenditure categories, who administers the programs, and the problems they are designed to overcome.

Current Federal Government Activities and Programs

This paper will consider the following alternatives: a Department of Transportation; an interagency National Transportation Council; a Transportation Investment Review Board; and restructuring the Interstate Commerce Commission.

It is well known that the Federal Government is engaged in extensive transportation activities involving the expenditure of billions of dollars each year. Some idea of the scope and complexity of these activities can be gained from the attached table which lists the expenditures for transportation by each agency for the period 1961-65. These expenditures are further classified into 5 categories consisting of

research and development; capital investment; subsidy; operation; and regulation. The table does not include expenditures for the procurement of transportation, military expenditures for transportation, or transportation activities of foreign aid programs.

From the standpoint of organization, the two most significant categories are: 1) expenditure programs promoting transportation and 2) the regulation of transportation. The regulatory function can be further subdivided into a) economic regulation and b) safety regulation. Generally speaking, promotional programs are vested in regular Executive departments and agencies whereas regulation is usually accomplished through independent regulatory bodies. The assumption is made in this paper that this fundamental distinction should be maintained and, if possible, made clearer through the elimination of operational functions in regulatory agencies.

Organization of transportation activity in the Executive Branch of the Government has not been studied in a fundamental way since the first Hoover Commission, 1947-49. The Task Force of the Hoover Commission recommended the creation of a Department of Transportation. This was rejected by the Hoover Commission which recommended that all the major transportation programs of the Government be grouped in the Department of Commerce and that this grouping should be supervised by one of the principal officials of the Department. Subsequently the Civil Aeronautics Administration, the Bureau of Public Roads and the Maritime Administration were grouped in the

Department of Commerce and under organization plan No. 21 of 1950 the Office of Under Secretary for Transportation was created.

At the present time therefore there is some trace of structuring of transportation activities in the Federal Government. Two major programs, highways and merchant marine promotion, are in the Department of Commerce under the general supervision of the Under Secretary for Transportation and this official also has some responsibility for coordinating the policies of the Executive Branch in cooperation with elements of the Executive Office of the President and such other agencies as may have specific interest. Otherwise there remains a wide fragmentation of activities in numerous departments and agencies as evidenced in the attached tabulation.

Regulatory administration has been the object of a number of official studies. The Hoover Commission Task Force on Transportation recommended the creation of a single transportation agency. This was categorically rejected by the Hoover Commission. Regulation generally was the subject of a study by the Legal Services Task Force of the second Hoover Commission. Their recommendations, adopted by the Commission, fit transportation regulation into a general concept of Administrative Courts following closely the basic doctrine of the American Bar Association. These recommendations were not considered seriously by the President or Congress.

Objectives of Proposals

The preferred alternative for transport organization in the Executive Branch is the creation of a Department of Transportation. This was recommended in 1964 by the Presidential Task Force on Transportation and by the Presidential Task Force on Government Organization. The second preferred alternative is the creation of a National Transportation Council, which could also be a means of transition from the present organization status to a Department of Transportation. If a National Transportation Council is to be created, a parallel Transportation Investment Review Board could be created to give direction to a multimode investment program.

In regulation the preferred alternative is a reorganization of the Interstate Commerce Commission through the reduction in its membership, through appointment of its Chairman by the President and through transfer of the safety administration functions to a Department of Transportation or other Executive agency. The safety functions of the Civil Aeronautics Board, which have no relationship to its other responsibilities, could be assigned to the same agency assuming the ICC safety functions.

A Department of Transportation

While organization in and of itself is not a panacea for substantive problems, there is abundant evidence that the existing organizational framework has been an obstacle to the accomplishment of

important transportation goals. Both promotional and regulatory responsibilities are so widely scattered that the President has no effective means of formulating or implementing comprehensive, integrated national transportation policy. There is now no focal point of responsibility for assuring that the United States has a national transportation system which makes full use of modern technology and which is adequate to the Nation's needs in peacetime or under emergency conditions.

The Department of Transportation would correct the present fragmentation which now prevents effective policy formulation and consistent administration of programs in accordance with common policies. The major activities dealing with operations, capital investment, transport research, and subsidy could be centered in such a department which would have approximately 50,000 employees and \$6 billion annually in programs. It could provide standards of modern management for the programs and the appropriate coordination of transportation policies through high-level political representation and technical staff work.

Constituents of the Department would include the present transportation activities of the Department of Commerce, including the Office of Under Secretary for Transportation, the Bureau of Public Roads, and the Maritime Administration, the Office of Emergency Transportation, the St. Lawrence Seaway Development Corporation, the Great Lakes Pilotage Administration, the Federal Aviation Agency, the

mass transportation activities of the Housing and Home Finance Agency, the Coast Guard in the Department of the Treasury, the safety functions of the Interstate Commerce Commission, and the safety and subsidy functions of the Civil Aeronautics Board. It would appear desirable, although not essential, to include also the Weather Bureau and the Coast and Geodetic Survey as well as the aeronautical research functions of the National Aeronautics and Space Administration. The only exception among the major transportation programs would be the Rivers and Harbors functions of the Corps of Engineers, which are intimately related to multipurpose land and water conservation programs. Here the Department of Transportation could provide basic standards for transportation evaluation in multipurpose and transportation-oriented projects.

The Department of Transportation would not include certain other important transportation interests such as the antitrust interests of the Department of Justice, the Department of State, the military agencies, the Department of Labor and the Department of Agriculture. Insofar as these interests might be concerned, a process of interagency coordination would still be necessary to achieve completely satisfactory policy decisions. A Department of Transportation would have the advantage of centering transportation interests for prompter consideration of relationships of other non-transportation programs.

The principal opposition to the creation of a Department of Transportation would come from the groups whose interests can be identified with the separate components under the present organizational arrangement. These groups apparently feel that they can better advance their special modal-type interests before separate, non-integrated governmental units. For this reason, they prefer fragmentation of both promotional and regulatory responsibility.

A National Transportation Council

Such a council should be formed immediately as a transitional step in preparing for the creation of a Department of Transportation. It could be created by Executive Order and should have an appropriate secretariat located in the Office of the Under Secretary of Commerce for Transportation to provide full support for its program. The Council would include the Departments of Commerce, State and Defense, the FAA, the three regulatory commissions: ICC, CAB, and FMC. Other agencies with significant policy interests in specific transportation problems would participate when appropriate.

The Council would be the central point for consideration of major transportation policy issues, and would formulate policy recommendations to the President. It would supplant or subordinate other inter-agency groups dealing with transportation.

A disadvantage of the Council approach is that it would depend on consultation and consensus rather than decision to achieve its purposes. In itself it would not represent a solution to the majority

of managerial and organizational problems facing transport programs in the Federal Government. The Council as presently envisaged would include the regulatory agencies. Political problems attend the mixing of regulatory and other governmental functions in common consideration of policy, but it would be possible for the representative of a particular regulatory body to refrain from participating in considerations of any matter before it for decision.

