

July 23, 1965

MEMORANDUM FOR LEE WHITE

FROM: Bill Moyers  
Special Assistant  
to the President

SUBJECT: Meeting regarding 1966 Legislative Program  
in the area of Transportation

I would appreciate your attendance at a meeting to be held in my office at 6:00 p.m. on July 29, 1965, on the above subject. We will be meeting with others concerned with the same subject, largely from inside Government.

Our objective will be to identify and lay plans for the careful development and review of potential legislative proposals to the second session of the 89th Congress in the field of transportation. These special arrangements are intended to supplement and support, not replace or undercut, the existing procedures and instructions for the development and submission of legislative proposals through more normal channels.

I will have some specific suggestions that will need to be staffed out and some others for discussion. It will be helpful if you can organize your own suggestions for fruitful areas of exploration so that we can discuss them at the meeting.

Our broad objective, of course, is a 1966 Legislative Program which will be as appealing as was this year's, as thoroughly related to our national well-being and to the objectives of the Great Society, and as practical of achievement.

I will look forward to meeting with you.

Identical memos to: Alan Boyd, Commerce; Weaver, HHFA;  
CEA, OST & Budget

LE

LEITN

TN

FG-211

FG-155

FG-245

FG-11-3

FG-11-9


FG-11-1

MC

CENTRAL FILES

720

August 3, 1965



MEMO FOR Lee White

This will confirm that the meeting on  
Transportation scheduled for 8:30 a.m.,  
August 3, 1965 has been rescheduled for  
8:30 a.m., August 6, 1965.

Joseph A. Califano, Jr.





August 3, 1965  
July 29, 1965

MEMO FOR Alan S. Boyd

This will confirm that the meeting on Transportation scheduled for 6:00 this evening by Bill Moyers' memorandum of July 23 has been rescheduled for 8:30 a.m., Tuesday, August 3, 1965.

Joseph A. Califano, Jr.  
Special Assistant to the President

JACJr/pw/Jul 29 65

Identical Memo to:

Lee White

John Con nor

Robert Weaver

Gardner Ackley

Donald Hornig

Larry O'Brien

*Sam Hughes*

*Mr. McPherson*

15M 30

THE WHITE HOUSE  
WASHINGTON

July 23, 1965

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Special Assistant  
to the President

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MC

Lee White  
Alan Boyd  
John Connor  
Robt. Weaver  
Gardner Ackley  
Donald Harnig

Originals of others went out except BUDGET  
No carbons



July 29 - 6:00 PM

Mtg: Transportation

Lee White

Alan Boyd

John Connor

Robert Weaver

Gardner Ackley

Donald Hornig

July 29 - 6:00 PM

~~Aug 13 AM~~

8:30

Aug 6

Mtg: Transportation

- X Lee White 12.21
- X Alan Boyd 112/3221
- X John Connor 112/2113
- X Robert Weaver 128/4417
- X Gardner Ackley 128/21109
- X Donald Hornig W.H.
- X Mr. Lee Pherson 613
- X John Hughes 128/28425
- X Perry O'Brien W.H.
- X Chas. Schulze 128/28405
- X Mr. O'Brien - Council of Economic Advisors W.H.
- X Stanley Surrey
- X Dr. John Kohl

Re: ...

Mr. Lowell K. Brudwell  
Mr. Cecil Mackey } Alan Boyd's pc



THE SECRETARY OF COMMERCE  
WASHINGTON 25, D. C.

AUG 1 8 1965

EXECUTIVE

TN  
7G 999  
7G 155  
7G 115  
7G 105  
7G 170  
7G 226  
7G 251  
7G 211  
7G 236  
7G 676

File

The President  
The White House  
Washington, D. C.

Dear Mr. President:

*National Transportation Council*  
FG 999-15

Transportation programs within the Federal Government offer a complex array of issues and administrative problems. In spite of an historic search for a rational organization to deal with these matters, comprehensive transportation policy formulation has continuously eluded us.

The most notable effort to achieve an administrative system of overall transport policy coordination was the implementation of the recommendations of the first Hoover Commission of 1949. As a result, the three major transport promotional programs in the Federal Government dealing with highways, aviation, and merchant marine were placed in the Department of Commerce. At the same time the position of Under Secretary for Transportation was created in the Department of Commerce and was given the responsibility not only to supervise the administration of the three promotional programs but to develop overall transportation policy.

Despite the implementation of the Hoover Commission recommendations, important issues of transportation policy have not received coordinated attention at the highest levels of Government.

New program emphasis led to the creation of a Federal Aviation Agency outside the Department of Commerce. The inception of a program to assist urban mass transportation has led to an increasing transportation function in the Housing and Home Finance Agency. Corps of Engineers continues to exert an important influence on transportation through its rivers and harbors program, and the Department of Defense, as the largest Federal user of transportation, has a vast influence on aviation, the merchant marine, and domestic surface transportation. The Department of State, through its foreign policy responsibilities, influences the development

of international aviation and maritime transportation. In addition, the regulatory bodies have important responsibilities that are not sufficiently coordinated from a policy standpoint with the policies of the Executive Branch.

The Department of Commerce is in a position to exercise leadership among transportation agencies, but it cannot exercise control, and in the absence of any control mechanism, much transportation policy is made piecemeal or, as is frequently the case, by default.

Our goal is clear. The United States must have a national transportation system which assures the availability of the fast, safe and economical transportation services necessary to sustain a growing and changing economy. The system must be an optimum combination of all modes, taking maximum advantage of the inherent characteristics of each and capable of moving people and goods without waste or discrimination at the lowest cost consistent with health, convenience, national security and other broad public objectives. Furthermore, the transportation system must connect all parts of the United States and link our country with the rest of the world.

In keeping with the underlying economic and political principles of our nation, the national transportation system should rely to the maximum extent possible, consistent with the public interest, on unsubsidized, privately-owned facilities operating under the incentives of private profit and the checks of competition rather than upon regulation. Where regulation is necessary, there should be maximum possible reliance on the establishment of broad policy guidelines rather than detailed regulation, leaving the widest possible latitude for the exercise of judgment by private management.

I am not at this time recommending any strictly organizational solution to enable us to reach our transportation goal -- either increasing the responsibilities of this Department, creation of a new Department of Transportation, or assignment of transportation agencies to several departments on the basis of program relationships with non-transportation functions. What is needed, however, and what I do recommend, is a more definitive coordinative process for transport policy formulation within the Executive Branch, comprising the leadership of the principal departments and agencies having transportation responsibilities.



To this end I propose the formation of a National Transportation Council within the Federal Government, consisting of the heads of the departments and agencies with major responsibility for transportation policy and administration. The Council would be the principal focal point for the consideration of transportation policy matters of national scope and importance and for the formulation of recommendations to you in this important area. The Council should consist of the designees of the Secretaries of State, Defense, and Housing and Urban Affairs, the Administrator of the Federal Aviation Agency, and the Chairmen of the Interstate Commerce Commission, the Civil Aeronautics Board, and the Federal Maritime Commission. The Under Secretary of Commerce for Transportation should serve as Chairman of the Council. Staff support would be furnished by the Department of Commerce.

There are, of course, a number of other departments, independent agencies, and regulatory commissions that have an interest in particular aspects of overall transportation policies and programs. The Department of Agriculture, the Post Office Department, the Treasury Department, the Labor Department, National Aeronautics and Space Administration, General Services Administration, and the Federal Power Commission, to name a few of the more obvious ones. While their participation will be essential from time to time, I believe it would be better to limit the initial membership of the Council to those organizations which have broad policy responsibilities in transportation. There is also the consideration that the Council will undoubtedly function more smoothly with the smallest membership necessary to insure that the necessary interests are represented.

