

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

PRESS CONFERENCE
OF

DR. PATRICK DANIEL MOYNIHAN, ASSISTANT TO
THE PRESIDENT FOR URBAN AFFAIRS;
JAMES M. BEGGS, UNDER SECRETARY OF TRANSPORTATION,
CARLOS VILLAREAL, ADMINISTRATOR, URBAN MASS
TRANSPORTATION, DEPARTMENT OF TRANSPORTATION

AT 10:10 A.M. EDT

MR. ZIEGLER: You have the message on mass transportation. Secretary Volpe is having a press conference at 2:30 today at the Department of Transportation.

Under Secretary Beggs and Carlos Villareal, who is the Administrator of Urban Mass Transportation in the Department, will take your questions on this. Their comments will be on a BACKGROUND basis attributed to the Department of Transportation sources.

Dr. Moynihan, who has had a part in the development of this, will have a few words.

Q Is he on the record?

MR. ZIEGLER: Dr. Moynihan is always on the record.

Q Are you going to have any more briefings today?

MR. ZIEGLER: We will see you after the meeting with the Chancellor, which will be 12:30 or 1:00. That will be the last briefing today.

We go to California on Saturday.

Q Is that on the record?

MR. ZIEGLER: That is on the record.

DR. MOYNIHAN: This public transportation program, the largest of its kind, and in a way the first of its kind in our history, was a product of the Urban Affairs Council Subcommittee on Mass Transit. It was one of the committees established at the first meeting of the Council on January 23 and in about that six months' gestation, seems now to have finished and come forward.

I would like simply to point out that there have been questions raised as to the nature of the financing arrangements. I will answer any of them later that you want me to and Under Secretary Beggs is an authority on the subject in great detail.

I specifically want to point out, however, that this program provides contracting authority for local governments. It enables the governments to sign contracts to construct



transit systems or to maintain and support transit systems over extended periods of time, construction typically taking such periods, and it is in that sense, as full and confident a guarantee of the fiscal integrity of the program as any normal municipal executive would ask. This is a perfectly correct, perfectly adequate way of financing long-term public expenditures.

For details of that and other matters, I give you Under Secretary Beggs.

Q What is the matching terms and how long would the Federal pay-out be on its contract? In other words, how many years after the expenditure by the city or whoever it was, would the full Federal grant be paid out? Would it be 20 years or some system of that type?

MR. BEGGS: The matching terms are 2/3rds-1/3rd, 2/3rd Federal and 1/3rd local.

Q Does it go directly to local and not through States?

MR. BEGGS: It goes directly to local. There is a provision in the bill that the Governor of the State must review the application. He does not have to approve it, but he must review it.

Q Can he veto it?

MR. BEGGS: No.

Q Is there a length of time he has to finish his review?

MR. BEGGS: No, but Administratively we can set a length of time and we will.

Now, let me get to the other part of the question. These are, of necessity, long-cycle projects. Most subway systems generally take ten or fifteen years to complete. This necessarily requires that a municipal government bond itself for the period in question. However, most of these systems, in fact all that I know of, are generally constructed and completed on one-route-at-a-time basis.

If you look at the Washington Metropolitan plan, you will notice that they are planning to complete one route at a time, and then another route and other routes. This bill gives us contract authority, as Dr. Moynihan stated, for a five-year authorization. This will permit us to contract or to release grants to the municipal governments so that they may contract up to a total of \$3.1 billion, which, within the scheme of things, with the 2/3rds-1/3rd ratio, provide \$4.6 billion for new systems.

It is our view that with that authority we can give the municipal governments a degree of security that they can go out and bond themselves with the full expectation that the Federal Government will meet its commitment.

In addition, on a biannual basis, we will go back to Congress for an additional two years at \$1 billion a year. So each two years there will be \$2 billion additional pumped into the contract authority to permit us to go forward with even further commitments to the cities.

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Q But when would they get the cash?

MR. BEGGS: They will get the cash as they construct the system.

Q In other words, under the water pollution program they have a system of 30-year pay-out of what used to be a one-year grant. This is the not the same thing?

MR. BEGGS: No.

Q Is there a maximum for any one grant to be written into the law?