A Transportation Investment Review Board

The immediate creation of a National Transportation Council would make it unnecessary to establish a separate Investment Review Board. The Transportation Council, and later a Department of Transportation, would provide a systematic review of all transportation budgets to assure conformity with overall policy decisions as established by the President and the Congress and set out in Bureau of the Budget directives. The Council, and later the Department, would review all major transportation projects, such as new navigation works proposed by the Corps of Engineers, major highway programs of the Bureau of Public Roads or substantial additions to the airways system. With the responsibility for these functions centralized in this way, the Bureau of the Budget would then be in a position to carry out its normal review process of the transportation area on a comprehensive basis. This has undoubtedly been difficult to accomplish in the past because of the absence of a mechanism for comprehensive transportation policy formulation and implementation.

Reorganization of the Interstate Commerce Commission

The ICC is the only transportation regulatory agency with responsibility for more than one mode of transportation. Its program is complex and far reaching. Its organization is more intricate and larger than the other two regulatory agencies.

It is questionable whether the presence of 11 Commissioners contributes to the overall efficiency of regulatory actions. The Commission is split up into several divisions which make basic regulatory decisions. Often divisional decisions are appealed to the full Commission.

The Chairmanship of the Commission rotates each year on the basis of the relative seniority of the members.

In the past five years two fundamental reorganizations of the ICC have taken place. Earlier, about 1950, another reorganization centralized management of the ICC in a Managing Director. Bureau structure in the ICC has been simplified while numerous detailed matters have been delegated for decision to "Employee Boards," now numbering 21. The full Commission now hears appeals from Divisions only on cases "having general transportation importance."

These reorganization steps are good beginnings and the results have been effective in terms of better flow of work. Nevertheless, they have not removed the basic defects causing problems in the first place: 1) lack of leadership due to a rotating chairmanship and 2) too numerous membership--more than double the CAB or FMC. Because of

these basic weaknesses, the pressures for such reforms as have taken place have come from Congressional Committees and the Bureau of the Budget, or have been the result of agitations by private interests.

A smaller group of from 5 to 7 members with a Chairman appointed by the President could be more effective in providing policy and organizational leadership in regulatory work.

A principal obstacle to this proposal is the political opposition. ICC is very influential in Congress and has defeated basic organization proposals in the past, although as a defense the Commission has sometimes adopted reforms under the pressure of outside proposals. There would be a short transitional problem in reducing the membership while unexpired terms remained.

Transfer of Safety Function in ICC

The ICC administers a scattered group of laws relating to railroad safety. It also is responsible for promulgating safety regulations for motor carriers including private and otherwise exempt motor transportation.

Railroad safety administration, as far as it goes, tends to be rather complete, and has been under severe criticism as being under the influence of particular labor interests. Motor carrier safety on the other hand is a very fragmentary effort in spite of the more comprehensive authority. No more than 100 safety personnel attempt to regulate all the motor carrier industry.

The disadvantages of transferring the safety function are mainly political--the vested interests of those who have become accustomed to ICC regulation of safety. Some organizational problems could follow such a transfer, particularly field offices which are now integrated into the ICC field set-up.

Other Alternative Means

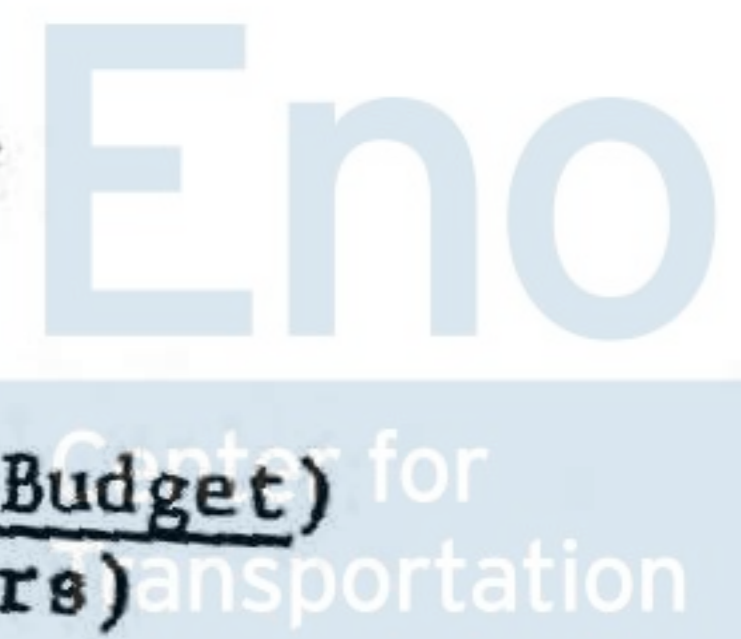
With respect to the Department of Transportation, no other Departmental configuration was considered other than a transfer of functions to the Department of Commerce. This was not accepted. Essentially, this was the system proposed by the Hoover Commission in 1949. It has been sufficiently tried, and has not proven effective. There is a basic conflict of interest between promotion of business and economic development generally and the active promotion of one segment--transportation. There are also organizational disadvantages to the Commerce approach. The Department of Transportation would be a large organization. The addition to Commerce of its constituents would distort further the organizational arrangement and budget of the Commerce Department.

The concept of a single regulatory agency was considered and was generally accepted as being both logical and desirable as a longer-term objective. There is little doubt that advances in technology in all modes and changing patterns within the domestic and international economy will require regulatory considerations of broader scope in the future. There will have to be greater emphasis on planning associated

with the regulatory process, and intermodal relationships will take on increasing importance.

While the basic idea has merit, time would not permit a full analysis of it. Moreover the ICC would be a most important segment of the new agency, which would therefore inherit much of the present defect in the ICC organization. Priority, therefore, demands a solution to the ICC problem prior to serious consideration of a single regulatory agency for transportation. Once the reorganization of the ICC is accomplished, the climate for consolidation may be improved.

FEDERAL CIVILIAN TRANSPORTATION PROGRAMS
 RECAPITULATION OF TOTAL OBLIGATIONS FOR TRANSPORTATION



Obligations (from the Budget)
 (millions of dollars)

	Actual				Estimated in
	1961	1962	1963	1964	1966 Budget 1965
Research and Development					
Safety	\$ 2.1	\$ 6.3	\$ 8.3	\$ 6.3	\$ 9.7
Other	323.5	346.0	387.5	396.9	455.1
Subsidies	437.5	348.7	395.7	369.4	421.8
Capital Investment in Transportation Facilities					
Direct investment	543.9	499.2	520.8	569.4	699.7
Grants-in-aid	2803.9	2921.0	3136.2	3629.7	3822.1
Operation of Transportation Facilities	857.2	901.0	963.6	1072.1	1140.6
Regulation					
Safety	64.0	73.8	83.1	90.0	96.4
Other	31.3	33.0	36.0	41.0	45.2
Total obligations for transportation	<u>\$5063.4</u>	<u>\$5129.0</u>	<u>\$5531.2</u>	<u>\$6174.8</u>	<u>\$6690.6</u>

FEDERAL CIVILIAN TRANSPORTATION PROGRAMS
 TOTAL OBLIGATIONS FOR TRANSPORTATION
 (millions of dollars)