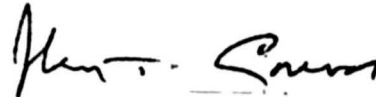
A Transportation Council to accomplish policy coordination is desirable because there is a lack of direct control in the office having the responsibility for coordination and specific statutes set out diverse and sometimes conflicting mandates for the individual organizations involved. To this must be added a consideration of the 15-year history during which the existing structure has not produced satisfactory results. For these reasons I feel that the establishment of a Transportation Council by Executive Order will demonstrate your interest and concern with the problems of Transportation in the Great Society and emphasize your determination that our transportation system must keep pace with the rapidly advancing state of technology. At the same time it will help formalize both the mechanism for dealing with these problems within the Government and the relationships among the agencies of Government having transportation responsibilities.

The formation of a transportation council at this time has the further advantage of providing us with a valuable element of flexibility. Hopefully it will prove to be the appropriate vehicle for resolving our difficulties in the transportation policy area. If, on the other hand, it is not a completely adequate mechanism in itself, it will be an extremely useful transitional mechanism which will enable us to move smoothly to a more desirable organizational structure.

I also propose that the Transportation Council assume the responsibilities of the Interagency Committee on International Aviation Policy and that committee be dissolved. This will avoid any net increase in the present number of interagency committees.

A draft Executive Order implementing this suggestion is enclosed.

Respectfully yours,

A handwritten signature in dark ink, appearing to read "John T. Connor". The signature is fluid and cursive, with the first name "John" being more prominent.

John T. Connor

Enclosure

DRAFT

EXECUTIVE ORDER

CREATION OF A NATIONAL TRANSPORTATION COUNCIL

By the authority vested in me as President of the United States, I hereby authorize and direct the formation of a National Transportation Council. The Council shall consist of the following members: the Secretary of Defense, the Secretary of State, the Secretary of Housing and Urban Affairs, the Administrator of the Federal Aviation Agency, and the Chairmen of the Interstate Commerce Commission, the Civil Aeronautics Board, and the Federal Maritime Commission. The Under Secretary of Commerce for Transportation shall be the Chairman of the Council. Members of the Council may delegate their participation to an official of their department or agency not lower in rank than Assistant Secretary, Assistant Administrator, or appointed member of a regulatory agency.

The Council will develop and propose to the President policies and programs to assure the development of a healthy, balanced national transportation system, identify major international transportation problems and develop solutions to them, and serve to coordinate Federal programs involving major interagency relationships. In carrying out these objectives, the Council may sponsor studies of major problems which it may identify, review overall budgetary and expenditure policies affecting transportation, develop common approaches to assessing programs and projects among the different transport modes, and provide for consultation with Congressional leadership, representatives of international bodies, State and local governments, and

transportation-related industries.

The Council may consider matters that may be pending before a regulatory agency, but in such cases the hearing agency will be disassociated from the Council proceeding, and a notation to that effect shall be included in any written report or recommendation of the Council.

Staff support, including the services of an Executive Secretary, shall be provided by the Department of Commerce. Other departments and agencies represented on the Council are authorized to supply personnel and services to supplement those provided by the Department of Commerce, and to assist in funding joint projects authorized by the Council or approved by the President within the authority of their respective appropriations, and in keeping with section 214 of the Act of May 3, 1945, 59 Stat. 134 (31 U. S. C. 691).

Upon the invitation of the Chairman or at the direction of the President, other Federal departments and agencies may participate in the activities of the Council when matters within the purview of such departments and agencies are involved. The Bureau of the Budget, the Council of Economic Advisers, and the Office of Emergency Planning are authorized to observe meetings of the Council and participate in its discussions and projects.

Written reports shall be made to the President by the Chairman on all major policy recommendations of the Council. The Chairman shall submit an annual report to the President summarizing the Council's activities



during the year. This report shall also include a proposed program or agenda of activities anticipated for the subsequent year. Such report shall be submitted not later than November 15 of each year, covering the prior fiscal year.

The Interagency Committee on International Aviation Policy is hereby abolished and its functions shall be assumed by the National Transportation Council. Other Executive orders providing for interagency transportation coordination shall be referred to the Council by the departments or agencies concerned for review and recommendation to the President.

370/a

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

TN  
FG999-15  
FG11-1

AUG 20 1965

MEMORANDUM FOR MR. CALIFANO

Subject: Transportation Organization

Bureau staff have reviewed the memorandum sent to the President on June 30 by Mr. Halaby concerning transportation organization in the executive branch. Because of rapidly developing issues in the international air transport area, we have not yet prepared comments for the President on all of the points discussed in the Halaby letter. We expect to do so after further clarification of some of the international aviation issues. In the meantime, this memorandum outlines our current thinking on the problems raised in the memorandum to the President.

Mr. Halaby's letter highlights an important problem, the diffusion of transportation responsibilities among Government agencies, which was of great concern to two of the 1964 Presidential task forces -- the Task Force on Government Reorganization and the Task Force on Transportation. Both groups pointed out that transportation activities are widely dispersed among agencies, including the regulatory commissions. Policy making is consequently difficult and often ineffective.

The Secretary of Commerce and the Under Secretary for Transportation have important transportation functions. The Secretary is the President's principal adviser on transportation policy. Because of the existing statutory division of transportation functions, however, the Department cannot exercise effective leadership in all Government transportation activities, not even in the policy area. To remedy this diffusion, both task forces recommended the creation of a Department of Transportation. I am in agreement with the task forces and Mr. Halaby that this represents the best long-run solution to this organization problem. Since it may not be expedient at this time to take such a far-reaching step, the President may wish to consider certain transitional moves that might facilitate ultimate creation of a new Department of Transportation and meanwhile produce better solutions for some current pressing problems.

### National Transportation Council

We have serious reservations concerning Mr. Halaby's suggestion that the President establish a National Transportation Council or committee. We understand that Under Secretary Boyd is already considering the formation of both a broadly based interagency transportation committee and a public advisory committee. Given the existing statutory diffusion of authority in the transportation field, we doubt that meaningful agreement on significant policies can be achieved by interagency consensus. More likely, any "policy" statements from such a group will be compromises stated in language geared to the most acceptable common denominator.

If Mr. Boyd establishes such an interagency committee it should be only after careful consideration of such questions as:

- (1) What kinds of issues are to be considered by the group?
- (2) How is agreement to be reached -- majority vote, consensus?
- (3) Is the committee advisory to the Secretary of Commerce or to member agencies?

If the committee is to be established we believe it is preferable that it serve in an advisory capacity to the Secretary. This would facilitate the President's reliance primarily on a single officer for policy views in the transportation area and enhance the role of the Secretary as the President's principal transportation adviser.

Although we have doubts concerning the efficacy of an interagency group with a broad general charter, there is a definite role for interagency consultation and action with respect to certain specific transportation functions. Enlarging the charter of the existing Interagency Committee on Transport Mergers, as discussed in the following section, would be preferable to establishing a new group with broad, and correspondingly vague, responsibility.

### Interagency Committee on Regulatory Policies

Regulatory agencies generally and transportation regulatory agencies in particular take the position that policy can only be made on a case by case basis through formal proceedings. The Bureau of the Budget, other agencies in the executive branch and many experts,

in the transportation field at least, have long believed that policy should be the result of a continuing planning and review process based on general economic, political and other considerations related to national objectives. Certain Federal agencies, however, lend support to the ad hoc method of policy formulation by participating in a wide variety of regulatory cases where their parochial interests are involved; the Department of Defense, the Department of Agriculture, the General Services Administration, the Tennessee Valley Authority and the Atomic Energy Commission are among such agencies.