MR. BEGGS: There is no maximum for any one grant. However, the provision that is in the current law will carry forward, that is, not more than 12-1/2 percent of the total appropriations can go to any one State. However, we have asked the Congress to modify that to the event that 15 percent of each year's appropriation would be used as a discretionary fund or a flexible fund, that at the discretion of the Secretary and on his ruling, where you have specific cases in States where hardship exists or where systems have been started that require funding this year and not next, that he can move funds around to the extent of 15 percent.

Q Is that discretionary or do certain rules apply?

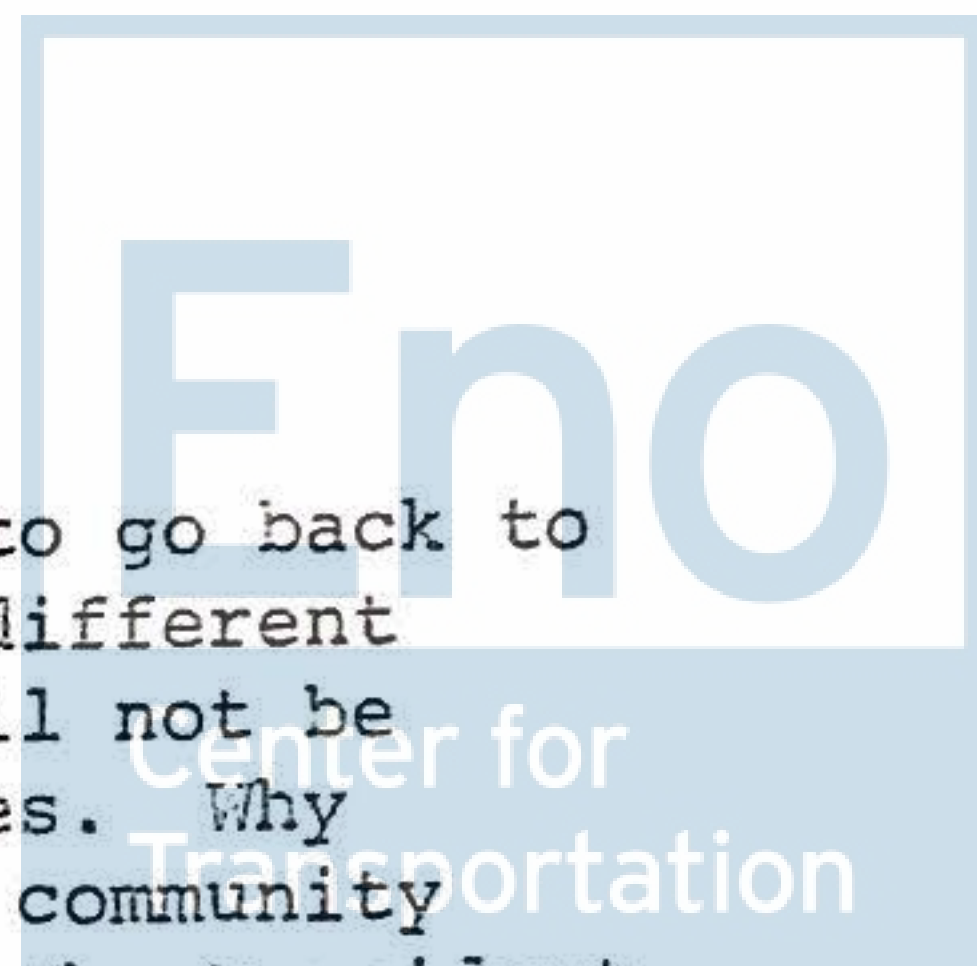
MR. BEGGS: He has to make a finding that it is necessary, that they have a real need. For example, in California, where you have several systems going, most specifically the DART system, and we are almost up to 12-1/2 percent limitation, where they have an on-going program that requires funds, we would have to make a finding that they needed the money and having needed the money, then the Secretary could give them the money.

Q Mr. Beggs, the Transportation Department earlier this week definitely expressed a preference for a trust fund. This was emphasized a great deal over this other method here of going to Congress and asking them for money. Obviously you have not got your trust fund, so this indicates a disagreement with the Administration itself about the financing. Why didn't you get your trust fund?