SUMMARY NO. 2

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	Actual				Estimated in
	1961	1962	1963	1964	1966 Budgetation 1965
of the Army, Corps of Eng.	\$ 341.8	\$353.7	\$362.0	\$379.5	\$ 446.8
	8.9	9.6	7.7	5.5	2.3
	88.0	91.9	92.2	97.1	97.9
of Commerce	3195.0	3235.0	3507.3	3985.2	4174.7
	0.2	0.9	2.6	0.5	17.2
Government	21.5	16.7	19.8	10.0	21.3
ment of Defense	303.3	295.8	280.0	317.9	320.8
	667.5	656.1	734.3	763.8	853.4
al Maritime Comm.	1.0	1.3	2.2	2.6	2.9
	--	--	--	51.8	57.6
	0.3	15.3	22.6	8.9	70.0
of Interior	82.5	77.7	77.4	87.7	100.9
	21.4	22.1	23.5	24.7	26.8
	0.2	2.2	25.5	33.7	34.2
Mediation Board and onal RR Adjustment Board	1.5	1.8	1.9	1.9	2.0
Office Dept.	17.7	12.7	19.3	27.1	19.8
of State	3.5	3.9	2.3	3.9	2.8
Lawrence Seaway Dev. Corp.	5.3	4.4	5.0	5.9	6.3
ary Dept.-U.S. Coast Guard	267.2	281.6	305.4	326.3	382.5
	9.8	21.1	13.3	12.8	11.1
ber Ferry Bridge	1.0	1.6	0.5	a/	a/
Zone Government	25.8	23.6	26.4	28.0	39.3
Obligations for Transportation	\$5063.4	\$5129.0	\$5531.2	\$6174.8	\$6690.6

eligible, less than 0.5

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TRANSPORT REGULATION

Statement of the Idea

Develop alternative proposals to achieve greater flexibility in the regulation of transport rates, routes, operating authorities, entry and exit (abandonment of lines and discontinuance of service), and mergers. Consider the economic impact of proposed changes on both carriers and shippers.

Current Federal Government Activities and Programs

The Executive Branch of the Government has for sometime been interested in liberalizing regulation. The Message of President Kennedy, dated April 1962, proposed an extensive program of amendments to the Interstate Commerce Act. These amendments were predicated on equalization of the impact of regulation, such equalization to be accomplished in the direction of deregulation. The Kennedy Message proposed a limited extension of the agricultural and bulk commodities exemptions to all modes of transportation. Where minimum rate regulation was to be eliminated, the antitrust laws would have applied to such exempted transportation. In addition to this fundamental proposal, the Message contained numerous miscellaneous items, many of them concentrating on enforcement of economic and safety regulation. Many of these provisions will be enacted into law through the recent approval by Congress of H.R. 5401. No action was taken on the rate proposals, in spite of extensive consideration in Congress.

The Eisenhower Administration had a similar program in 1955 and 1956 concentrating on amendments to the rule of rate-making. Part of this program was eventually enacted in the Transportation Act of 1958,

which provided that rates of one form of transportation should not be held up to protect the traffic of another mode, giving due consideration to the objectives of the National Transportation Policy.

From August through December 1964 a Special White House Task Force considered the regulatory issue and issued a report strongly recommending widespread deregulation of transportation.

All of these proposals for deregulation face strong political opposition from the carriers being regulated, particularly motor carriers and water carriers. Air carriers too strongly support comprehensive regulation of their industry. Carrier interest in regulation stems from its effect in limiting competition. Only the railroads, among the carriers, support liberalization. In addition to this opposition, regional producing interests oppose any amendments to the Interstate Commerce Act which might threaten their vested interests in railroad rate relationships. Various regional port authorities have similar policies.

Objectives of Proposals

The approach taken in this paper is to follow the philosophy of the Transportation Task Force where they stated a "need to move gradually toward more liberalization in rate regulation due to increased competitive situation." This philosophy might also apply to control of entry and other aspects of regulation.

Rather than put forth a comprehensive program to deal with all aspects of the regulatory structure and to revamp it, there is proposed a small selective list of amendments which would have the effect of

starting the process toward a more liberal type of regulation. At the same time these selective measures would make it possible to test the results of limited liberalization in practice.

These proposals could also work well in conjunction with the proposed reorganization of the Interstate Commerce Commission. Generally a smaller, better organized Commission would delegate its regulatory powers extensively to various employees and employee boards. Considering the vast workload of the Commission, a great majority of decisions should be made on the basis of prima facie evidentiary showings, rather than a complete adjudication procedure. Prima facie evidence would be founded upon standard forms and regulations promulgated by the Commission to implement a liberalized philosophy. Reinforcing this selective regulatory program would be a program of participation in cases before the ICC (and other regulatory bodies) by agencies of the Executive Branch. Increased participation by the Executive Branch is desirable under any of the proposed organizational arrangements. Under the present organization, the Office of the Under Secretary of Commerce for Transportation plans to carry out this function. It would be continued by a Department of Transportation.

1. Remove the procedural difficulties in cases involving the abandonment of freight service on branch lines and discontinuance of freight service at low density stations.

In 1958, the Congress enacted legislation to provide more lenient procedures in discontinuing passenger service. Similar procedures should be available to abandon costly and unproductive branch lines and low

density stations. Losses incurred tend to hold up rates on more productive segments above what they could be. Railroads would favor the proposal. Truckers and waterway operators would not be opposed. Big shippers would be favorable. Opposition by labor can be met to a large extent by a job protection provision through attrition, a principle now generally accepted by the railroads. Opposition by communities potentially affected can be met to a large extent by a provision guaranteeing through origin to destination service including required rail-truck rates to the extent necessary.

2. Amend the rule of rate-making to specify that the ICC, in prescribing just and reasonable rates, must give due consideration to the cost advantages of technological and service innovations.

This would be equally applicable to all modes of transportation and its primary purpose is to stimulate service innovations. It is consistent with recent Supreme Court decisions and the Administration's action more than two years ago to liberalize depreciation allowances for transportation equipment.

It also would emphasize a definite trend that cost is more of a governing factor in rate-making than value of service (i.e., value of the commodity carried). It would give additional legislative emphasis to the provision that rates of one carrier should not be held up to protect the traffic of another mode.

Railroads would favor the proposal. Truckers may be more skeptical but their initial reaction is generally favorable. Waterway operators may oppose it because of their recent experience with the "Big John"

case in which Southern Railway sought to cut feed grain rates by 60 percent through the use of big, new cars coupled together in units of five. Labor is not expected to oppose and shippers generally will favor it.

3. Repeal the "Rule of Three" for exempt commodities carried by unregulated water carriers and allow regulated carriers to move exempt commodities in mixed tows.

This would have the effect of partial deregulation because it would allow unregulated water carriers to haul any number of bulk commodities in a tow consisting of as many barges as possible. They now can carry only three exempt bulk commodities. It also would allow regulated carriers to haul both exempt and regulated commodities in the same tow. They now can carry only regulated commodities and if they haul exempt bulk commodities, they must charge published rates. This would provide for more efficient operation by both regulated and unregulated carriers.

The waterway operators and shippers would favor this proposal. Truckers would not oppose although their position generally is against deregulation. The railroads did not object to this idea previously, but may oppose it if the Administration does not recommend deregulation legislation more directly affecting them.