A more effective approach, consistent with executive leadership in the formulation of transportation policy, is exemplified by the Interagency Committee on Transport Mergers established in 1962. This Committee, under the chairmanship of the Under Secretary for Transportation was charged with (a) developing criteria, relevant to the contemporary scene, for the evaluation of transport mergers proposed by carriers, and (b) evaluating individual merger proposals and recommending an executive branch position to the Department of Justice for presentation in regulatory proceedings. Within the limits of its charter, this Committee has functioned well. Its effectiveness, however, has been circumscribed in two ways: First, the Committee was restricted in the development of criteria to the framework of existing antitrust policy. We believe this framework badly needs review in the light of modern economic conditions. Second, the Committee's scope was limited to (a) intra-model mergers and (b) mergers proposed by carriers. It was thus estopped (a) from initiating proposals for merger that might be more in the public interest than those proposed by the carriers and (b) from preparing non-merger alternatives which might achieve all the good results predicted for mergers without the risk of side effects adverse to the public interest. The Bureau of the Budget believes that serious consideration should be given to lifting these limitations on the Committee's activities.

The Bureau also looks favorably on further expanding the responsibilities of the Committee to include regulatory policy issues other than those involving mergers. There is the same urgent need for development of coordinated executive branch positions on major regulatory issues involving rates, operating rights, financing and rate of return, entry and exit, and other aspects of the economics of regulated transportation. This view rests on the proposition that transportation policy is made not only by legislation but also, and perhaps to a greater extent, by regulatory proceedings and subsequent court actions thereon. At the present time, insofar as the executive branch is concerned, these policy developments often occur by default.



### Transportation Investment Review Board

One of the major problems in transportation results from Federal investment decisions being made by specialized or narrowly oriented program agencies with little or no regard for (a) the Nation's overall transportation requirements; (b) their impact on overall economic growth; (c) the effects of facilities and services provided for the benefit of one mode on other transportation modes; and (d) the relationships between costs and benefits of individual investment proposals or between different proposals. There is no effective process for comparative evaluation of the investment programs of various operating agencies like the Federal Aviation Agency and the Bureau of Public Roads in terms of their contribution to the achievement of national transport goals and other national objectives. The Department of Commerce does not have the authority to assess, for example, the value of Federal funds being invested in airport construction as compared to more active assistance to the railroads, nor does any other Federal instrumentality -- not excepting the Bureau of the Budget.

To provide a sounder basis for decision-making on Federal transportation investments, the Bureau proposes that steps be taken to create a Transportation Investment Review Board. This Board would be advisory to the Bureau of the Budget and the President. Its chairman should be the Secretary of Commerce with membership from the Council of Economic Advisers, the Treasury, and perhaps the Office of Science and Technology. For maximum effectiveness this Board should be established by legislation.

The Bureau of the Budget should participate as an observer and adviser. If additional representation is desired, it might be drawn from among the Nation's experts on public investment analysis. Members should probably not be representatives of the various transportation industries nor of Federal agencies with major transportation investment programs. They can be heard in connection with the Board's deliberation on investment proposals. The Board's major function should be to apply objective evaluation standards to individual agency investment proposals and to make recommendations for the approval, revision, or disapproval of such programs.

Before such a Board is created, however, a comprehensive set of objective investment criteria should be developed. This is a difficult task which will require a period of concentrated effort by knowledgeable individuals both within and without the Government of whom there are now a substantial number. The Bureau proposes to take the lead in establishing a task force to develop the criteria to be used in future transportation investment analysis by the proposed Transportation Investment Review Board. The Board's

*Joe: whether we suggest to take the lead, or assign Boyd, should be considered an open matter. We don't need to decide it now.*

analysis in turn will provide invaluable experience for any future Department of Transportation.

Interagency Committee on International Aviation Policy

The question of organization for international aviation problems was studied by the Bureau in 1963. The Interagency Committee on International Aviation Policy (ICIAP) was established by President Kennedy as a result of that study to ensure that international aviation problems were considered as part of the process of conducting our foreign relations.

Unfortunately, this organizational approach has not proved effective. There has been considerable difficulty within the State Department in focusing necessary top-level attention on this area. The ICIAP is now under the chairmanship of Under Secretary Mann. Because of the press of other vital problems there have been few meetings of the committee. Staff within the Department have not been able to bring urgent issues to the top level for expeditious resolution. As a consequence, ICIAP has not kept U. S. international aviation policy under the continuing review envisaged at the time of its establishment. Moreover, there has been no effective followup on the issues raised in the few meetings of the committee. These deficiencies assume increased importance in light of the recent White House meeting on a possible need for reviewing certain aspects of our international aviation policy.

In light of the failure of the State Department adequately to carry out its assigned role, we believe that consideration should be given to shifting responsibility for ICIAP to the Secretary of Commerce. The Under Secretary would be in a better position to assure that international aviation issues are considered within the context of overall U. S. transportation policies. Under the present Under Secretary of Commerce for Transportation, the Commerce Department is more likely to provide the kind of leadership we want for this effort than the Department of State. The State Department would, of course, continue as a member of the committee and make use of it in preparing U. S. positions for meetings with foreign nations.

The proposed transfer of responsibility should be considered in the light of the review of certain international aviation issues discussed at the recent White House meeting. The Bureau will transmit further recommendations on this matter in the near future.

*Charles*

Charles L. Schmitze  
Director



*DOCKING*  
FEDERAL AVIATION AGENCY

Washington 25, D.C.

OFFICE OF  
THE ADMINISTRATOR

*EX-107*  
*TN*  
*FG 226*  
*FG 155*  
*FG 10*  
JUN 30 1965

*FG 999*

*National Transportation Council*

*FG 999-15*

Dear Mr. President:

Before I leave the post of Administrator of the Federal Aviation Agency I should like to submit to you some views coming out of personal experience and observation on the much discussed and extremely important matter of transportation organization in the Executive Branch.

I am convinced of the validity of the argument that if we are to develop consistent, integrated transportation policies and a balanced national transportation system, we must have in place organizational arrangements which make this possible. At present no close observer can conclude other than that we have lagged far behind the traffic, the traveller's needs, and the technological advances in transportation in our efforts to equip the Executive Branch to cope in an effective and comprehensive manner with the total Government role in the fostering of efficient, safe, and economical transportation.

The Department of Commerce, based on a charter conferred by its organic act and subsequent statutes, administers a number of promotional transportation programs and contains in its official hierarchy an Under Secretary of Commerce for Transportation. Over the years such transportation functions as the Bureau of Public Roads, the Maritime Administration, and the Office of Emergency Transportation have been lodged in the Secretary and have been placed under the general direction of the Under Secretary for Transportation. Moreover, certain other elements, such as the Weather Bureau and the Coast and Geodetic Survey (now proposed to be combined by your pending re-organization plan), devote their primary efforts to support of transportation. However, critically important transportation responsibilities both in the promotional and safety regulatory areas are independent of the Commerce Department. The largest of these is

*orig x of 7/8/65*

the 45,000 employee Federal Aviation Agency. The 5000 man Coast Guard, certain functions of the Bureau of Customs, and the railroad safety activities of the Interstate Commerce Commission are also located outside of the Commerce Department. The economic regulatory functions relating to transportation are almost wholly lodged in other agencies such as the Interstate Commerce Commission and the Civil Aeronautics Board. Over the past decade the role of the Department in transportation matters has actually declined, chiefly as the result of the removal of the Civil Aeronautics Administration in 1958 and its inability to obtain resources and manpower adequate to effect authoritative coordination.

One looks in vain for a point of responsibility below the President capable of taking an evenhanded, comprehensive, authoritative approach to the development of transportation policies or even able to assure reasonable coordination and balance among the various transportation programs of the Government. We have suffered substantially from this deficiency as is demonstrated by the decline of railroad passenger service, the delays in meeting the needs of the Northeast Corridor, and the uncertainties over the role of helicopter and short takeoff aircraft in urban and intercity transportation.

With assumption of responsibility by two great leaders, Jack Connor and Alan Boyd, in Commerce the time appears ripe for bold moves in transportation organization. These moves could, if successfully implemented, be among the most important achievements of your Administration--and they would be in line with your perception of the really important things with which our country must deal in the next decade. What I suggest is a two-stage program which would (1) first improve both domestic and international transportation policy formulation and interagency coordination through the establishment of a National Transportation Council; and (2) subsequently provide for the creation of a Department of Transportation under an official of Cabinet rank.