MR. BEGGS: It is our view and the view of the Administration as well, that after a complete review of the sources of funds and methods of financing, that the best way of handling this program is through contract authority.

Q Did the Budget Bureau put the kibash on it?

MR. BEGGS: There was a decision reached in a meeting with all the principals involved, including the Department.



Q Why did you decide it was better to go back to Congress five times? At the very minimum five different Congresses have to approve this program or it will not be fully funded. You have five difference Congresses. Why is that a superior way of assurance to the local community for bonding purposes as a vital point and if, as the President is saying, the highway program has been magnificent, and since he has recommendations that we do this for airports, why not do it for mass transit?

Does this mean you put this at a lower level of need than the other two programs?

MR. BEGGS: May I say a couple of things about the highway trust fund? When that program was originally created it was estimated that the interstate system would cost something in the order of \$20 billion to \$30 billion. I think \$26 billion was the original estimate. The system now is estimated to cost, prior to the completion, something in the order of \$55 billion to \$60 billion. So it has increased by that amount of money due to inflationary factors and the fact that one tends to underestimate major engineering projects of this type in the beginning stages.

In the case of the highway trust fund, you had a situation of growing industry. There were more and more automobiles coming on the road. As a consequence, automobile user taxes in the form of taxes on gasoline and diesel oil, and so forth, were a good way of financing it because you could project ahead and see that these revenues were going to increase over the upcoming years.

In the case of this fund, there is no such source of revenue that you can see. However, we did look broadly at several different taxes to see whether there was not one that would fit the pattern and make a good method to feed a trust fund. We did not come up with one. As a matter of fact, the more you go into it the more you realized that the only way to fund this was out of the general fund.

When you reached that conclusion, the idea of feeding a trust fund from a general fund is a meaningless concept. It is within the realm of possibility that the required financing for transit systems in the cities will increase in cost as years go by. This bill does provide and does have the virtue of providing the means of going back to the Congress and asking for additional funds as those projections come forward.

Q You would not have to pass this bill to go to the Congress to ask for more money. You can do that any time you want to.

MR. BEGGS: Indeed that is so, but this provides a framework for doing that rather than going through the normal appropriations cycle.

Q Many programs have an annual Congressional review of the contract authorization level. That is true in water pollution and some of the agricultural programs.

MR. BEGGS: In this case we ask for the five-year authorization which will give us the authority to commit that five years.

Q You are asking for advance authorization for five years?

MR. BEGGS: That is correct. We can commit up to \$3.1 billion.

Q Would it be limited to the five years? Suppose you wanted to do it all in the first year?

MR. BEGGS: No, I don't think it is quite as simple as that. Let me see if I can try to explain. We have the first year's appropriation, first year's authorization in this \$300 million. We can start systems in this country that will require expenditures, a commitment of funds by the municipal governments up to \$300 million.

If that \$300 million commitment in the first year would run out to \$3.1 billion, then the answer is yes, sir, but I don't think it will. There will be further commitments in the second, third, fourth and probably even the fifth year.

Q The original idea of your trust fund was to take 50 percent of the automobile excise taxes. There has been a big cry raised about continuing automobile excise taxes. AAA and automobile manufacturers and the people who are fleet operators don't want those taxes. Was that taken into consideration in deciding to go to the general fund rather than depending on excise taxes from automobiles in formulating this plan?

MR. BEGGS: No, not specifically, although we were made quite well aware that the automotive industry and many of the automotive interests were not very happy about tapping the auto excise tax. But that specific consideration was not in the final decision.

DR. MOYNIHAN: Could I interrupt and make just one projection here which may be difficult for the Under Secretary to make himself?

The question of funding was always before this group, the Subcommittee on Mass Transit of the Urban Affairs Council. The question arose whether or not the model of user charges -- could we adopt such a model. The first fact we had to live with was user charges were not to build mass transit systems, otherwise there wouldn't be any need for supporting them. That is the fundamental fact behind the program.

But the more important decision was made, and it was made at the level of the President, which is that the support of, maintenance and expansion of public transportation in the United States is a matter of public, as against particular interests. This is a matter of the public interest and is, therefore, properly funded out of the general revenues of the Treasury and is not dependent upon sources from one particular tax or another, but rather is a matter of national interest and will be supported in exactly the same way the United States Navy is supported, for that matter.

