

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

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Center for
Transportation

JUL 8 1964

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 6 - Urban Mass Transportation Act
Sponsors - Sen. Williams (D) New Jersey, and 20 others

Last Day for Action

July 14, 1964 - Tuesday

Purpose

Authorizes the Housing and Home Finance Administrator to make grants to States and local public bodies to assist them in financing mass transit facilities.

Agency Recommendations

Bureau of the Budget	Approval (Signing statement attached)
Housing and Home Finance Agency	Approval (Signing statement attached)
Department of Labor	Approval
Department of Commerce	Approval
Department of Health, Education, and Welfare	Approval
Council of Economic Advisers	Approval
Interstate Commerce Commission	Approval
Department of State	Does not recommend veto (Suggests signing statement on "Buy American" provision)

Discussion

This legislation was recommended to the Congress by the Administration and the enrolled bill closely resembles its proposal. The major features of the bill are outlined in the attached analysis.

The most significant changes from the Administration's bill are: (1) the inclusion of a strict "Buy American" provision -- section 9(c); (2) the inclusion of restrictive labor protective provisions -- section 10(c);


and (3) the reduction in the authorization for appropriations for grants from \$500 million to \$375 million over a three-year period.

The Department of State is strongly opposed to the "Buy American" provision. It notes that the provision is much more sweeping in its effects than the Buy American Act and opposes it as inconsistent with our international obligations, as making more difficult a general liberalization of trade in the Kennedy Round, and as provoking retaliation. It recommends that you indicate on signing the bill the objections to the provisions and your intention to seek early repeal. We concur in this recommendation.

In an earlier memorandum to the President and other memoranda to White House staff, the CEA and we strongly objected to the labor protective provisions in the bill. We regarded the four-year economic guarantee as seriously undesirable featherbedding, contrary to our economic growth objectives and costly to taxpayers and consumers. We believed they would impede labor mobility and effective utilization of workers. We were concerned that the extension in this bill of the Interstate Commerce Act precedent would encourage further extension to other areas of our economy -- defense contracts, for example. The potential effects of this on production costs and consequently on international trade competition are obvious. While we still regard these consequences as most serious, we would not recommend disapproval because of the inclusion of these provisions; and we are hopeful that they can be administered in such a way as not to interfere substantially with the achievement of the program's objectives.

The reduction in the grant authorization will not impede the progress of the program in its early stages.

HHFA has prepared a proposed signing statement, the original of which has been forwarded directly to White House staff. We have also prepared a suggested statement which places somewhat greater emphasis on the problems involved and the need for local initiative, incorporates a paragraph on the "Buy American" provision along the lines recommended by the Department of State, and indicates that a supplemental appropriation will be transmitted shortly.


Assistant Director for
Legislative Reference

Enclosures

Major provisions of S. 6 - Urban Mass Transportation Act

Federal financial assistance

Section 3 -- Authorizes the Administrator of HHFA to make grants and loans to assist States and local public bodies in financing mass transit facilities.

No loan to be made for any project which receives a grant.

No financial assistance to be given for the purpose of acquiring any facilities of a private mass transit system or of operating facilities in competition with or supplemental to an existing system unless:

(a) the Administrator finds that such assistance is necessary to carry out a comprehensive plan,

(b) the program provides maximum feasible private participation,

(c) just compensation will be paid,

(d) the Secretary of Labor finds that the labor requirements of section 10(c) will be complied with.

Long-range program

Section 4 -- Financial assistance to be available only on findings by Administrator that (a) assistance is needed to carry out a unified transportation system as part of a comprehensive community plan, (b) maximum feasible private participation is encouraged, and (c) any acquired facilities are to be improved.

The Administrator is to determine portion of costs which are not supportable from project revenues (the net project cost) and the Federal grant is not to exceed two-thirds of the net project cost.

To finance grants, the bill authorizes appropriations of \$75 million in 1965, \$150 million in 1966, and \$150 million in 1967.

