

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

November 25, 1970

MEMORANDUM FOR THE SECRETARY OF TRANSPORTATION

Subject: Railpax

In considering the Railpax route structure, the President has decided to use an approach somewhat different from that reflected in the Department of Transportation proposal. He wants to start by asking what the nation needs and wants in a total transportation system for the 1970's and beyond. Our effort has been to discern the optimum contribution of rail passenger service in balance with the contributions of air and highway transportation. In particular, we have been sensitive to current deliberations about deregulation in transportation as well as other industries.

It is understandable, therefore, that the President has come to conclusions which may differ from those developed by your Department, but perhaps not so different from your personal views as the nation's senior transportation statesman. He has studied the options presented by the Department of Transportation and the Office of Management and Budget in light of the following criteria:

- The rail route structure should not be so generous as to have adverse impacts on competing modes, creating economic and political problems perhaps more serious than those encountered in proposing initially a smaller system.
- A desirable system of routes should be based upon somewhat conservative cost and demand projections to insure the economic viability of the Corporation.

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Transportation

- The route structure should not unduly depend on heavy cross subsidization - i. e. The Northeast corridor should not have to bear too much of the cost of unprofitable service in other parts of the country.
- The Corporation should have maximum latitude to start operations with a limited route structure and level of service, to be expanded as rapidly as it develops a market strategy, gains experience, and shows routes to be economically viable.
- It is essential to minimize the risk of Corporation failure, which would be followed by either the demise of intercity rail passenger service, the nationalization of the railroads, or continued Federal subsidies.

In the President's judgment, the system described in the attachment meets these criteria best. Therefore, he would like to have that system announced on November 30th and to have the announcement follow these guidelines:

- The language of the announcement should stress a multi-modal response to national transportation needs and the important opportunity which Railpax presents if it is properly conceived in a multi-modal context.
- Only the end points of routes should be specified to allow full freedom for the Corporation to respond to public demand in the light of economic viability.
- Frequencies of service should not be specified beyond saying that, in general, the Corporation will set frequencies in keeping with demand.
- Equipment specifications should be limited to saying that new and improved equipment is contemplated responsive to the type of demand which develops on each route.

-3-

- The type of service -- "corridor" or "long haul" -- should not be specified, again to allow the Corporation maximum freedom to make sound operating decisions.

In drafting the announcement the President desires that your staff work with The Office of Management and Budget to expedite matters and assure mutual acceptability.

Finally, the President feels that it is most important that the Corporation be assured an independent opportunity to carry out the charter provided to it by the Rail Passenger Service Act.



Director



PROFITABLE ROUTES AND ROUTES LOSING LESS THAN
\$1 MILLION PER YEAR BY 1975

DESIGNATED END POINTS IN RAILPAX BASIC SYSTEM

New York - Boston
New York - Washington
New York - Buffalo
Cleveland - Cincinnati
Detroit - Cincinnati
New York - Chicago
New York - Miami
Chicago - Miami
New York - New Orleans
Chicago - New Orleans
Chicago - Los Angeles
Chicago - Seattle
Chicago - Houston