The funds are appropriated by Congress from general taxation.

Q What is the level of actual need?

MR. BEGGS: We have several studies in the Department on that point. Some of them date back a number of years and some of them are quite recent. The studies range in their estimate of need from \$10 billion to \$20 billion.

Q Over this ten-year period?

MR. BEGGS: Over the 12-year period we are talking about, \$10 billion to \$20 billion.

Q You are talking about combined Federal-local now?

MR. BEGGS: We are talking about total cost, right. Since this bill will make available with the matching share, about \$15 billion, we are right in the middle of that estimate.

Carlos, do you want to comment on that?

MR. VILLAREAL: We feel that with the \$10 billion represented in the bill, that with the 1/3rd local matching, which will be \$15 billion, that that will be an amount to get the program started, but the nice part about this particular bill is the flexibility that Mr. Beggs' pointed out, that as you go along, every two years there will be an opportunity to re-evaluate the further needs and with the usual cost escalations and so forth, it will have unique flexibility so additional funds can be made available.

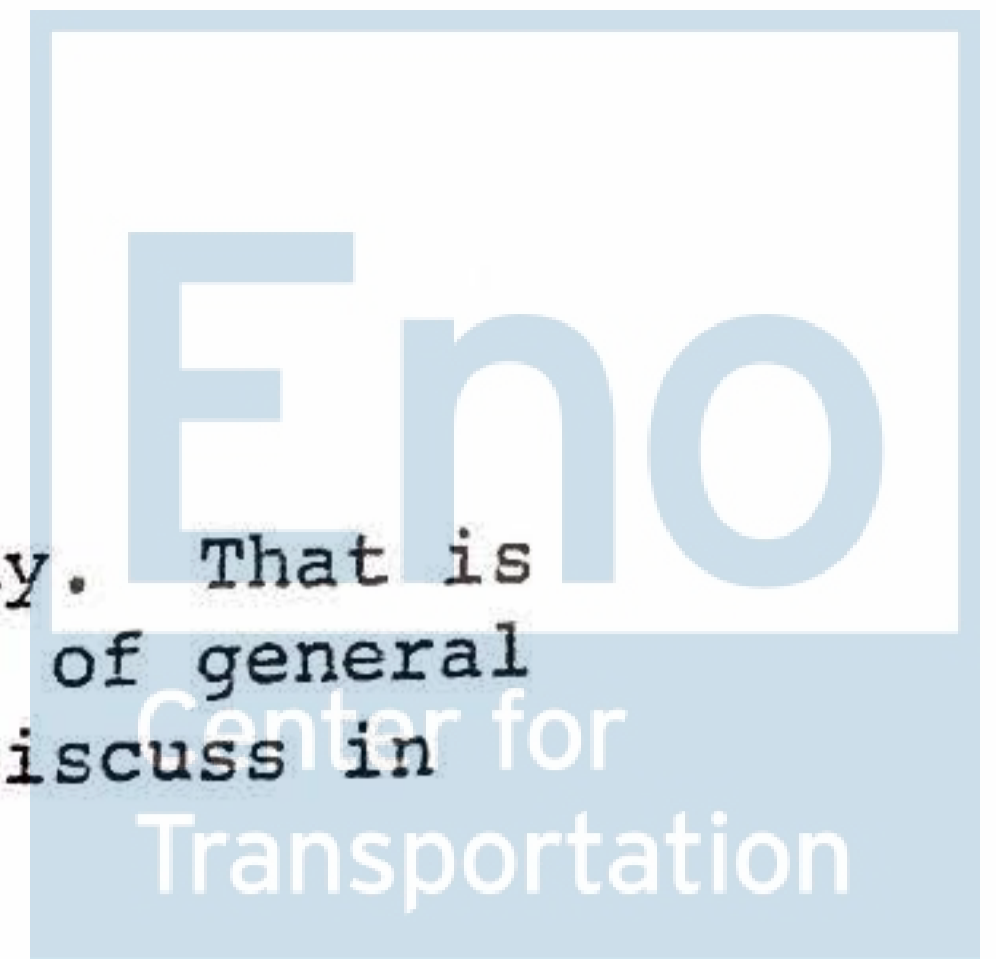
Q I have a question for Dr. Moynihan. You mentioned the philosophy of public revenues and the public programs. It seems to me that there are two concepts; one is the idea of the user charges, but the other essentially is looking for a mechanism that provides a guarantee irrespective of whether it is user or not.