You may ask why not just move the Federal Aviation Agency, the Coast Guard, and the appropriate functions of other agencies to the Department of Commerce--possibly accompanied by a name change to Department

of Commerce and Transportation. I am not proposing this alternative for two reasons:

1. The history of the Federal Aviation Act and past reorganization efforts in the transportation area indicate that such a consolidated department is politically unattainable or attainable only at high cost. The unexpungable fact is that Commerce, especially in the early years of the Eisenhower Administration, did not handle its aviation functions well, and the creation of the Federal Aviation Agency was one result of this neglect.
2. A consolidated Department of Commerce and Transportation would also be defective from the standpoint of sound organizational concepts. The Department of Commerce should serve as the agency of Government generally concerned with the fostering of business, industry, commerce, and trade in the public interest, and the Secretary should be the President's general adviser on such matters. It is incompatible for the Department to have a separate, parochial and potentially conflicting responsibility for services to and the promotion of one segment of our national economic life--transportation. Furthermore, the FAA history suggests that a transportation agency must evenhandedly meet both civil and military needs. These services could eventually go so far as the administration of a single airspace control system which simultaneously assures the safe flight of aircraft and maintains air surveillance for national defense purposes. Such an operationally oriented, civil-military department cannot be rationally placed under the tent of the Department of Commerce.

#### National Transportation Council

Pending decisions on a Department of Transportation or other fundamental consolidations of transportation functions, I would urge the establishment by executive order of a National Transportation Council. This Council should be under the chairmanship of the Under Secretary of Commerce for Transportation and should contain as members the heads of other



departments and agencies with a major concern with transportation. Specifically, the Secretary of State, the Secretary of Defense, the Secretary of the Treasury, the Administrator of the Federal Aviation Agency, the Chairman of the Civil Aeronautics Board, and the Chairman of the Interstate Commerce Commission would appear to be logical members of this Council.

The Council would be charged with three primary responsibilities. The first would be the exercise of leadership in developing and proposing to the President policies and programs which would assure the development of a healthy, balanced national transportation system. Second, the Council would be responsible for the identification of international transportation problems and the development policies to deal with them. Third, the Council would serve as a mechanism for the coordination of programs involving major interagency relationships.

It is of critical importance that the Council have a small but highly professional staff. This staff would do more than the normal secretariat work for an interagency committee. It would serve as the focal point for the conduct, oversight, or coordination of study and research efforts directed or recommended by the Council.

#### Abolition of the Interagency Group on International Aviation Policy

The establishment of the National Transportation Council would make possible the abolition of at least one existing interagency committee. I refer to the Interagency Group on International Aviation Policy (ICIAP), a committee established by President Kennedy in 1963 under the chairmanship of the Secretary of State. ICIAP, which also includes representatives of the Departments of Defense and Commerce, the FAA and the CAB, was charged by the President with identifying international aviation policy problems, advising on their solution, and assuring necessary followup action.

Although the purposes of ICIAP seemed in 1963 to be soundly conceived, the Group has not proved effective. It has held only four meetings in the three years since it was set up, and a number of international aviation

problems have emerged or persisted throughout this period without significant attention from ICIAP--and without solution. The lack of a firm policy on countering Sino-Soviet penetration through aviation in less-developed countries, the absence of coordinated initiative in using aviation to help build the "bridges to Eastern Europe" of which you have spoken, the Nation's uncertain approach to aviation technical assistance within or without the AID program, and the lack of a well-articulated policy to guide executive agencies in reducing gold flow through the export of aeronautical products are several examples of policy or followthrough deficiencies with which ICIAP has seemed unable to cope.

I therefore suggest that upon the establishment of the National Transportation Council the ICIAP be abolished and that its functions be assigned to the Council where they can be dealt with through a stronger mechanism with a broader perspective toward the problems to be resolved.

Should you decide not to proceed with the creation of the Council at this time, the abolition of ICIAP is still indicated as a part of your program for the elimination of obsolete or ineffective committees. In the absence of the Council the functions of ICIAP could readily be assigned to the Interagency Group on International Aviation (IGIA), a committee established pursuant to President Eisenhower's memorandum of August 11, 1960. In contrast to the inactivity of ICIAP the IGIA has provided a useful mechanism for developing coordinated advice to the Secretary of State on international aviation matters. The Administrator of the Federal Aviation Agency is the chairman of IGIA and the Departments of State, Defense, and Commerce, and the Civil Aeronautics Board are represented on its membership. The role of IGIA in developing coordinated positions for the U. S. representation in the International Civil Aviation Organization (ICAO) is highly important and requires the continued existence of such a group.



Department of Transportation

The limitations of an interagency council, however effectively chaired and supported, are such that it should be supplanted as soon as Secretaries Connor and Boyd and Budget Director Schultze can compose the effective reorganization of a Department of Transportation to which would be entrusted most or all of the functions previously mentioned in this letter. Such a Department would have nearly 70,000 employees, and it could be organized internally into administrations responsible for programs relating to the various major forms of transport. Such transportation oriented technical organizations as the present Weather Bureau and Coast and Geodetic Survey would be included in the Department. Particularly important to the success of the Department would be the establishment at the secretarial level of strong, adequately financed policy and planning staffs, and equally important a vigorous transportation research and development organization for all modes.

While the creation of such a Department would substantially reduce the size of the Department of Commerce, it would in no way detract from its primary mission. I assume that your recent Task Force on Government Organization has given attention to the organizational problems in the transportation area and has made recommendations to you on this matter. I would urge that the Director of the Bureau of the Budget be charged with pursuing studies of the role and organization of a Department of Transportation with a view of providing you with recommendations which could be considered during the development of the legislative program for the Second Session of the 89th Congress.

I would be happy to discuss these proposals with you or provide you with any additional information you might desire.

Respectfully yours,

(Signed) N. E. Halaby

N. E. HALABY  
Administrator

The President  
The White House  
Washington, D. C.

# FOR OFFICIAL USE ONLY



## 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.

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.

RECOMMENDS  
DEPT. OF  
TRANSPORTATION

INTERIM SOI  
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COUNCIL

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.

①  
TRANSPORTATION  
RESEARCH  
②  
GRANTS TO  
UNIVERSITY-LEVEL

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.

HIGHWAY  
SAFETY

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.

Will be  
more  
on this  
later.

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.

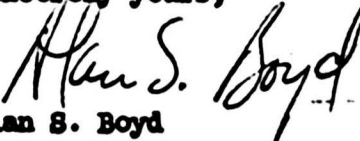
6. Additional legislation will be necessary to finance the Federal-aid highway system if we are to keep the interstate system on schedule. Recommendations are included in the paper dealing with highway financing. The present interstate system runs to 1972. While some work is underway with regard to post-1972 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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AUG 31 1965

## 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.



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8/31/65

## HIGHWAY SAFETY

### STATEMENT 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.



# EXHIBIT 1

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

	<u>TO REDUCE THE NUMBER OF ACCIDENTS</u>	<u>TO REDUCE THE SEVERITY &amp; COSTS OF ACCIDENTS</u>
<b>CHANGES IN THE VEHICLE</b>	<ul style="list-style-type: none"> <li>- Improve performance to gain better vehicle control</li> <li>- Improve commercial vehicle performance to restrict the range of operating characteristics on the same roadway</li> <li>- Compulsory inspection laws</li> </ul>	<ul style="list-style-type: none"> <li>- Modifications of basic vehicle design to               <ul style="list-style-type: none"> <li>a) reduce danger of explosion &amp; fire</li> <li>b) absorb impact force</li> <li>c) reduce injury causes in passenger compartment</li> </ul> </li> <li>- Constraining devices placed in vehicle</li> <li>- Control of exhaust emission</li> </ul>
<b>CHANGES IN THE HIGHWAY AND ITS USE</b>	<ul style="list-style-type: none"> <li>- Separation of pedestrian traffic</li> <li>- Removal of high accident features in roadway</li> <li>- Restructure as one-way system</li> <li>- Construction of new highways including all techniques of access control, vehicle separation and aids to traffic flow</li> <li>- Lane markings</li> </ul>	<ul style="list-style-type: none"> <li>- Removal of roadside hazards</li> <li>- Shielding about abutments &amp; hazards</li> <li>- Placement of effective inter-lane barriers</li> </ul>
<b>CHANGES IN CONTROL DEVICES, SIGNS AND SIGNALS</b>	<ul style="list-style-type: none"> <li>- Development of clear signs of warning, direction or routing</li> <li>- Encouragement of state adoption of standard signs &amp; signals</li> <li>- Inter car signalling through</li> </ul>	<ul style="list-style-type: none"> <li>- Breakaway sign supports</li> <li>- Provision of an emergency call network to summon help for accident victims</li> </ul>