4. Remove the restriction which limits the definition of exempt bulk commodities to those actually carried up to June 1, 1939.

This would remove an artificial barrier which fails to recognize growth of the economy and changing technology.

Removal of the restriction would permit the movement of several commodities, particularly chemicals and chemical products, without regulation.

The unregulated waterway carriers would support this legislation.

Regulated carriers would oppose. Trucking would neither support nor oppose. The railroads would oppose. Shippers would favor it.

5. Create a Joint Board of the ICC-CAB-FMC to consider through routes and joint rates.

This joint board proposal was first advanced in the Kennedy Message of April 1962. The Conference of the three regulatory Chairmen has accepted this principle and has drafted a bill and put it into effect. This bill should be incorporated in the Administration's Legislative program.

A joint board would consider only voluntary submittals of through routes and joint rates by transportation modes regulated separately by two or more of the regulatory agencies. It would meet a need for better transport coordination. It would provide a body of experience for further development of regulatory coordination.

6. Amend Federal Aviation Act to Provide for Regulation of Rates and Practices of domestic and foreign air carriers in international transportation.

This proposal is in conformity with the Statement of International Air Transport Policy approved by the President in 1963 which recommended that the Civil Aeronautics Board be given authority, subject to the approval of the President, to control rates in international air transport to and from the United States. Some foreign governments unilaterally control rates of U.S. carriers, but the United States lacks machinery to control rates of foreign air

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carriers. Profits of U.S. carriers have reached levels which may justify lower fares, but due to lack of means to control the mechanisms of international fare determination, the attainment of lower fare structures has proven difficult. The public interest of the United States requires a measure of governmental authority in this area now entirely under the control of international air carrier associations insofar as U.S. carriers are concerned.

Other Alternative Means

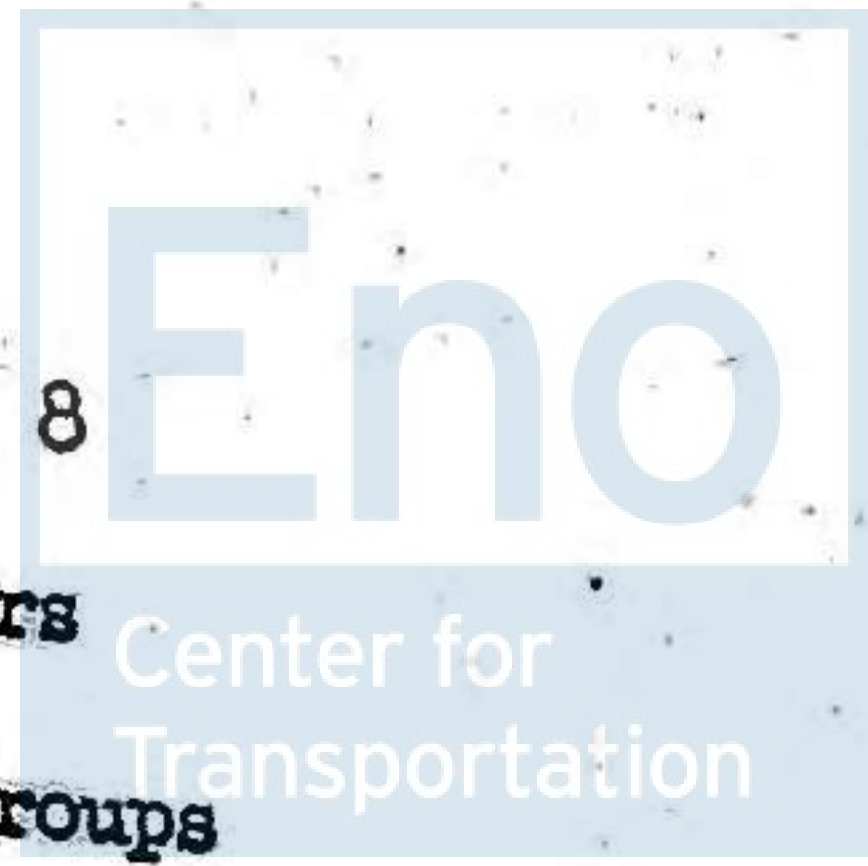
Another alternative is to present legislation changing the entire scope and character of regulation. Possibilities along this line of approach might include:

1. Complete deregulation of trucking, or the motor carrier industry generally, including both bus and truck carriers.
2. Complete deregulation of intercity surface passenger transportation.
3. Substantial revision of the scope of regulation of air transportation including the possibility of substantial deregulation.
4. Removal of regulation in whole or part from certain classes of freight traffic, notably agricultural and bulk commodity traffic already exempt in motor and water transportation.

In addition to these fundamental proposals, numerous specific items were considered.

In the case of fundamental changes in the character of regulation, it was believed that, based on past experience, neither legislators nor the public appear willing to consider such legislation favorably. Moreover, a long, extensive listing of

legislative proposals has the effect of confusing legislators
and providing added opportunities for additional interest groups
to become involved.



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FEDERAL-AID HIGHWAY FINANCING

Problem Area

The Federal share of the cost of the Federal-aid highway program has been paid from the Highway Trust Fund since the establishment of this fund by the Congress in July 1956. The Highway Trust Fund is supported by revenue collected from highway users in the form of fuel taxes--gasoline, diesel, and special motor fuels; tire and tread rubber tax; taxes on trucks, truck trailers and buses; and gross weight vehicle taxes.

The Highway Trust Fund as now supported by existing revenue measures is capable of financing a \$1 billion annual Federal program for the development of highways under the regular primary, secondary and urban programs (ABC programs); and, in addition, providing for a Federal share of \$37 billion for the construction of the Interstate System under authorizations in this amount through Fiscal Year 1971 approved by existing legislation. Thirty-seven billion dollars was the original estimate of the Federal share of the cost of building the Interstate System.

The new estimate of the cost of completing the Interstate System was submitted to Congress in January 1965. This estimate, based on 1963 unit prices, shows the Federal share of the cost of the Interstate System to total \$42 billion, an increase of \$5 billion above the amount now authorized by Congress and provided for in the revenue measures supporting the Highway Trust Fund.

Discussion and Proposed Legislation

The suggestion has been made that consideration be given to "including differential charges to reduce traffic peaking in congested urban areas" as a source of additional revenue needed to finance the Federal-aid highway program.

This idea should not be considered for Federal legislation at this time. Those plans for differential charges that have been proposed are based on direct toll or similar charges closely related to traffic operations and administered by State or local authorities. Because of the close relationship of the peaking problem to local conditions, consideration of peaking charges should be confined to local administration. Direct Federal charges appear to involve great practical difficulties and would engender political problems.

The merits of the idea itself have been considered by Committees of the Highway Research Board of the National Research Council and a report issued in 1964. The report recommended against such charges on the basis of practical traffic engineering and highway service.

The new estimate submitted to the Congress shows that the Federal share of completing the Interstate System will be \$5 billion more than previously estimated. The added funds are needed because of increased construction costs, additional design features, and the requirement that highway capacity be based on estimated traffic 20 years in the future rather than on the traffic anticipated by calendar year 1975.