With that in mind, wouldn't you agree that today the auto excise tax is public revenue? Now, if we put it into a fund and say now it is going to fund for sure a mass transit system, doesn't it remain public revenue?

DR. MOYNIHAN: In the canons of public finance there is no more sacred doctrine than that general revenues should be maintained to be disposed as the executive and legislature decide in the course of their budget cycle. You do not knock yourselves into little bits and pieces.

Take a look at a big city which has 80 percent of their revenues earmarked for this or that. It is hideous. The revenues, excise taxes of various kinds, go into the Treasury and they lose their identity and become resources available to the Nation.

The issue here is that this is a matter of public interest and national interest, not particular or special, and that it was to be funded in the way of all such programs. We had a special problem which is that local governments which had to pay part of these costs have to finance long-term operations. In order to borrow money, they had to have some guarantee. The



guarantee is implicit in the contracting authority. That is all the kinds of concerns that come here in terms of general principals of Government that we sit around and discuss in the White House.

There are also realities in Washington, and one reality is that the House Ways and Means Committee is not about to set up trust funds.

Q Why isn't this applied in the matter of motor fuel taxes and the highway trust fund? Automobile drivers benefit from mass transit.

DR. MOYNIHAN: Those are clearly user taxes. But secondly, it may be that what the House Ways and Means Committee did once with respect to the large transit program they are not prepared to do twice.

Q What about the highway trust fund? Sooner or later this trust fund which is now about \$4-1/2 billion a year, this is disproportionately high compared to what you are proposing here.

MR. BEGGS: That is one argument that has been advanced against the highway trust fund. A number of critics of it have said in the setting up of this highway trust fund that while you can spend no more you can spend no less. This has been a strong argument against it. My personal view is that we started out to do a job in the highway field and that is to complete the interstate system. We have not completed it and we will not until 1974, and it is my view that we ought to complete it.

Nevertheless, in 1974, yes there will become some funds available, assuming that the Congress does not desire to go forward with still another program in the highway field. What that money will be used for, I don't know.

Q What is the relation between this transit program and the Washington subway system?

MR. BEGGS: There is no relationship. The Washington subway system, as you know, is financed through other sources. The Congress will put that money up, assuming the satisfactory resolution of the dispute quite independent of this ---

Q This could not be used for that purpose?

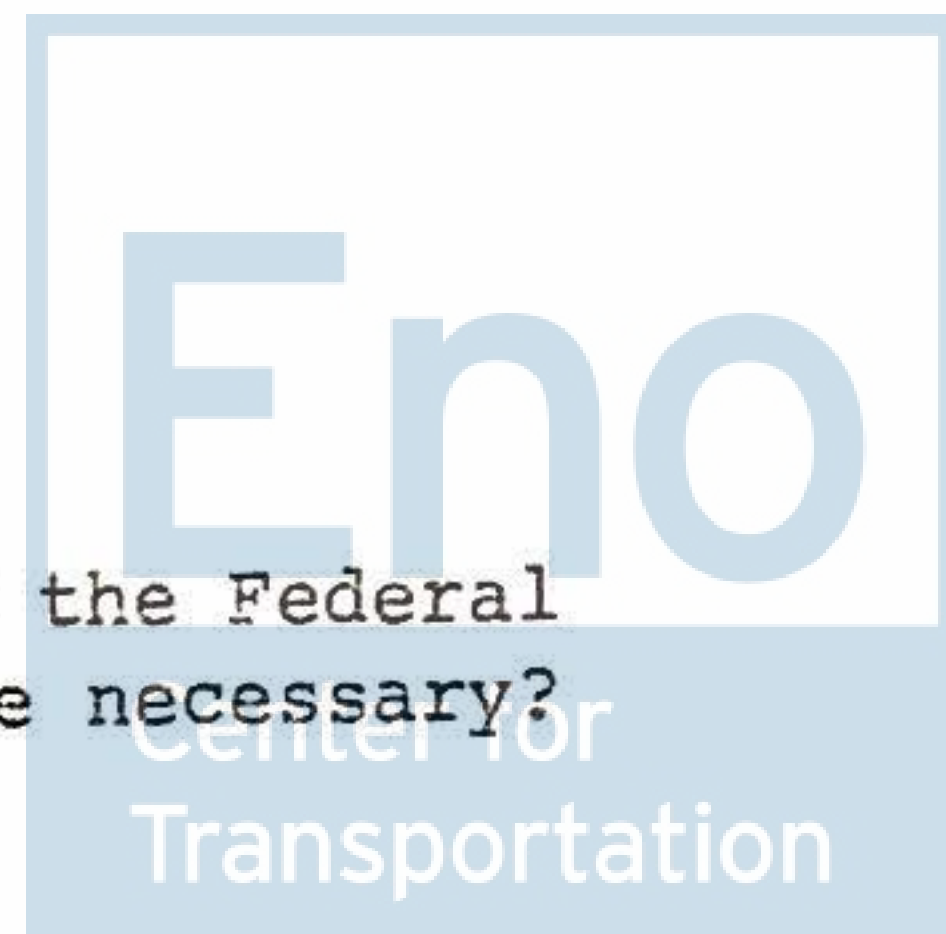
MR. BEGGS: That appropriation, once it is made, will provide for contract authority for the WMRLA.