**TO REDUCE THE NUMBER OF ACCIDENTS****TO REDUCE****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

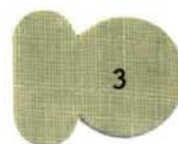
**ATTENTION TO THE  
DRIVER AS A  
SYSTEM COMPONENT**

- 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

	TO REDUCE THE NUMBER OF ACCIDENTS	TO REDUCE THE SEVERITY & COSTS OF ACCIDENTS
ATTENTION TO THE INDIVIDUALS AS CONSUMERS OF MOTOR VEHICLES	<ul style="list-style-type: none"> <li>- Programs of consumer education in vehicle safety features</li> <li>- Promotion of the use of seat belts now installed, and other retraining devices</li> </ul>	
EDUCATION OF MECHANICS	<ul style="list-style-type: none"> <li>- Programs of training automotive mechanics</li> </ul>	
ATTENTION TO THE MEDICAL PRO- FESSION	<ul style="list-style-type: none"> <li>- Publicity as to the effects of drugs on driver performance to help them advise their patients</li> </ul>	<ul style="list-style-type: none"> <li>- Promotion of emergency medical programs to increase the efficiency of care and transport of the injured</li> <li>- Provision of the necessary rehabilitation programs for injured victims of traffic accidents</li> </ul>
MODIFICATION OF THE ENVIRONMENT AND URBAN PAT- TERNS WHICH AFFECT HIGHWAY SAFETY	<ul style="list-style-type: none"> <li>- Urban planning to adjust the patterns of traffic flow</li> <li>- Control of the access of automobiles and commercial vehicles to specific zones of control (times and types of access)</li> <li>- Alternative means of transportation including rapid transit</li> </ul>	

	TO REDUCE THE NUMBER OF ACCIDENTS	TO REDUCE THE SEVERITY & COSTS OF ACCIDENTS
IMPROVEMENT OF ENFORCEMENT PRACTICES	<ul style="list-style-type: none"> <li>- Promotion of uniform laws for signalling and traffic movement to ease the task of the interstate traveler</li> <li>- Evaluation of the rationality of current speed restrictions and their enforcement to be followed with revision of existing practice where it is found lacking</li> <li>- Promotion of uniform enforcement practice through the adoption of no-fix tickets and non-fee fines</li> </ul>	
ADJUSTMENT OF THE TRAFFIC CONSIST	<ul style="list-style-type: none"> <li>- Provision of means to separate pedestrian movement from the roadbed</li> <li>- Education of pedestrians of the dangers of vehicle accidents</li> <li>- Control of the movement of dangerous cargo movements</li> <li>- Attention to the special problems of farm equipment and motorcycles in the mix of normal traffic flow</li> </ul>	
CHANGES IN THE INSTITUTIONAL STRUCTURE TO PROMOTE HIGH-WAY SAFETY	<ul style="list-style-type: none"> <li>- Use of insurance charges and liability laws to provide an economic force to promote safe vehicles and driving practice</li> <li>- Encouragement of uniform laws and practices of enforcement</li> <li>- Coordination of the national effort in the highway safety field among both governmental and non-governmental organizations</li> <li>- Changes to permit free exchange of accident statistics and results of research</li> </ul>	



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AUG 31 1965

## 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**

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

Agency	Actual				Estimated in
	1961	1962	1963	1964	1966 Budget 1965
Dept. of the Army, Corps of Eng.	\$ 341.8	\$353.7	\$362.0	\$379.5	\$ 446.8
AEC	8.9	9.6	7.7	5.5	2.3
CAB	88.0	91.9	92.2	97.1	97.9
Dept. of Commerce	3195.0	3235.0	3507.3	3985.2	4174.7
NCTA	0.2	0.9	2.6	0.5	17.2
D. C. Government	21.5	16.7	19.8	10.0	21.3
Department of Defense	303.3	295.8	280.0	317.9	320.8
FAA	667.5	656.1	734.3	763.8	853.4
Federal Maritime Comm.	1.0	1.3	2.2	2.6	2.9
GSA	--	--	--	51.8	57.6
HHFA	0.3	15.3	22.6	8.9	70.0
Dept. of Interior	82.5	77.7	77.4	87.7	100.9
ICC	21.4	22.1	23.5	24.7	26.8
NASA	0.2	2.2	25.5	33.7	34.2
Nat'l Mediation Board and National 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
Dept. of State	3.5	3.9	2.3	3.9	2.8
St. Lawrence Seaway Dev. Corp.	5.3	4.4	5.0	5.9	6.3
Treasury Dept.-U.S. Coast Guard	267.2	281.6	305.4	326.3	382.5
TVA	9.8	21.1	13.3	12.8	11.1
Thatcher Ferry Bridge	1.0	1.6	0.5	a/	a/
Canal Zone Government	25.8	23.6	26.4	28.0	39.3
Total Obligations for Transportation	\$5063.4	\$5129.0	\$5531.2	\$6174.8	\$6690.6

a/ Negligible, 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

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

\$3 billion short  
to make up  
① additional user  
taxes on heavy  
trucks

3

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.

5 MONTHS  
OF NON-  
REDUCTION

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 continue, 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 beautification program (rough approximation). . . . .	\$1.0 billion
To compensate for long-range changes in highway costs . .	\$2.5 billion
The total of these is . . . . .	\$6.6 billion

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

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 AND DIESEL FUEL  
AT SELECTED RATES, FISCAL YEAR 1966--1973

Highway Statistics  
8/27/65

(Millions of dollars)

	EXCISE ON AUTOMOBILES						EXCISE ON HIGHWAY DIESEL (per gallon)					
	PRESENT LAW		1-PERCENT		PRESENT LAW, BUT HOLD AT 2-PERCENT <sup>1/</sup>		1-CENT		2-CENT		3-CENTS	
	ANNUAL	CUMU- LATED	ANNUAL	CUMU- LATED	ANNUAL	CUMU- LATED	ANNUAL	CUMU- LATED	ANNUAL	CUMU- LATED	ANNUAL	CUMU- LATED
6 months to 6/30/66	622	622	104	104	622	622	16	16	32	32	48	48
1967	914	1,536	188	292	914	1,536	40	56	80	112	120	168
1968	552	2,088	193	485	552	2,088	42	98	84	196	126	294
1969	283	2,371	198	683	396	2,484	44	142	88	284	132	426
1970	203	2,574	203	886	401	2,885	47	189	94	378	141	567
1971	208	2,782	208	1,094	412	3,297	49	238	98	476	147	714
1972	212	2,994	212	1,306	421	3,718	52	290	104	580	156	870
1973 3 months	54	3,048	54	1,360	108	3,826	12	302	24	604	36	906
Total	3,048		1,360		3,826		302		604		906	

<sup>1/</sup> Instead of being reduced to 1% effective Jan. 1, 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

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).

The following transportation expenditures were incurred in the three major programs during fiscal year 1964:

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 5 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

### Statement of Problem

Both 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 one 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 able 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, Housing and Home Finance Agency; and the Chairman, Tennessee Valley Authority. A 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 all 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" of 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.