Emergency program

Section 5 -- Prior to July 1, 1967, assistance to be available regardless of Section 4 requirements if: (a) plans for officially coordinated system are in preparation, (b) facilities to be assisted are reasonably expected to be required, and (c) the facilities are urgently needed.

Federal grant is not to exceed one-half of net project cost, but if all requirements are met within three years, Federal contribution can be increased to two-thirds.

Research, development and demonstration

Section 6 -- Administrator authorized to undertake directly or by contract research and development and demonstration projects which will reduce transportation needs or the costs thereof. For this purpose \$30 million of the grant authorizations in section 4 are to be available, plus the unobligated funds carried over from the authorization in the Housing Act of 1961.

Relocation requirements and payments

Section 7 -- No assistance may be extended unless satisfactory arrangements are made for relocation of displaced families. Provides 100 percent Federal grants for relocation expenses of families and businesses.

Section 8 -- The Administrator and the Secretary of Commerce are to consult on urban transportation policies and programs to assure coordination of highway and mass transit planning and development.

General provisions

Section 9 -- Provides that only such manufactured articles as have been manufactured in the United States shall be used in the construction of facilities assisted under this bill - Buy American.

The Administrator is prohibited from regulating the operation of any system for which a grant has been made and from regulating the fares or charges of such system; however, he may take the necessary actions to enforce the provisions of the grant agreement.

Labor Standards

Section 10 -- Requires the Administrator to apply Davis-Bacon Act standards to assisted projects.

Assistance must be conditioned on fair and equitable arrangements to protect affected employees, as determined by the Secretary of Labor. Such protective arrangements must include such provisions as may be necessary for:

(a) the preservation of rights under existing collective bargaining agreements,

- (b) the continuation of collective bargaining rights,
- (c) the protection of individual employees against a worsening of their positions with respect to their employment which shall in no event provide benefits less than those established under the Interstate Commerce Act for railroad employees,
- (d) assurances of employment to employees of acquired systems and priority of reemployment of employees terminated,
- (e) paid training and retraining programs.

Air pollution control

Section 11 -- Administrator is to consider air pollution prevention and control features in evaluating project proposals, using any criteria established by HEW.

State limitation

Section 12 -- Grants to any State are not to exceed 12-1/2 percent of the aggregate grant funds authorized by section 4.

STATEMENT BY THE PRESIDENT

I take real pleasure in signing the Urban Mass Transportation Act of 1964. It will help provide a sounder basis for the development and redevelopment of the Nation's expanding communities, where seven out of ten of our citizens reside.

Throughout the country urban communities are facing common transportation problems:

- Growing populations needing to move in and about the urban areas;
- Mass transit systems which are declining, obsolete, inadequate, or in some cases out of business entirely;
- Highway traffic jams in peak periods that even accelerated expressway construction has not been able to cure;
- An inability to secure the funds necessary to provide or modernize needed mass transit facilities.

Although these problems are common to many of our urban communities, each community must fashion its own solution. The Urban Mass Transportation Act is designed to assist in achieving local solutions. The aid the Federal Government is giving to the construction of needed urban highways will now be supplemented by aid to needed mass transit facilities. Each community can now decide freely for itself the proper balance of local public investment in highways and mass transit, whether rail or bus.

This Act is a good example of using limited Federal aid to stimulate local investments to solve pressing problems. Most of the cost of the transportation systems built or improved under this Act will be paid for by the riders. That part of the cost not paid from fares will be shared by the local and Federal governments.

One undesirable provision in the Act states that manufactured articles used in work on facilities and equipment aided under this Act must be made in the United States. This provision goes far beyond the

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Buy American Act and is inconsistent with our trade policy. We must expand world trade opportunities on a competitive basis. When we adopt restrictions such as this, our trading partners may feel compelled to retaliate. This could seriously hurt our exports. I therefore urge early repeal of this provision.

I want to thank all the persons who worked so long, hard, and effectively in securing passage of this Act. They early recognized that the transportation problems of our urban communities are truly national problems. The country can be proud of them and grateful for their achievement.