Q But if you don't get that, you could use this authority here?

MR. BEGGS: Yes, that money will also flow through the Urban Mass Transit Administration, but it will be quite aside from that.

Q If Congress did not pass the special legislation?

MR. BEGGS: Then this could be used.



Q Could they also be used to expand the Federal support for, say, something like BART, if it were necessary?

MR. BEGGS: Yes, it could.

Q When you talk about a balanced transportation system in the message, does that mean you are thinking about balance in terms of buses and subways in the cities or are you looking to use some of these new types of vehicles that are mentioned in here?

MR. BEGGS: It is our view that there is a great deal that one can do in innovating new kinds of systems. There has been very little research or demonstrations in this area for a long number of years, and indeed, the systems that are being laid down currently are based really on the kinds of systems that were designed 50, 60 or 70 years ago.

We do intend to put money in that. I will ask Mr. Villareal to comment on the research and development side.

MR. VILLAREAL: The Secretary and Under Secretary have been most anxious to start a research and technology program that would be imaginative and aggressive and push forward the technologies that are available today and try to get them incorporated into the transportation systems. We are looking at many things. We are looking at new type propulsion systems for buses, for example.

We are making an effort to motivate the automobile manufacturers to come forward with new types of buses, buses which would be more attractive in order to increase the ridership, lower on the ground, buses that would enable people to get aboard easier, the old people, those who are handicapped and have difficulty negotiating the high bus steps today, with an air conditioning system that would be adequate so that people would, in general, prefer to leave their automobiles at home and ride a vehicle that would be more attractive.

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Q What about all of the pollution that comes out of the D. C. buses? Are you looking at that, too?

MR. VILLAREAL: We are also looking at the pollution problems in a very serious manner. There are many things that we are looking into to solve the problems of, for example, an after-burner on a diesel engine to completely burn the products of combustion and thus eliminate the contamination.

We are also looking at gas-turbine propulsion systems. We are also looking at electrical systems which would be powered by heavy-duty, high-performance batteries. The only reason that we don't have electric buses in operation today with battery power is because we are still in the process of developing a higher capacity battery.

We are also taking a look at the more advanced types of transportation such as air-traction vehicles, air-cushioned vehicles, also hydrofoil craft where they would lend themselves to commuter service. We are looking at better communications systems, of demand computer control bus systems.

Q You are doing much of that with the present program. In what sense does the program that you are now sending to Congress change this?

MR. VILLAREAL: It would be a more intensified program. I guess the important part of the research and technology program is the fact that out of all these technological break-throughs we hope to have an aggressive demonstration program. From these demonstrations we would hope to get the systems of the future.