Existing user taxes will provide almost \$2 billion of the

increased cost. This leaves approximately \$3 billion to be raised by extending these taxes beyond the present expiration date or by increasing some of these taxes or both. The Administration's program recommended that the date for reduction of the taxes earmarked for the Highway Trust Fund be extended from September 30, 1972 to February 28, 1973.

Unless some increase is provided in current revenues to the Highway Trust Fund, a number of States will be required to cut back sharply on their construction programs. The Bureau of Public Roads submitted to the Congress in preliminary form in 1961 and in final form last year a cost allocation study showing costs assignable to the various classes of highway users. The Bureau's studies clearly show that heavy trucks are not paying fully for the additional cost of heavier pavement and other design features needed to carry them.

It is recommended there be additional user taxes on heavy trucks, estimated to yield about \$200 million annually until 1973. Specifically, these recommendations are: (1) that the excise tax on highway diesel fuel be raised from 4 to 7 cents per gallon; (2) that the present truck use tax be increased from \$3 to \$5 per thousand pounds on trucks having a taxable gross weight of more than 26,000 pounds; and (3) that the tax on tread rubber, largely affecting heavy trucks be increased from 5 to 10 cents per pound.

Alternate Revenue Proposals

The financing proposal discussed above is the Administration proposal for legislation to supplement revenues now accruing to the Highway Trust Fund. These proposals, if enacted, would provide sufficient revenue to complete the Interstate System by March 1, 1973, and at the same time finance Federal aid for primary, secondary and urban road expenditures at a continuing level of approximately \$1 billion per year, on the basis of the 1965 Estimate, without provision for escalation of any amount above the 1963 unit price level, and without provision for program additions. These proposals were the result of much study, but the passage of time has introduced factors that make it desirable to examine the merits of possible alternatives.

One of these factors is the decision to lay greater stress on aesthetic values, which in many cases will incur costs greater than those included in the 1965 Estimate as being required for functional adequacy. Among such additional costs are those for right-of-way easements for scenic overlook areas, landscape features, added safety rest areas, etc.

Another factor is the necessity to provide for the increasing trend in highway construction costs, which was specifically not included when the 1965 Estimate report was submitted to Congress and was not included when the present Administration proposals were formulated. Any examination of alternatives to the Administration's current legislative proposals should consider providing the added funds needed to cover the price trend effects as they now appear. As an

illustration of the effect, an increase in costs of about two per-
 cent per year for the remainder of the program, will result in an
 increase of about \$2.5 billion.

It may appear impolitic to present the total possible additional
 cost represented by these factors, but the alternative is to face
 them one-by-one, while being unable to deal conclusively with some
 problems on account of the financing uncertainties.

There is every indication that the present highway program, i.e.,
 completion of the Interstate System plus a continuation of regular
 program apportionments at approximately \$1 billion a year will con-
 tinue, and be supplemented or modified by aesthetic considerations
 that will tend to require expenditures not previously provided for.

A rough approximation of the funds needed above those anticipated
 under the current law follows:

To provide \$1 billion per year for the primary, secondary and urban program, and complete the Interstate System September 30, 1972, with no provision for increase in price trend in highway costs	\$3.1 billion
To provide for additional costs of a highway beautifica- tion program (rough approximation).	\$1.0 billion
To compensate for long-range changes in highway costs	\$2.5 billion
	\$6.6 billion
The total of these is	

A logical source of additional revenue to the Highway Trust
 Fund is the Federal excise tax on new automobiles. It is estimated
 that this tax will yield \$3.1 billion between January 1, 1966 and
 September 30, 1972, when the Trust Fund is scheduled to terminate
 under present law. The automobile tax also offers an excellent

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combination of identifying source of revenue with purpose of expenditure, thus giving it a high degree of political acceptability; further, it is an existing levy, thus avoiding the imposition of an additional tax. In this connection, it should be noted that the tax on trucks has remained at 10 percent, and that all of it goes to the Highway Trust Fund. There would be no question of automobiles receiving worse treatment than trucks, with respect to new vehicle taxes.

The Administration has proposed a three-cents per gallon "diesel differential" to allow for the fact that diesel-powered vehicles use substantially less fuel than comparable gasoline-powered vehicles in similar service, and to bring the tax payments of heavy vehicles into better balance with the highway costs attributable to them.

There is no doubt that the Administration's proposal on this will face strong and determined opposition. Some consideration should be given to an alternative proposal of a surtax of two cents per gallon rather than the three cents originally proposed, although this would do little to modify the political opposition. The two cents surtax is estimated to yield \$.6 billion between January 1, 1966 and September 30, 1972.

The combination of the revenue from the tax on new automobiles (which is reduced by stages until it remains at one percent after January 1, 1969), plus the two cents diesel differential would yield \$3.7 billion between January 1, 1966 and September 30, 1972.

By the time the Trust Fund is now scheduled to terminate, the tax rates now in effect are expected to be yielding approximately \$375 million per month, and increasing. A straight time extension to bridge the \$6.6 billion gap discussed above, and at the same time continue the ABC programs at \$1.0 billion a year, would require about 23 months.

If it were decided to put all of the tax on new automobiles into the Trust Fund beginning January 1, 1966, but not to alter the progressive reduction of the rates that the Tax Reduction Act of 1965 provides, the \$3.1 billion additional revenue would reduce the additional funds needed from \$6.6 billion to \$3.5 billion. The proceeds of two cents a gallon diesel differential imposed January 1, 1966, would provide another \$.6 billion, further reducing the amount needed to \$2.9 billion. If this were the only new legislation, it would be necessary to extend the life of the Highway Trust Fund approximately 10 months to permit completion of the Interstate System.

Another alternative would be reduction of the excise tax on new automobiles to 5 percent effective January 1, 1966, and continuing at that rate. The \$6.8 billion revenue thus realized by September 30, 1972, would cover the \$6.6 billion deficit. If the \$.6 billion yield from diesel differential is applied, it will provide a small margin of safety, and give greater assurance of completing the Interstate System on schedule.