We must now provide the assistance authorized by this Act as soon as possible. I will shortly submit to the Congress a request for a supplemental appropriation for the first year's activities. This supplemental was included in the 1965 Budget totals.



HOUSING AND HOME FINANCE AGENCY
OFFICE OF THE ADMINISTRATOR

WASHINGTON 25, D.C.

Federal Housing Administration
Public Housing Administration
Federal National Mortgage Association
Community Facilities Administration
Urban Renewal Administration

Center for
Transportation

JUL 2 - 1964

Mr. Phillip S. Hughes
Assistant Director for
Legislative Reference
Bureau of the Budget
Washington 25, D. C.

Attention: Mrs. Garziglia

Dear Mr. Hughes:

Subject: S. 6, 88th Congress
Enrolled Enactment

This is in reply to your memorandum of July 1 requesting our views and recommendations on the enrolled enactment of S. 6, an Act to be cited as the "Urban Mass Transportation Act of 1964."

This Agency strongly recommends approval of this enrolled enactment.

The enrolled enactment of this bill is identical to S. 6 as amended by the House and accepted by the Senate. The three major differences from the Administration-recommended legislation are (1) reduction of the grant authorization from \$500,000,000 to \$375,000,000, (2) "Buy-American" provisions, and (3) strict labor-protective provisions. The major features of the legislation as enacted are summarized in the attachment.

As you know, Congressional consideration of this legislation began over two years ago with the introduction on April 9, 1962 of H.R. 11158, the Administration-recommended Urban Mass Transportation Bill of 1962. It has been before Congressional committees a total of seven times and has been passed three times by Houses of Congress. The principal Congressional supporters of the legislation have declared that in their opinion the provisions of S. 6 cannot be improved by this Congress. We strongly feel that any administrative difficulty which the labor-protective and Buy-American provisions may cause

are far outweighed by the benefits which will result from an immediate start in the operation of this very important program.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Robert C. Weaver". The signature is fluid and cursive, with a long horizontal stroke at the end.

Robert C. Weaver
Administrator

URBAN MASS TRANSPORTATION BILL OF 1964
(Major Features of H. R. 3881, as Passed-House)
Enacted

1. Federal grants. \$375 million would be authorized over 3 years: \$75 million in fiscal 1965, \$150 million in fiscal 1966, and an additional \$150 million in fiscal 1967. The grants would be for up to 2/3 of that part of the cost of facilities and equipment that cannot reasonably be financed by revenues. Local grants would be required for the other 1/3.
2. Federal loans for projects where reasonable terms cannot be obtained privately, if such loans would make effective mass transportation possible without grant assistance. The unused balance (about \$47 million) of the expired \$50 million loan authority would be reinstituted, without expiration date.
3. Planning requirements for the Federal grants and loans would include the preparation of an area-wide transportation plan as a part of comprehensive planning for the development of the urban area. However, for a 3-year period loans and grants could be made on an emergency basis, with less strict planning requirements but with a 1/2 rather than a 2/3 grant. The remaining 1/6 grant would be available if full planning requirements were met within 3 years from the date of the grant agreement.
4. Research, development, and demonstration. A \$30 million program would be authorized, without the present local 1/3 grant requirement.
5. Relocation requirements. As in the urban renewal program, an adequate relocation program for families displaced by each project would be required; and grants for relocation payments to families, individuals, business concerns, and nonprofit organizations would be authorized.
6. Labor provisions. Collective bargaining and other employment rights and benefits would be strictly protected, as determined by the Secretary of Labor, whenever employees are affected by assistance under the bill.
7. Buy-American provisions. Only American-manufactured articles could be used in assisted construction, reconstruction, or improvement of mass transportation facilities.
8. Protection of existing private companies. Assistance could be provided for acquisition of, or competition with, an existing private company only if just compensation will be paid and the Administrator finds that such action is essential to carry out the local transit program, which itself provides for the maximum feasible participation of private enterprise.