MR. BEGGS: The current budget for research and development in UMTA has been very, very modest. For the past two or three years the total amount we have had for both demonstrations and research has run less than \$25 million a year. Of that \$25 million, a big part has been devoted to pure demonstrations trying to improve on existing systems. So I would say \$5 million to \$6 million a year is the amount which is devoted to research.

We are talking about here putting in \$500 million, mostly in the first five or six years.

Q Dr. Moynihan, the question of priorities. As you recall, when President Eisenhower recommended the highway program, Congress did not pass his proposals. Congress insisted on a trust fund. If the White House should become convinced that present program as outlined can't pass, but that a trust fund could pass, which principle would you put higher, the public financed idea or the idea that we need mass transit?

DR. MOYNIHAN: I think the idea of mass transit is clearly a major concern to the Government. The Bureau of the Budget, as you well know, will respond, but that situation would have to occur before we would have an answer to it.

It is my view that the Federal Highway Program was the Inter-State and Defense Highway Program and it was at that point thought necessary to lug all those missiles around and get under the bridges. Who ever saw a missile on a trolley car? We will have to see what happens. We would have that psychic disadvantage.

Q Mr. Under Secretary, what would be the mechanics for the city qualifying for money? I know you don't have a chart listing New York gets "x" dollars and Chicago gets "y" dollars. But how is an amount determined?

MR. BEGGS: It submits a plan and an application for a grant. That plan and application must be reviewed by the regional planning commission in the area concerned, and also, as I mentioned earlier, must be reviewed by the Governor of the State involved.

The grant application then is reviewed by the Department to be determined whether it does meet the criteria of the act and if it does provide the kind of service we are looking for it to provide and it is economical as we can expect it to be and it has been sufficiently backed up by engineering studies and so forth.

Q Do you have anything spelled out right now, tentatively as to what major cities might get under this?

MR. BEGGS: No.

Q There is nothing spelled out in the Department of Transportation?

MR. BEGGS: There is nothing in the Act. We have some estimates in the Department as to how the money probably would be dispersed throughout the country.

Q By State or by city?

MR. BEGGS: No, not on the basis of assigning it to specific cities or to specific States, but on the basis of figuring on the basis of need what would go to the large cities, what would go to the smaller cities, what might go into existing systems, what might go into new systems.

Q These are the figures that you gave to the Mayors and Governors the other day?

MR. BEGGS: That is correct.

Q You don't have them broken down finer than that?

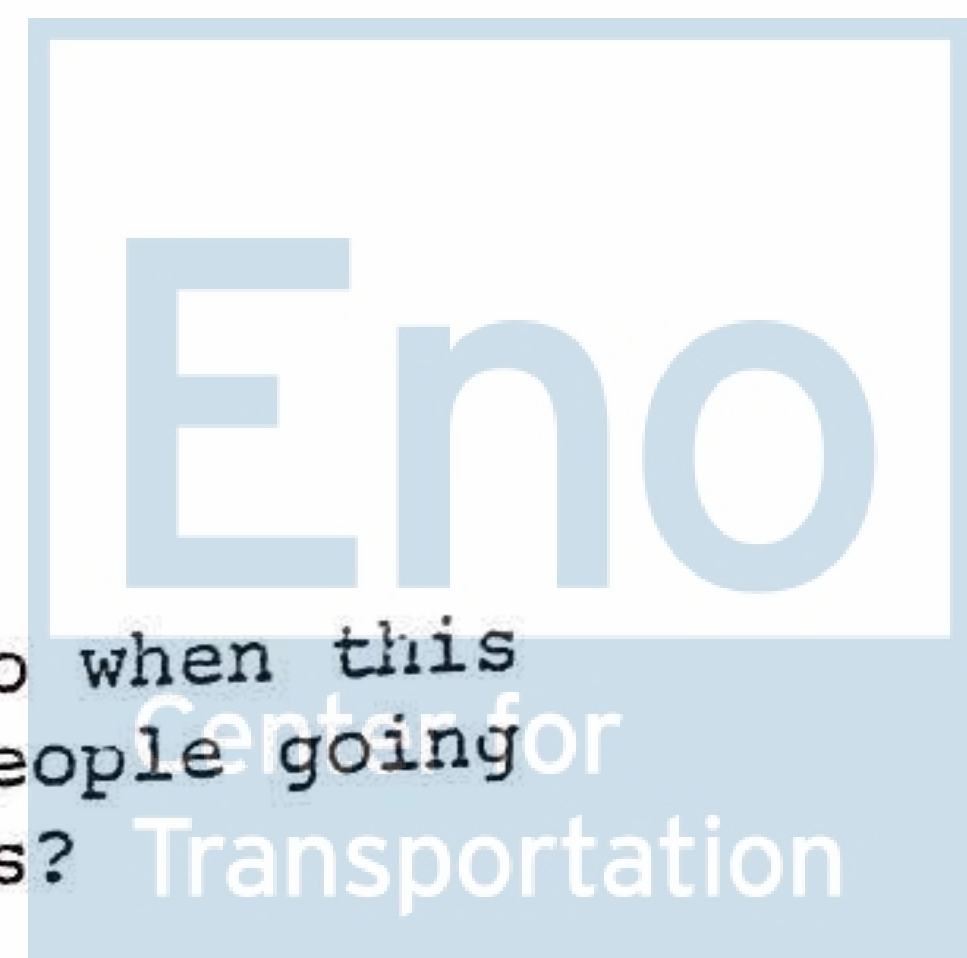
MR. BEGGS: Not at this time, no.

