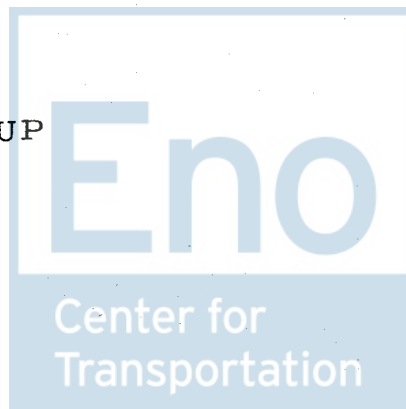


THE WHITE HOUSE

WASHINGTON

WHITE HOUSE MEETING  
TRANSPORTATION POLICY GROUP  
DECEMBER 10, 1970



Yale Brozen, University of Chicago  
Tom Domencic, Charles River Associates  
Jay Forrester, MIT  
Paul Glick, Procter and Gamble  
George Hilton, UCLA

WHITE HOUSE

Egil Krogh, Chairman  
Charles Clapp  
Edwin Harper  
John Price  
Ray Waldmann

DEPARTMENT OF TRANSPORTATION

Charles Baker  
Lee Huff  
G. Peter Schumaier

DEPARTMENT OF COMMERCE

George Pantos  
Daniel Garburn

OFFICE OF MANAGEMENT AND BUDGET

Don Rice  
Roger Adkins

NATIONAL ACADEMY OF SCIENCE

Richard Barber

OFFICE OF SCIENCE & TECHNOLOGY

William Gauss

COUNCIL OF ECONOMIC ADVISORS

Sam Pelzman

I'd like to thank all of you for coming to Washington D.C. on such short notice.

It's obvious that the subject we are asking for some expert help on is not something we can get a comprehensive grip on in one day. However, we felt that it would be helpful if we could at least state the questions with some more specificity.

As the very general working paper indicates, we are concerned with the question of what the role of transportation is in economic development.<sup>3</sup> This question is not susceptible of intelligent discussion without bringing it down to specific cases, but we felt it would be useful to talk about some of the general concepts listed in the Discussion Topics section *first.*

→ DOES TRANSPORTATION LEAD w FOLLOW  
economic development.

THE WHITE HOUSE  
WASHINGTON

December 14, 1970

MEMORANDUM FOR:

Egil Krogh ✓  
Edwin Harper  
John Price  
Charles Clapp  
Richard Barber  
Charles Baker (DOT)  
Lee Huff (DOT)  
George Pantos (Commerce)  
Don Rice (OMB)  
William Gauss (OST)  
Roger Adkins (OMB)  
Sam Peltzman (CEA)



FROM:

Raymond Waldmann *R.W.*

SUBJECT:

Key Conclusions of December 10  
Meeting on Transportation

I. Transportation and Economic Development

Allocation of transportation funds to states is mechanical and leaves states to choose projects.

The regional commissions have been regarded as mechanism for getting block grants and for dividing them up.

Transportation investment should anticipate growth which will naturally occur. It should not be used either too late after the growth has already occurred or in attempt to direct growth. This requires better planning.

Looking ahead 20 to 30 years, real problems will occur with the basic concept of stimulating growth which is even now running into barriers.

Transportation investments could help growth centers, could increase their employment watersheds and could reduce costs.

Systems pressures are already at work which will cause readjustment of population and should be allowed to work in natural fashion.

In solving the empirical questions implicit in the agenda one must recognize that the data are very bad, that models are not generally good, and that previous reports are inconclusive (see for example, Charles River Associates Report, The Role of Transportation and Regional Economic Development).

Appalachia is a very expensive demonstration project which seems to indicate a growth relationship to transportation.

The Public Works Committee will be looking at the whole question of development in the next session.

Any attempt to factor in regional development objectives into present DOT planning process is unrealistic.

Taxes may be effective for modifying development in marginal situations. Between areas of major difference, however, they will probably have very little impact.

## II. National Transportation Policy

Regulation of the transportation industry should be abolished or minimized, or at the very least, consolidated.

The Davis Bacon Act requiring minimum wages on certain public works projects should be repealed.

User charges should be instituted, certainly on waterways, and possibly on highways both inside cities and between them (toll booths are not efficient but there are other methods).

National policy should explicitly recognize the need for experimentation and for more analysis (cost/benefit and systems).

As a general principle government should be neutral with respect to groups but assist efficiency thus helping people generate growth if desired through savings and improving the allocation of resources through the price mechanism.

Generally speaking tax policies stifle growth; problems normally require more taxation for solution. This cycle does not take account of the need for mechanism for capital accumulation.

UMTA should be abolished but short of that use its leverage to achieve needed reforms, especially in taxi licensing and entry, and purchasing of buses which are higher yield and lower cost vehicles than fixed rail. 100 million per year spent by UMTA would give cities all the buses they need, but will not go far in investment in fixed rail.

River and road investments are agreed to be federal responsibilities.

Airports could be sold off to private industry and operated as such.

DOT has failed to achieve its early expectations since it accepts the cartelization of modes. Cartelization prohibits and prevents cross utilization of modes thus artificially keeping prices high.

For post inter-state highways the best solution is to encourage beltways around the cities and the few needed segments of inter-state freeway. The proposals for rural development highways put them where they are not needed and keeps them away from urban areas where they are needed.

Federal guarantees for equipment purchases are not a solution but merely perpetuate a problem.

Subsidization through the Jones Act and Maritime Subsidies is bad and should be removed.

While barge companies are protected and have the advantage of public subsidy, truckers are beginning to feel pain.

Rail-pax is a fiasco in that it attempts to attract back the passengers who value time more than money; a better approach is to attack Greyhound (but this is also a declining mode).

A major study should be launched on variable user charges.

A minor study should be launched on how to induce technological change and R and D into railroads.

Perhaps local taxation is a way of getting automobile pollution technology installed and should be studied.

December 15, 1970

**MEMORANDUM FOR ED HARPER**

**SUBJECT: WALDMAN SUMMARY OF TRANSPORTATION MEETING**



In order to keep the animals from getting panicky out in the departments, I would suggest that in the future we limit distribution of summaries of Domestic Council Staff brainstorming sessions to the immediate Domestic Staff.

A memorandum calling for the dismemberment of UMTA with a White House letterhead could be grounds for some media attention.

Thanks, Ed.

Bud Krogh