THE WHITE HOUSE
REMARKS OF THE PRESIDENT
AT THE CEREMONIES SIGNING S. 6
THE URBAN MASS TRANSPORTATION ACT OF 1964

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Center for
Transportation

I want to express our pleasure in signing S. 6, the Urban Mass Transportation Act of 1964.

This is a major piece of domestic legislation. It becomes an integral part of our programs in housing and community development. Its benefits will be felt in many large and small communities where local governments need the assistance of the Federal Government to solve their critical problems of traffic congestion.

This legislation for the first time makes available substantial Federal aid to state and local governments so that they can create adequate rail and bus transportation systems to relieve the pressure on our highways. The act does not mean that fewer highways will be planned and built, but rather that our urban transportation system will be better balanced. People will have a choice of ways to travel instead of only one. We will continue to build highways, but we need public transportation too. We need more of both.

This is new legislation, but it fits into a long history of Federal aid to transportation. In the past, Congress has voted billions of dollars to finance railroads, dredge canals, improve river navigation, and build highways and airports. Now, in passing this act, Congress has recognized that the problem of transportation within our urban areas--where seven out of ten Americans live today--adds up to a problem that is national in scope and importance.

So this bill is in the long tradition that Federal action should be taken where necessary to assure that adequate transportation facilities are available for the national good.

I want to express our great thanks to the members of the Banking and Currency Committees of the Congress and their fine leadership and floor managers, Senator Sparkman and Congressman Rains, who were ably assisted by Senator Williams of New Jersey and Congressman Widnall of New Jersey.

This legislation has had bi-partisan support--and it should have, because transportation in our rapidly growing urban areas is a bi-partisan problem. That is why we have had the cooperation of both Parties, and why we can expect to see full cooperation of our Federal, State, and local governments in reaping the great benefits which this legislation makes possible.

U. S. DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY
WASHINGTON

JUL 2 - 1964

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Center for
Transportation

Honorable Kermit Gordon
Director, Bureau of the Budget
Executive Office of the President
Washington, D. C. 20503

Dear Mr. Gordon:

This is in response to Mr. Hughes' request for our views on the enrolled enactment of S. 6, "The Urban Mass Transportation Act of 1964".

We believe this bill is vital to the improvement of our urban mass transportation systems and will be of great benefit to workers not only in providing employment opportunities but particularly in assisting them in getting to and from work more rapidly. It provides a program of Federal loans and partial grants to assist States and localities in financing the capital facilities and equipment needed for the extension and improvement of comprehensively planned urban mass transportation systems.

Of major importance is the fact that the bill provides not only traditional labor standards protection for workers engaged in construction but entirely new forms of protection for employees affected by this Federal assistance program. It provides that fair and equitable arrangements, as determined by the Secretary of Labor, must be made for such workers. These protective arrangements must include such provisions as may be necessary for the continuation of, and the protection of rights under, collective bargaining agreements, the protection of individual employees against a worsening of their employment position, assurances of employment, and paid training programs. In no case shall the benefits be less than those provided under section 5(2)(f) of the Interstate Commerce Act. Though this is a new departure in protections afforded workers in Federal assistance programs, it represents an equitable method of ensuring that one group of workers do not bear the brunt of programs undertaken for the welfare of the whole community.

We recommend the President's approval of this measure.

Yours sincerely,

W. Willard Wirtz
Secretary of Labor



GENERAL COUNSEL OF THE DEPARTMENT OF COMMERCE
WASHINGTON, D.C. 20230

July 2, 1964

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Center for
Transportation

Honorable Kermit Gordon
Director
Bureau of the Budget
Washington, D. C. 20503

Dear Mr. Gordon:

This is in reply to your request for the views of this
Department concerning S. 6, an enrolled enactment

"To authorize the Housing and Home
Finance Administrator to provide
additional assistance for the development
of comprehensive and coordinated mass
transportation systems, both public and
private, in metropolitan and other urban
areas, and for other purposes."