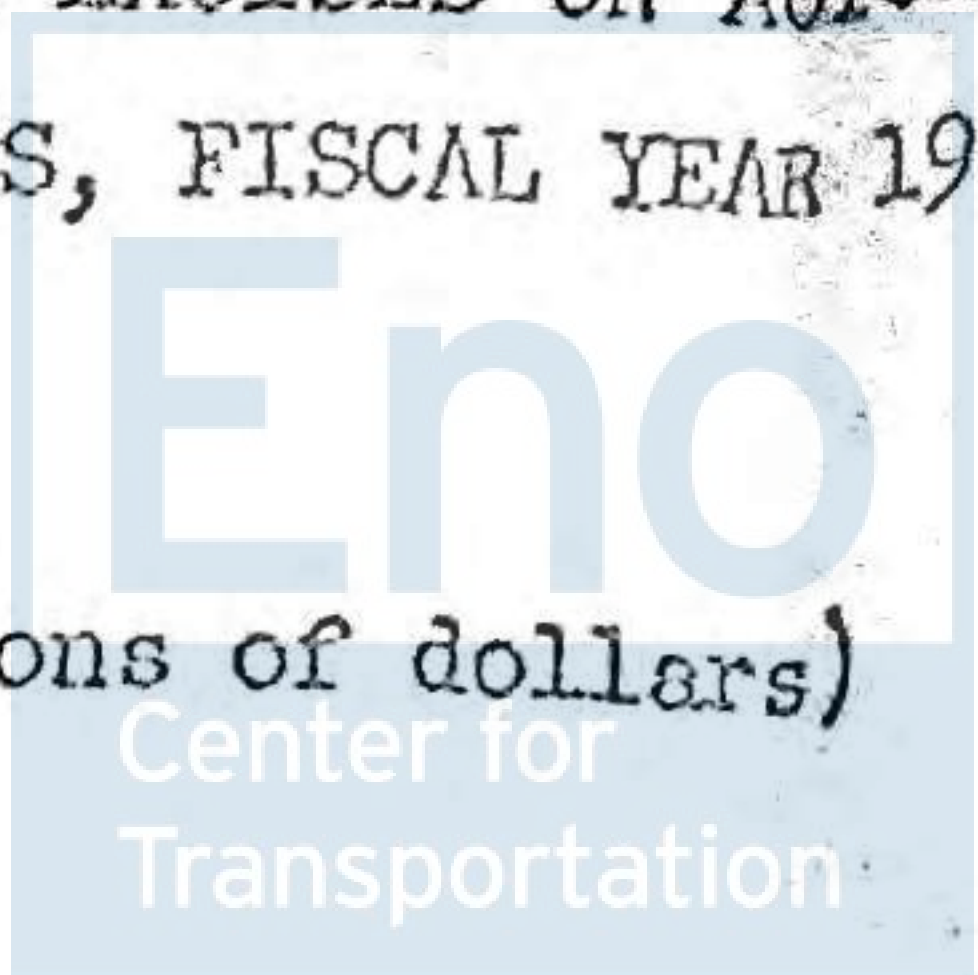
In considering alternatives to the existing proposals for highway revenue it must be borne in mind that highway beautification program

costs, and any increase in costs resulting from increased price trends will result in a further delay of the completion of the Interstate System unless financing for these is provided.

The \$6.6 billion gap in Federal aid financing will be offset to some extent by savings in short but very expensive segments of the Interstate System that will not be built in certain metropolitan areas. The amount of this offset is indeterminate at the present time but may well be in the range of \$1 - 2 billion.

The attached chart shows the possible yield of various taxes for the period January 1, 1966, through September 30, 1972.

ESTIMATED REVENUE FROM FEDERAL EXCISES ON AUTOMOBILES
 AT SELECTED RATES, FISCAL YEAR 1966-



(Millions of dollars)

EXCISE ON AUTOMOBILES

	PRESENT LAW		1-PERCENT		PRESENT LAW, BUT HOLD AT 2-PERCENT ^{1/}		AN
	ANNUAL	CUMU-LATED	ANNUAL	CUMU-LATED	ANNUAL	CUMU-LATED	
6 months to 6/30/66	622	622	104	104	622	622	
1967	914	1,536	188	292	914	1,536	
1968	552	2,088	193	485	552	2,088	
1969	283	2,371	198	683	396	2,484	
1970	203	2,574	203	886	401	2,885	
1971	208	2,782	208	1,094	412	3,297	
1972	212	2,994	212	1,306	421	3,718	
1973 3 months	54	3,048	54	1,360	108	3,826	
Total	3,048		1,360		3,826		

^{1/} Instead of being reduced to 1% effective Jan. 1, 1969, the automobile excise

FEDERAL EXCISES ON AUTOMOBILES AND DIESEL FUEL
 AND RATES, FISCAL YEAR 1966--1973

Highway Statistics
 8/27/65

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(Millions of dollars)

EXCISE ON HIGHWAY DIESEL
 (per gallon)

PRESENT LAW, BUT HOLD
 AT 2-PERCENT 1/

1-CENT

2-CENT

3-CENTS

ANNUAL	CUMU- LATED	ANNUAL	CUMU- LATED	ANNUAL	CUMU- LATED	ANNUAL	CUMU- LATED
622	622	16	16	32	32	48	48
914	1,536	40	56	80	112	120	168
552	2,088	42	98	84	196	126	294
396	2,484	44	142	88	284	132	426
401	2,885	47	189	94	378	141	567
412	3,297	49	238	98	476	147	714
421	3,718	52	290	104	580	156	870
108	3,826	12	302	24	604	36	906
		302		604		906	

3,826

1969, the automobile excise tax would remain at 2%.

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HIGHWAY TOLL FACILITIES

Statement of the Proposal

Submit draft legislation giving Department of Commerce authority to regulate construction and toll rates on toll bridges and tunnels on interstate river crossings.

Current Activity

Interstate bridge and tunnel tolls are regulated sporadically by the Corps of Engineers. Corps of Engineers approval of bridge construction plans is confined to the interests of navigation. Toll authorities often restrict the parallel construction of free bridges, and in some cases, notably at Easton, Pennsylvania and Phillipsburg, New Jersey such restrictions hamper the development of an important Interstate highway route.

The Department of Commerce has completed a study of the overall problem and has prepared draft legislation.

Objectives of the Proposal

The proposal would make accountable to a public entity the financing and construction of bridges and tunnels, now often vested in autonomous bridge authorities often under the domination of financial interests or other self-perpetuating groups.

Alternatives Considered

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1. Retain authority in Corps of Engineers but strengthen.

The Corps has shown little interest in this function and, so long as its control over navigational aspects were protected, it would probably approve the assumption by Commerce.

2. Provide limited authority to set aside toll compacts when they interfere with Interstate highways.

This only meets part of the problem, which is essentially a lack of responsibility of groups governing important interstate routes.

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AVIATION AND WATERWAY USER CHARGES

Statement of the Idea

Address the user charge question, particularly as it relates to the Federal airways and inland waterways, considering the relationship of these charges to the cost of the facilities and the benefits to various classes of users.

Current Federal Government Activities and Programs

User charges are an accepted part of Federal policy in every governmental area. A definite Congressional policy is stated in Title 5 of the Independent Offices Appropriation Act of 1952 which authorizes all Federal agencies to assess special beneficiaries unless there is another statutory provision to the contrary. There is also a long-standing user charge policy evidenced in Budget Bureau Circular No. 58-3, dated November 13, 1957.

In the transportation field the Federal Aid Highway Act of 1956 places the entire Federal highway aid program on a user charge basis. This enactment provides that no Federal-aid financing can exceed the resources of the Highway Trust Fund. Aviation is charged 2 cents per gallon on gasoline. In addition a 5 percent tax on passenger tickets is considered to be a user charge partial payment for Federal airway services. No user charges or tolls are levied on inland waterways where tolls are prohibited by statute (Rivers and Harbors Act of 1884).

are incurred in the

Federal Aid Highways	\$3,588 million
Aviation Construction, Maintenance and Research and Development	\$763 million
River and Harbor Improvements	\$379 million

The President in his message on excise taxes and user charges, dated May 17, 1965, recommended the following user charge program:

For aviation

Enact a new tax of 2 cents per gallon on jet fuel to equalize the present 2 cent tax on aviation gasoline.

Provide a tax of 4 cents per gallon on all fuels used by general aviation.

Enact a tax of 2 percent on air freight waybills.