*RAC is  
Handling  
the  
scenic  
roads  
proposal.*

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 pro rata share of the cost of providing control by purchase, condemnation, screening, removal or disposal. Such Federal pro rata 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 by requiring withholding of all Federal-aid highway funds from any state not complying with its requirements. Sums required to be withheld under the bill would be reappropriated among the other states. However, if a state showed that it was unable to exercise adequate control by use of its 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. Such financing from the general fund might be considered accordingly.

Junkyard Control -- Since motorized vehicles will continue to die as long as we have these vehicles on the surface of the earth, marshalling yards for junked vehicles are a necessary part of our economy. It is possible that control of junkyards could be facilitated by more active assistance on the part of state and local governments, and perhaps the Federal government additionally. The former could be required to lend their good offices to facilitate appropriate zoning changes to accommodate shifts of location, and to otherwise make it possible under state and local laws to make it possible, in effect, for the fewest number of Americans to view junkyards, rather than the greatest number. Federal-aid might be considered in terms of tax incentives or abatement, guarantee of loans for large and medium-sized shredders of scrap, and other incentives to assist the industry to compete more effectively with pig iron as a source of steel.

Scenic Roads and Parkways -- Because of opposition to the reallocation of one-third of secondary moneys for scenic and recreation roads, it is suggested that "new" moneys be provided for the scenic roads and parkways program. The possibilities along these lines are being outlined in an extensive section of the Scenic Roads Report. The economics of the program are such that moneys for the program would be more than returned to the Treasury of the United States by the increases in tourist expenditures generated, increases in the income tax resulting, increases in the capital gains tax resulting from increases in land values, and in other ways. Some increases in highway users taxes are examined, as well as increases in the cigarette tax, tax on beer and soft drinks, and others.



AUG 31 1965

## 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 prepared by the Bureau of Public Roads.

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 him, 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.



Official Use Only

EXECUTIVE

THE UNDER SECRETARY OF COMMERCE  
FOR TRANSPORTATION  
WASHINGTON 25, D. C.

76600/T \*

September 7, 1965

MEMORANDUM FOR Members of Transportation Task Force

*filed 04 46 600/T \**

By memorandum of August 12 from Mr. Califano, a Task Force on Transportation for the Fiscal Year 1966 Legislative Program was established. I was designated as Chairman, and there were representatives from the Departments of Commerce and Treasury, the Council of Economic Advisers, the Office of Science and Technology, the Housing and Home Finance Agency, and the Bureau of the Budget. The report of this Task Force was submitted to Mr. Califano on the 2nd of September, and copies have been distributed to the members of the Task Force. Because of the short deadline, there was no opportunity for the Task Force to meet and review the final version of the papers which were submitted to Mr. Califano.

Subsequent to the last meeting of the Task Force, I received another memorandum from Mr. Califano setting out an additional assignment. A copy of the second memorandum dated August 27 is attached. I believe that it is self-explanatory.

By this memorandum, I am requesting the following individuals to become members of the Task Force:

William F. McKee, Administrator, Federal Aviation Agency  
Charles S. Murphy, Chairman, Civil Aeronautics Board  
John Harlee, Chairman, Federal Maritime Commission  
Charles A. Webb, Chairman, Interstate Commerce Commission  
Nicholas Johnson, Administrator, Maritime Administration  
Rex M. Whitton, Federal Highway Administrator, Bureau of  
Public Roads

I would appreciate it if you or your representative could plan to attend a meeting in my office on Friday, September 10, at 2:30. At this meeting we will have two items of business: first, a

review of the papers which were submitted to Mr. Califano second, a discussion of how we proceed with the work which is outlined in the attached memorandum.

  
Alan S. Boyd

Attachment

cc:

- ✓ Lee C. White, Special Counsel to the President
- Colin M. MacLeod, Deputy Director, Office of Science and Technology
- Arthur M. Okun, Member, Council of Economic Advisers
- William M. Capron, Assistant Director, Bureau of the Budget
- Stanley S. Surrey, Assistant Secretary, Department of the Treasury
- John C. Kohl, Assistant Administrator (Transportation), Housing and Home Finance Agency
- William F. McKee, Administrator, Federal Aviation Agency
- Charles S. Murphy, Chairman, Civil Aeronautics Board
- John Harllee, Chairman, Federal Maritime Commission
- Charles A. Webb, Chairman, Interstate Commerce Commission
- Nicholas Johnson, Administrator, Maritime Administration
- Rex M. Whitton, Federal Highway Administrator, Bureau of Public Roads

Bureau of the Budget

## ROUTE SLIP

TO Mr. Broadbent  
Mr. Sam Hughes  
Mr. Seidman  
Mr. Capron  
~~Mr. Carey~~  
~~The Director~~

- Take necessary action ☐  
Approval or signature ☐  
Comment ☐  
Prepare reply ☐  
Discuss with me ☐  
For your information ☐  
See remarks below ☐

FROM C&H Div (Gordon M. Murray)DATE September 9, 1965

## REMARKS

Return to Boyd - 9/13

~~Transportation Task Force report is returned herewith.~~  
A factual digest of recommendations is attached in accordance with your informal request.

Memo of Sept 9 with further instructions obviously unavailable when this paper prepared. Rather than delay it for rewriting, we will supplement it with "comments" + "next steps" now requested

9/13/65 - Per our conversation. I retrieved report from Sam Hughes and have all three Bureau copies ready to go back to Boyd. Director has reviewed attached digest.

John.

Sep 9, 1965

EXECUTIVE

TN

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Task Force on Transportation  
Transportation research and  
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EX-111-1 (2)  
TN  
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Task Force on Transportation  
\*  
Mar 9, 1965

1. Transportation Research and Development

Problem: Consider expansion of federally-supported transportation research and development, including grants to universities and research institutes.

Recommendations: Clear need to reevaluate all Federal transport research and development. Need advanced technological research in the maritime field and in motor transport. Need to improve techniques of economic analysis in transportation (mentions costing). No new legislation needed for in-house research, but more funds may be. Legislation would be needed for expanded academic-institute research, but if "worthwhile projects were properly identified" and there were "sufficient interest on the part of academic-scientific communities," private funds would likely be forthcoming. An extension grant program should be introduced cautiously and gradually; once started, longer term commitments would be required. Could be done by National Science Foundation. Such a program in Department of Commerce or Department of Transportation would be preferable.

2. Highway Safety

Problem: Motor vehicle accidents each year produce 50 thousand deaths, 4 million injuries, and billions of dollars in property damage.

Recommendation: Scattered agency efforts should be integrated in a "cost effectiveness approach," involving program choices based on comparisons of costs and benefits. Toward this end a Federal Highway Safety Center should be established in Commerce to (1) develop a comprehensive program, (2) operate a data evaluation program, and (3) establish a causal investigation program. (Latter task--much needed--might cost \$15-20 million per year for five years.) Center could be established by Presidential action but, because of its coordinating role, should get authority through legislation. The integrated program resulting from recommendation's implementation would include removal of accident hazards; changes in highway design and use, vehicle design standards, signaling and traffic control devices; demonstration programs on care of injured; and driver education.

3. Alternate Reorganization Plans

Problem: Fragmentation of transportation responsibilities now prevents effective policy formulation and consistent administration of programs in accordance with common policies. There is no focal point of responsibility for assuring that the United States has a national transportation system which makes use of modern technology and is adequate to the Nation's needs in peacetime or under emergency conditions.

Recommendations: The preferred alternative for transport organization is the creation of the Department of Transportation. The major activities dealing with operations, capital investment, transport research, and subsidy would be centered in such a department.

As a transitional step in preparing for the creation of a Department of Transportation, creation of a National Transportation Council is recommended. The Council would be created by Executive order and include Commerce, State, and Defense, FAA, and the three transportation regulatory commissions. The Council would consider major transportation policy issues, formulate policy recommendations for the President and supplant or subordinate other inter-agency groups dealing with transportation. It would also provide a systematic review of all transportation budgets to assure conformity with overall policy decisions, thereby making it unnecessary to establish a separate Investment Review Board.