We call to your attention Sec. 9(c) of the enrolled act, which
provides that "All contracts for construction, reconstruction,
or improvement of facilities and equipment in furtherance of
the purposes for which a loan or grant is made under this Act
shall provide that in the performance of the work the contractor
shall use only such manufactured articles as have been manu-
factured in the United States."

This Department is concerned with the possible adverse effects
of this provision on our international trading relations.
Representatives of other nations will undoubtedly raise the
point with our government in a variety of situations, and such
a provision may very well be the basis for discriminatory
action against the United States by other countries.

While the Department of Commerce, in recognition of the total importance of the legislation, recommends approval by the President of S. 6, we do call to your attention our concern with the above quoted provision contained in Sec. 9(c).

Enactment of this legislation would involve no expenditure of funds by this Department.

Sincerely,



Robert E. Giles

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DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

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Center for
Transportation

JUL 2 1964

Dear Mr. Gordon:

This is in reply to Mr. Hughes' letter of July 1, 1964, transmitting a copy of enrolled bill S. 6, "To authorize the Housing and Home Finance Administrator to provide additional assistance for the development of comprehensive and coordinated mass transportation systems, both public and private, in metropolitan and other urban areas, and for other purposes", and requesting an expression of our views relative to this legislation.

The Department recommends approval of this enrolled bill.

Sincerely,

Assistant Secretary

Honorable Kermit Gordon
Director, Bureau of the Budget
Washington, D. C.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

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July 1, 1964
Center for
Transportation

Mr. Phillip S. Hughes
Assistant Director for
Legislative Reference
Bureau of the Budget
Washington 25, D.C.

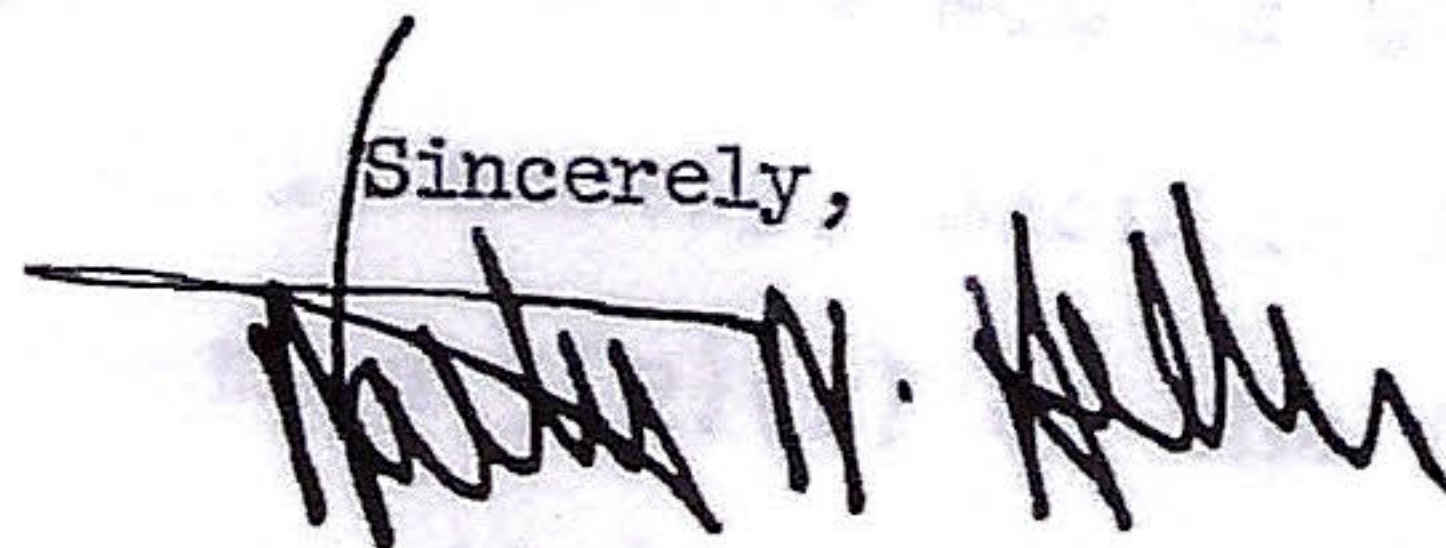
Dear Mr. Hughes:

This is in response to your request of July 1, 1964 for the views of the Council of Economic Advisers on Enrolled Bill S. 6, a bill "To authorize the Housing and Home Finance Administrator to provide additional assistance for the development of comprehensive and coordinated mass transportation systems, both public and private, in metropolitan and other urban areas, and for other purposes."

The bill would authorize \$375 million in Federal grants over the next three years to assist in building and equipping mass transportation systems in urban areas. The Federal grants can cover as much as two-thirds of the cost of the new or improved systems which cannot be financed through revenue from passengers. In addition authorization is given for undertaking research, development, and demonstration projects in all phases of urban mass transportation.

In the Council's judgment the assistance provided urban areas through this bill is desirable and it recommends that the measure be signed by the President.

Sincerely,



Walter W. Heller

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OFFICE OF THE CHAIRMAN

Interstate Commerce Commission
Washington 25, D.C.

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July 2, 1964
Center for
Transportation

Mr. Phillip S. Hughes
Assistant Director for
Legislative Reference
Bureau of the Budget
Washington, D. C. 20503

Dear Mr. Hughes:

There has been referred to me as Chairman of the Committee on Legislation of this Commission, your enrolled bill transmittal sheet attached to a facsimile of enrolled bill S. 6, "To authorize the Housing and Home Finance Administrator to provide additional assistance for the development of comprehensive and coordinated mass transportation systems, both public and private, in metropolitan and other urban areas, and for other purposes."

This bill does not in any way amend the Interstate Commerce Act, or require this Commission to perform any functions. The Interstate Commerce Act is mentioned at only one point in the bill, namely, Section 10(c), where reference is made to Section 5(2)(f) of the Act of February 4, 1887, (24 Stat. 379), as amended, in connection with benefits to be provided to employees who may be affected by actions taken under the bill.

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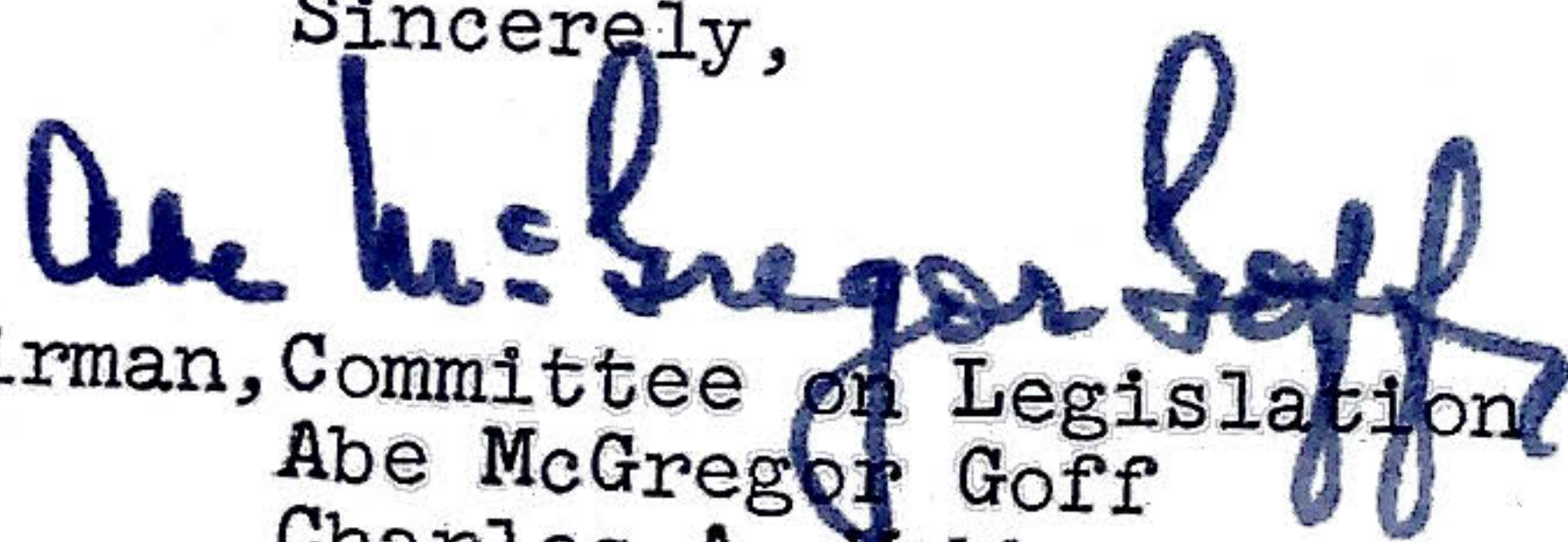
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In Railroad Passenger Train Deficit, 306 I.C.C. 417 (1959), The Commission considered the commuter service problems of railroads and urged assistance by legislative bodies, public regulatory and planning agencies, and others in solving the problems. We, therefore, favor the general objectives of S. 6.