For inland waterways

Enact a tax of 2 cents per gallon on diesel fuel used in shallow draft water services.

Objectives of the Proposals

These proposals are designed to make existing user tax programs more truly compensatory and more equitable in terms of relationships of different beneficiaries and the costs assignable to them. The aviation program is based on the theory that the present taxes recover only a part of the Federal cost assignable to commercial and general aviation. The proposed airway charges would result in virtually full recovery of the costs allocable to commercial aviation, but would recover only approximately 8.5 percent of the costs allocable to general aviation. The waterway proposal is designed as an initial levy in a field not covered by user charges. It is purposely set at a low level to avoid

disruption of the industry, to avoid unusual administrative problems, and to achieve partial recovery of cost.

No unusual administrative problems appear to be present in either tax proposal. The excise tax system of the Treasury will form the basis of administering the user taxes.

Increased fuels and other taxes on carrier operations will generate pressure for higher fares or rates which may or may not be approved by the regulatory authorities. In any event the carriers will have the burden of presenting their case to the regulatory agencies following enactment. This problem can be avoided if the tax is levied on the passenger or shipper as is the case with the present 3 percent tax on airline fares.

Other Alternative Means

Two alternative policies exist to meet the situation in aviation and waterways: continue to finance the programs from general revenues or develop alternative charge systems, particularly direct tolls and charges.

General fund financing of transportation is against governmental objectives as stated in messages of the President and Congressional enactments. Moreover, with some financing accomplished through user charges and other financed through general fund appropriations, there is inequity among programs. Generally, user charges enable the costs of public programs to be reflected in the prices paid by the public and thereby present a competitive situation akin to free market operations. Direct charge systems have advantages over indirect charges in that a more precise relationship between service benefits and costs can be

established in the financial policy. On the other hand, they are more costly and difficult to administer. The public is familiar with indirect levies and they face less political opposition. This is particularly true in the inland water field where the "no-toll" tradition has great political appeal.

In the aviation proposals, an alternative approach would be to increase the taxes on airline fares and freight waybills to avoid certain carrier problems with regulation rates and fares. Increased fares and rates due to cost increases must be approved by the CAB. On the other hand, taxes paid by the passenger and shipper need not be approved to be reflected in charges to the public. This alternative should be seriously considered as a compromise, since the same objectives can be achieved in this way and some carrier opposition may be avoided.

AUG 31 1965

HIGHWAY BEAUTIFICATION PROGRAM

Eno

Center for
Transportation

Statement of Problem

Billboards and junkyards profusely litter our highway roadsides. A recent survey reveals that there are 17,700 junkyards along 265,000 miles of Interstate and Federal-aid primary highways. Though no count is available, billboards appear to be even more numerous. The objective is to control the number, placement, and visibility of both junkyards and billboards along Federal-aid highways.

Because driving for pleasure is the most popular form of outdoor recreation today, the need is urgent to develop a national program of scenic roads and parkways.

Current Activity

Junkyard Control -- Present law provides no control over the maintenance of junkyards along Federal-aid highways. The proposed bill provides that after January 1, 1968, no Federal-aid highway funds shall be apportioned to any state which has not made provision for effective control of junkyards along the Interstate and primary systems. Effective control means the removal or screening from sight of any junkyard which is within 1,000 feet of the pavement edge and visible from the main traveled way of the system. Junkyards would include automobile junkyards and other places where scrap, garbage or trash is stored or disposed of. Any Federal aid withheld from a state under the bill would be reapportioned to the other states.

Billboard Control -- Present law provides that states which agree to control advertising along the Interstate System shall receive a Federal bonus payment of one-half of the percent of construction costs of highway segments subject to advertising control. The control required relates to outdoor advertising within 660 feet of the edge of the right-of-way and visible from the main traveled way of any part of the Interstate System, except where the right-of-way was acquired prior to July 1, 1956, or the adjacent property is zoned commercial or industrial. The law expired July 1, 1965.

Present law has proven ineffective. It is wholly voluntary with the states, and despite the fact that various exceptions are permitted under it, only twenty states have entered into agreements under it. Of these only eight have actually carried out the agreements, with respect to a total of 183.4 miles of highway. Bonus payments have totalled less than \$450,000. Present law has also proven to have serious administrative defects in connection with the exceptions.

The proposed bill provides for a prompt but orderly transition to mandatory billboard control along the Interstate system and that portion of the primary system which is not zoned commercial or industrial. It specifies that after January 1, 1968, states must not allow advertising signs to be maintained within 1,000 feet of the nearest edge of the pavement if they are visible from any part of the highway. There are exceptions for directional and other official signs, for "on-premise" advertising (i.e., signs advertising sale or lease of the property on which they are located or activities conducted on such property), and, until July 1, 1970, for signs in existence on April 15, 1965. "Off-premise" advertising (i.e., institutional or name-brand advertising) would not be permitted within the controlled area, but states would be required to supply maps, informational directories, and advertising pamphlets at safety rest areas. They could also establish information centers at such areas, with the approval of the Secretary of Commerce.

Scenic Roads and Parkways -- Last year, the Recreation Advisory Council asked the Department of Commerce to undertake an extensive study of a national program of scenic roads and parkways. The Council consists of the Secretaries of Agriculture; Commerce; Defense; Health, Education, and Welfare; Interior; the Administrator, Tennessee Valley Authority; Finance Agency; and the Chairman, Housing and Home Affairs Agency; and the study manual was developed; states and Federal agencies submitted a considerable volume of data, which have been analyzed and evaluated by a small study staff. The study is nearing completion and will be presented to the Council at the end of September, 1965.

The final report will contain much material on phases of a possible national program of scenic roads and parkways. Included will be a rationale for such a program; its many economic, health, safety, and other benefits; examples of state and Federal projects involving scenic roads and parkways; discussion of the landscape, engineering and aesthetic aspects of the problem; planning and research elements; the characteristics of the "universe" materials presented; two different-size programs proposed for consideration; alternative methods of financing the program; suggested legislation; and other related aspects. In short, it will be as complete a treatment of the subject matter as could be done in the year in which the study was done.