With respect to regulation, the report rejects for the time being proposals to create a single regulatory agency. Instead it recommends reorganization of the ICC with a Presidentially appointed Chairman and a reduction in the number of members from 11 to 5 or 7. Also recommended is a transfer of safety responsibilities to a Department of Transportation or other Executive agency.

#### 4. Transport Regulation

Problem: Achieve greater flexibility in all aspects of regulation, considering the economic impact of proposed changes on carriers and shippers.

Recommendation: Proposes "small selective list of amendments" to start process of liberalization: (a) simplify procedures governing discontinuance and abandonment of rail freight service, (b) require ICC to give greater weight to cost impact of technological and service innovations in setting rates, (c) repeal the "rule of three" on exempt water traffic, (d) repeal the June 1, 1939 limit on list of exempt bulk commodities, (e) create joint board on through routes and joint rates, (f) impose control of international air rates.

Mentions and rejects alternative approaches: (a) complete deregulation of trucking, (b) deregulation of all intercity passenger transport, (c) reduce scope of regulation of air transportation, (d) extend bulk and agricultural exemptions. Neither "the public" nor the legislators will consider these favorably.

#### 5. Highway Financing

Problem: The 1965 estimate of the cost of the Interstate System shows a \$5 billion increase in Federal share. Highway user taxes accruing to the Highway Trust Fund at current rates will cover about \$2 billion of this, but \$3 billion of additional revenue must be raised. Moreover, the recent cost estimate does not include the cost of highway beautification, roughly estimated at \$1 billion, and of rising construction costs, which may add another \$2.5 billion to Interstate costs. Some \$6.6 billion extra may ultimately be needed.

Recommendation: Endorse (apparently) the Administration proposals. Seems to prefer larger tax increases designed to cover beautification and cost increases as well as the presently estimated \$3 billion deficiency. Two possible alternatives, both combining the auto excise and diesel fuel taxes, are discussed: (1) transfer auto excise at present declining rate to Trust Fund, plus an additional two cents -- in lieu of Administration's three cents -- on diesel fuel, plus a ten month extension of Trust Fund, and (2) transfer auto excise to Trust Fund at present 5 percent rate, plus additional two cents on diesel fuel.

#### 6. Highway Toll Facilities

Problem: Authorities operating toll bridges and tunnels sometimes restrict construction of parallel free bridges needed to complete the Interstate System.

Recommendation: Enact legislation to make the financing and construction of bridges and tunnels accountable to the Department of Commerce. Other alternatives considered but regarded as less satisfactory were additional authority for the Corps and limited authority to Commerce to set aside toll compacts interfering with Interstate highways.

7. Aviation and Waterway User Charges

Problem: Review user charge proposals in terms of costs to be recovered and benefits to various classes of users.

Recommendation: Endorses (apparently) 1965 Administration proposals. Mentions general revenue financing and direct tolls and charges as alternatives, but suggests only that air freight and ticket taxes be "seriously considered as a compromise."

8. Highway Beautification

Problem: Billboards and junkyards constitute eyesores along the Nation's highways, and scenic highways for pleasure driving are too few.

Recommendations: Consideration should be given to modified legislative proposals aimed at eyesores. Billboard control could involve compensation for billboards eliminated and financing from the General Fund rather than the Trust Fund. Junkyard control measures might include State and local zoning, tax incentives to the industry, and guaranteed loans for scrap shredders.

Scenic highways should not be financed through diversion of secondary road funds but should be provided with "new" financing. Possible revenue sources are highway user taxes, cigarette taxes, and beer and soft drink taxes.

9. Highway-Mass Transit Coordination

Problem: Improved (a) coordination of Federal assistance to urban mass transportation systems, (b) methods of evaluating alternative solutions and (c) coordination of freight and passenger transport in urban areas.

Recommendations: Existing legislation is ample. A Department of Transportation putting all urban transportation programs under one roof is a possibility, but existing coordination mechanisms are adequate.

Bureau of the Budget  
ROUTE 511

Sup

TO

Take necessary action ☐

Approval or signature ☐

Comment ☐

Prepare reply ☐

Discuss with me ☐

For your information ☒

See remarks below ☐

FROM

DATE

9/17/65

REMARKS

Mr. ~~Broodhant~~ Murray -

as with the staff papers on  
housing which we discussed  
last week, the Director  
would like 1-2 page  
summaries of each staff  
paper for the use of the  
front office, Sam Hughes,  
etc.

Sup



THE UNDER SECRETARY OF COMMERCE  
FOR TRANSPORTATION  
WASHINGTON 25, D. C.

SEP 13 1965

EXECUTIVE

76 600/T \*  
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\*  
Task force on Transportation  
x

MEMORANDUM FOR Honorable Joseph A. Califano, Jr.  
Special Assistant to the President  
The White House

Attached for your information is a copy of a memorandum  
which I sent to all members of the Transportation Task  
Force this morning. I believe the memorandum will be  
self-explanatory.

  
Alan S. Boyd

Attachment



THE UNDER SECRETARY OF COMMERCE  
FOR TRANSPORTATION  
WASHINGTON 25, D. C.

SEP 13 1965

MEMORANDUM FOR Honorable Joseph A. Califano, Jr.  
Special Assistant to the President  
The White House

Attached for your information is a copy of a memorandum which I sent to all members of the Transportation Task Force this morning. I believe the memorandum will be self-explanatory.

(sgd) Alan S. Boyd

Alan S. Boyd

Attachment

Director, Federal Motor Carrier  
Administration  
Director, Interstate Commerce Commission  
Administrator, Maritime Administration  
Ray E. Abington  
Federal Highway Administrator



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

September 13, 1965


MEMORANDUM FOR Members of Transportation Task Force

Pursuant to the agreement we reached at the Task Force meeting on Friday, September 10, I am attaching a paper which establishes a format for your response on the issues before us. At this stage, much of the information must necessarily come from the agencies with operational and regulatory responsibilities. This in no way minimizes the contribution to be made by the other Task Force members, who should be able to direct their attention more toward broad social goals and future programs.

If you have any questions, please do not hesitate to call me or Cecil Mackey. I will appreciate having your response by the close of business Monday, September 20.

Let me remind you once again of the confidential nature of the work of the Task Force.

Attachment

  
Alan S. Boyd

Copies to: Lee C. White  
Special Counsel to the President  
Colin M. MacLeod  
Deputy Director, Office of Science and Technology  
Arthur M. Okun  
Member, Council of Economic Advisers  
William M. Capron  
Assistant Director, Bureau of the Budget  
Stanley S. Surrey  
Assistant Secretary, Department of the Treasury  
John C. Kohl  
Assistant Administrator (Transportation), Housing and Home  
Finance Agency  
William F. McKee  
Administrator, Federal Aviation Agency  
Charles S. Murphy  
Chairman, Civil Aeronautics Board  
John Harllee  
Chairman, Federal Maritime Commission  
Charles A. Webb  
Chairman, Interstate Commerce Commission  
Nicholas Johnson  
Administrator, Maritime Administration  
Rex M. Whitton  
Federal Highway Administrator

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Procedure and Format for Papers to Be Submitted  
to the Transportation Task Force

- I. Review the work that has been done in your organization's area of responsibility in the past. This should include a reexamination of the work of earlier task forces, prior efforts to establish national goals or transportation goals and work aimed at the development of transportation policy. It should include projects which were limited in scope to a single mode of transportation or a single agency (e.g., in the aviation field, Project Horizon, 1961, and Civil Air Policy, 1954), as well as more comprehensive works (e.g., the Doyle Report, 1961 and the Transportation Message of 1962).

In this connection:

1. Identify the goals which were established in your area of responsibility;
2. Determine the extent to which they have been accomplished;
3. Examine the goals which have not been achieved and evaluate them to see if they are still valid;
4. For those goals which are considered to be no longer valid, indicate the reason;
5. For those goals which are still valid but have not been achieved, set out what you consider to be the reasons they have not been achieved to date and identify any obstacles you believe to exist to their future achievement.