Q Mr. Under Secretary, when you were before the Senate Committee you were asked about the existing situation. There is a program and the authorization runs out. I wonder if you could refresh our memories about what happened, what the present authorization is and when that runs out and what you told the Senate about the tentative thinking of how much you would ask in a new authorization for that program if you had nothing else on the books?

MR. BEGGS: The present program runs through fiscal year 1970 in the amount of \$200 million. It is \$175 million in fiscal year 1969 and \$200 million in fiscal year 1970.

Assuming that the program ran ahead just as it is now set up, we would ask for \$300 million in fiscal year 1971 which is the amount specified in this bill. We understand that there is a proposal in the committee to go forward with an authorization and appropriation in fiscal year 1971 in the amount of \$300 million. We would have no objection to that

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because it fits this bill quite well.

Q Sir, what are your estimates as to when this "pie in the sky" comes down to earth? When are people going to step on gas-turbined, air-conditioned, low buses?

MR. BEGGS: There are such experimental buses that are running in some of these test tracks. It is just a question of ---

Q I am merely asking, when can we see a significant betterment of public transportation as a result of this program -- by 1976?

MR. BEGGS: It is not going to be quick, but it is our hope, it is our belief, that if this bill carries, that we can get some significant improvement in a matter of three years, that we will start to see some results, and we are dedicated to that.

Mr. Villareal has been working very closely with several cities to try to develop some plans where we can take off pretty rapidly and start bringing on lines some new systems.

Q Mr. Beggs, do you see a possibility that the Congress will extend a trust fund for highways four years from now without doing something for mass transit?

MR. BEGGS: You are asking me to speculate on what the Congress will do and I don't think I can do that.

Q What is your idea of whether the Highway Trust Fund should be extended if we don't have a trust fund for mass transit?

MR. BEGGS: I don't think that the Department has thought that particular issue through. I think we have a situation developing. We are asking for a fund, a designated account, for our airports and airways financing. We have the Highway Trust Fund. It is conceivable that one can think of a number of possibilities here. You can think of joining several of these funds, perhaps, in one transportation fund. You could think of continuing the Highway Trust Fund at a lower level. There are still very large needs. One of the issues in the highway field is who is going to maintain these highways and whether there is going to be Federal support for that.

There is still the possibility of bringing some part of the highway funding together with the mass transit, the use of exclusive bus lanes on highways, for example, has been explored. The use of the highway right-of-ways for some kind of approach to mass transit is one that has possibilities.

As to which way we would go here, I really can't answer that.

Q Have you discussed this development with Congressional leaders?

MR. BEGGS: Yes, we have, in great detail.

Q Can you reveal what the reception to this plan was?

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MR. BEGGS: I would say -- I hate to try to preview what the Congress is going to do on the Act -- but I would say in general the reaction is favorable to the proposal.

THE PRESS: Thank you.

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(10:45 A.M. EDT)

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