As the programs provided for in this measure would be administered by the Housing and Home Finance Administrator, we offer no comments respecting the adequacy or reasonableness of the specific provisions contained therein to implement its purpose.

If S. 6 should become law, it would entail no additional expense to the Commission.

Sincerely,


Chairman, Committee on Legislation
Abe McGregor Goff
Charles A. Webb



DEPARTMENT OF STATE
WASHINGTON

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Center for
Transportation

July 2, 1964

Dear Mr. Gordon:

The Bureau of the Budget, in a communication of July 1 signed by Mr. Phillip S. Hughes, Assistant Director for Legislative Service, has requested the views of the Department of State regarding S.6, an enrolled bill, "The Urban Mass Transportation Act of 1964".

This enrolled bill would provide Federal loans and grants to assist local governments and authorities to plan and develop improved mass transportation facilities.

The Department of State has no comments to make on the bill as a whole, as its purposes lie outside the responsibilities of this Department. However, the Department is strongly opposed to Section 9(c) of the bill. This section provides that only articles manufactured within the United States shall be used in projects financed by loans or grants made under this bill. From the legislative history of the bill it appears that the preclusion of foreign materials is meant to be total. The Department opposes such a provision because it is inconsistent with our international obligations, makes more difficult the obtaining of a general liberalization of trade in the Kennedy Round, threatens to provoke retaliation against American exports, and, finally, creates a bad precedent for future legislation of this sort. It must be noted that Section 9(c) is much more sweeping in its effects than the Buy American Act.

Because of

The Honorable
Kermit Gordon,
Director,
Bureau of the Budget.

Because of the importance of the Mass Transportation Act to the Administration's program, the Department of State does not recommend its veto. However, we understand that the President has agreed to make a statement with regard to Section 9(c) upon signature of the bill. A suggested statement follows:

Although I have urged passage of this Act and have today signed it into law, I regret that it was amended to include one provision which is, in my view, against our best interests. This amendment requires that contractors employed with funds made available under the Act shall use only such manufactured articles as have been manufactured in the United States. This provision, which goes far beyond the Buy American Act, is inconsistent with the trade policy we are pursuing under the Trade Expansion Act. We believe in expanding world trade opportunities on a competitive basis. The amendment runs contrary to this objective and could well inspire retaliation by our trading partners. Such a development could seriously curtail our exports. I will, therefore, seek early repeal of this objectionable provision. And I hope that similar provisions will not be adopted in the future.

Sincerely yours,

A handwritten signature in blue ink, appearing to read "R. E. Lee", with a long horizontal flourish extending to the right.

Robert E. Lee
Acting Assistant Secretary
for Congressional Relations