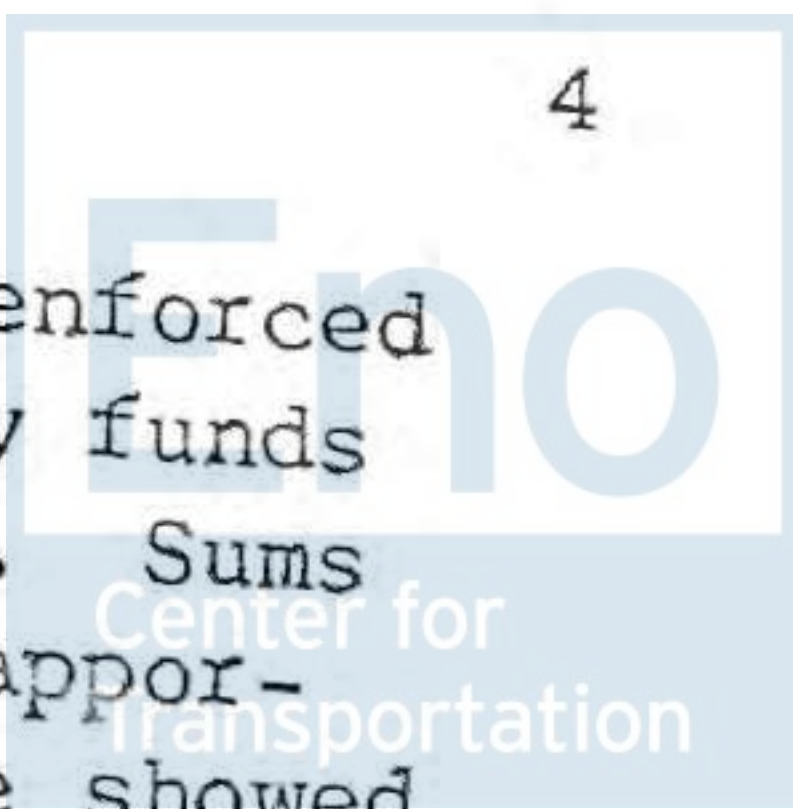
It is assumed that this matter will be sent to the White House from the Recreation Advisory Council, and that it thereafter will be presented to the Congress for its consideration at the 1966 session.

Objectives of Proposals, Advantages and Disadvantages and Cost of Implementation

Junkyard Control -- Junkyards in existence on April 15, 1965, which the Secretary finds as a practical matter cannot be screened, would not have to be removed until July 1, 1970.

If a state showed that it was unable to provide effective control under its police powers because of legal or constitutional difficulties or for other reasons, the Federal government would be authorized to pay the Federal rate share of the cost of providing control by purchase, condemnation, screening, removal or disposal. Such Federal rate share would ordinarily be ninety percent on Interstate projects and fifty percent on primary projects.

The bill would require similar control of junkyards on public lands and reservations along the Interstate and primary systems.



Billboard Control -- The bill would be enforced requiring withholding of all Federal-aid highway funds any state not complying with its requirements. Sums required to be withheld under the bill would be reapportioned among the other states. However, if a state showed that it was unable to exercise adequate control by use of police powers, Federal payment of a pro rata share of the cost of securing effective control by purchase or condemnation would be authorized. Such Federal pro rata share would ordinarily be ninety percent on Interstate projects and fifty percent on primary projects. States which have entered into agreements under existing law may continue to receive the one-half of one percent bonus, but would be required to provide the controls specified in the new law after January 1, 1968.

Scenic Roads and Parkways -- No bill has yet been introduced, but a suggested bill will be included in the study now in its final stages. Such a bill probably will be introduced during the early days of the second session of the present Congress. A national program of scenic roads and parkways should have great popular appeal in all sections of the Nation, because all sections stand to gain by such a program. It makes sense from a social and economic point of view as well. Programs of two different magnitudes will be suggested, one for \$4 billion and the other for \$8 billion, to be spent over a ten-year period, 1966-1976. Few programs could be proposed that would have the popular appeal and drama which this one has potentially.

Other Alternative Means Considered for Meeting Objectives

Other alternative means may be considered for meeting the objectives stated.

Billboard Control -- The billboard industry has said it will support the present legislation. There has been some indication in the Congress that control under the power of eminent domain, rather than under the police power without compensation as now contemplated, might be more acceptable. That would mean paying current market value for billboards eliminated. Additionally, there have been some objections to financing this program with highway user funds. Financing from the general fund might be considered accordingly.

AUG 31 1965

Eno

Center for
Transportation

HIGHWAY-MASS TRANSIT COORDINATION

Statement of Proposal

Coordination of Federal programs assisting urban mass transportation, including methods of evaluating alternative systems and tests of their conformance to overall community development plans and programs, and the exploration of means of coordinating the distribution of goods with passenger transport services in urban areas.

Work Currently Underway

On November 29, 1960, the Secretary of Commerce and the Administrator of the Housing and Home Finance Agency jointly announced an agreement under which highway and urban planning funds would be made available for joint use in comprehensive urban and metropolitan planning. Committees at both Washington and regional level were established to implement this agreement.

On March 28, 1962, a report on urban transportation prepared jointly by the Department of Commerce and the Housing and Home Finance Agency was submitted to the President. This report was used as the basis for the urban transportation section of the President's Message of April 5, 1962, to the Congress on Transportation.

The Federal-Aid Highway Act of 1962 added a new section to the law which requires a continuing comprehensive transportation planning process carried on cooperatively by the States and local communities as a condition for approval by the Secretary of Commerce of Federal-aid projects in urban areas of more than 50,000 population after July 1, 1965. Rules and regulations to implement this requirement have been

The Urban Mass Transportation Act of 1964 contains a basic condition that except as provided in the emergency program no loan or grant can be made unless the Administrator determines that the facilities and equipment for which the assistance is sought are needed for carrying out a program, meeting criteria established by the Act, for a unified or officially coordinated urban transportation system as a part of the comprehensively planned development of the urban area. Planning requirement guides have been issued by the Housing and Home Finance Agency. This Act requires the Administrator and the Secretary of Commerce to consult on general urban transportation policies and programs and to exchange information on proposed projects in urban areas.

The Bureau of Public Roads and the Housing and Home Finance Agency have continuously kept each other informed of their programs and have coordinated their planning standards and requirements. Comprehensive transportation planning studies are currently underway or are being organized in all of the 224 urban areas of over 50,000 population. The studies in most of the larger metropolitan areas are being financed in part with funds administered by both Public Roads and the Housing and Home Finance Agency. The number of studies financed in this manner is continually increasing. Public Roads regulations will permit joint use of rights-of-way by highway and transit when appropriate. Existing regulations will also permit the reservation of highway lanes for the exclusive use of bus

transit operations upon a showing that by such operation the number of persons that will be moved will be as great or greater than without the restriction on private vehicles.

Objective of the Proposal and Means of Accomplishing the Objective

The development of more efficient and effective transportation systems in urban areas within an overall planning context.

Existing legislation is ample.

As the urban transportation planning studies currently underway progress, the techniques for estimating probable usage of transit facilities can be improved. Also additional emphasis can be placed on developing procedures for evaluating transportation plans which will give proper consideration to environmental factors as well as road user costs and benefits. Further, the coordination between Public Roads and the Housing and Home Finance Agency can result in greater specificity with respect to standards and planning requirements.

Coordination of goods and personal transportation has only a limited potential when considered as an area of special emphasis in planning. From the planning standpoint, goods movement needs are considered as part of comprehensive planning studies and related development programs for transport facilities. In most areas, goods movements within the city tend to concentrate in offpeak hours during the working day, and require little special planning. In other

situations where special freight peaks occur in individual industries, special attention can be given to these matters in general transportation planning studies. In some instances special research studies can be organized using existing funds and authority. Examples are the TRANSIM study of intermodal freight transfers in urban areas for the Office of the Under Secretary for Transportation by the University of California at Los Angeles and the similar study of transport coordination by the University of Pittsburgh.

Alternative Means of Accomplishing the Objective

Short of reorganization, i.e., creation of a Department of Transportation, which would bring all the Federal programs assisting urban mass transportation within a single organization, there appears to be little if any legislative action required with regard to the coordination process.