II. With regard to the present activity of your organization:

1. Identify the programs which are currently being carried out in your organization. For each program, set out the best possible description of what the program is intended to accomplish. This will normally be in the form of a transportation goal. Where it is possible to relate the transportation goal to one or more broader national goals to which it contributes, identify the national goal or goals. To the extent that it is possible, identify the groups within the society who are the beneficiaries of each program, describe the benefits received and the extent, if any, to which there is reimbursement of Federal expenditures, e.g., through user charges. Also, for each program, state

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the current level of funding, and where appropriate and possible, give the level of funding for the past three years and the projected level for the next five years. State your best estimate of the time that will be required to complete each program. If it is in the nature of an on-going program with no clear-cut termination date, so state.

There cannot be any hard and fast rule as to what should constitute a "program" for our purposes here. This should be a matter for your judgment in the light of your knowledge of your own organization and the nature of the work assigned to the Task Force. Examples of probable classifications are the Federal-aid Airport Program for FAA, the local service subsidy for CAB, the demonstration program of HHFA, and separately, the interstate, primary and secondary road programs for BPR.

2. Identify the major functional responsibilities of your organization which are not covered by the programs set out above. For each major functional responsibility, state as clearly as possible the goal which it is directed toward accomplishing. If no specific funding, other than possibly administrative costs, can be properly allocated to carrying out a function listed, so state, but do not set out such costs. Otherwise, give costs as above for programs. An example of the type of function that might be listed here is the ICC responsibility for rate regulation, either by type of carrier or on an inclusive basis.

III. In any situation where there are numerous goals and programs for their achievement, it is inevitable that there be conflict. This is true within the context of transportation itself and also as transportation is viewed in the broader context of our society. To illustrate, it may be that programs designed to increase the level of safety for a certain segment of transportation will conflict with efforts to reduce the costs of transportation or impinge upon efforts to achieve greater freedom of choice for individual users of the transportation system. Further, programs intended to improve the transportation system may conflict with programs in such fields as noise abatement, the reduction of pollution, or certain aspects of urban renewal. Wherever possible, you should point out the conflicts you see between the goals and programs you identify and other transportation and/or non-transportation goals. If it seems appropriate for you to make assumptions regarding transportation goals outside the area of your responsibility or relating to broader non-transportation goals, do so, but identify your assumptions as that.



- IV. Set out, within the framework outlined above, as many ideas as you can for additional transportation goals and action programs. To the extent that you can identify gaps within the area of responsibility of your organization, state the goals and programs necessary to fill in those gaps. For our purposes here, however, do not confine your thinking to any given area of transportation problems. Give the best estimate possible on both time and costs required for the accomplishment of goals and identify alternative courses of action for accomplishment.

UNITED STATES GOVERNMENT

# Memorandum

*I have amended wording*  
**Summary of Transportation Task Force**  
 Executive Office of the President  
 Bureau of the Budget  
*He is rec'ding it with evaluation per*

TO : The Director

DATE: September 13, 1965

FROM : William M. Capron *WC*

*Your later instructions.*

*WC* (3)

EXECUTIVE

SUBJECT: Transportation chaos

*7G 600/T\**

*\* Task force on Transportation*

Your attention is urgently called to the attached memoranda: (1) memoranda by Okun and Murray dealing with the status of Alan Boyd's Transportation Task Force, and (2) a Boyd memorandum to the Task Force on the "goals" project. In addition to the problems raised in these memoranda, there are other serious (or potentially serious) problems coming to a head:

*7G 11-1*

*TN*

- The potential confusion and overlap between our BOB PPB undertaking and Alan Boyd's interpretation of Joe Califano's "goals" request. (See the attached memorandum from Boyd for the Transportation Task Force.)
- Boyd's intention to use the Transportation Council as an all-purpose vehicle. Although the regulatories are represented on the Council, he intends to have the Council review transportation budget questions, Executive Branch position by the regulatories (!), etc. He also intends to use this Council as the Transportation Review Board.
- Failure to use the Transportation Merger Committee to consider issues which presumably fall in its bailiwick (I gather Boyd is going to let the Merger Committee die and substitute the Transportation Policy Council which is impossible given the presence of the regulatory chairman). There is, for example, before the Congress legislation which would exempt the railroads from the limitations on loss carry-over in the case of mergers. Connor has indicated to Treasury the Commerce Department's strong support for this legislation, but it has never been discussed by the Merger Committee, although Connor's letter recognizes this legislation's close relation to Executive Branch railroad merger posture.

- Boyd's intention to release publicly very shortly the Maritime Task Force Report. I agree that we should aim to do this, but there are some problems which I need to discuss with you.

Since you have arranged with Califano for the Bureau to review all of the Task Force reports, we may be in a position to push the Transportation Task Force in the right direction. However, as Okun's memorandum indicates, it is not clear what the "right direction" is at the moment. (As you will note, Boyd has collected all of the Task Force reports from the members of the Task Force. However, I have told Gordon Murray that he should continue to work on his evaluation, using the copy we got directly from Califano.)

Because of the number of issues indicated above, I strongly recommend that you arrange for a meeting in the next day or two with the following dramatis personae: yourself, Joe Califano, Lee White, Art Okun, Gordon Murray and Bill Capron. This meeting would serve the purpose of informing Joe and in getting an agreed-upon set of guidelines for meeting the more significant issues. In any case, I need to talk to you about some of these as soon as possible.

#### Attachments

Subjects for discussion at suggested meeting:

- a- Transportation Task Force next steps.  
eg. Tell Pres. Boyd doesn't want a major legislative program in 1966.
- b- Handling of Maritime Task Force Report.
- c- Transportation Council - duties etc.
- d- Is Pres. interested in Dept of Transportation for next year?

UNITED STATES GOVERNMENT  
*Memorandum*

Executive Office of the President  
Bureau of the Budget

TO : Mr. Capron

DATE: September 13, 1965

FROM : Commerce and Housing Division (Gordon W. Murray)

SUBJECT: Meeting of the Transportation Task Force, Friday, September 10, 1965

Mr. Boyd opened the meeting by explaining that the original Task Force had completed its assignment and delivered a report to the White House. He explained that copies of the report should not have been made available to members of the Task Force and that he had been ordered by the White House to retrieve all such copies. He made clear that while the Task Force had held two meetings on the report that the members, other than UST, had not approved the report and had not even seen it before it was forwarded to the White House.

Mr. Boyd stated that he had been directed by the President to add the Chairman of the Regulatory Commissions and the Heads of the Maritime Administration and Bureau of Public Roads to the Task Force. In a sense, he explained, this constitutes a new Task Force which is to respond to Mr. Califano's memorandum of August 27 concerning Great Society goals in the transportation area.

Mr. Boyd emphasized that the content of the Task Force report, already completed, is highly confidential and must not be discussed outside the group. He then read off, in summary fashion, the principle recommendations of the report -- including those dealing with reorganization and in particular the reorganization of the Interstate Commerce Commission.

There followed a lengthy and desultory discussion of how Mr. Califano's request might be met. The meeting ended by Mr. Boyd promising a memorandum of instructions to each of the members of the Task Force, as now constituted, by Monday morning, September 13. The nature of the discussion gives rise to an apprehension that the response to Mr. Califano's memorandum will be in the form of a philosophical discussion of goals rather than precise targets for accomplishment in the transportation area during the next 10 years or so.

From the desk of ...

9/13

(3)

EXECUTIVE

TN

7G600/T\*

GARDNER ACKLEY, Chairman  
Council of Economic Advisers

7G11-3

Joe Califano ..

Here is a very  
discouraging report  
on the Transportation  
Task Force exercise.  
I thought you should  
see it!

Gardner

(sent copy also to  
Lee White)

→ Put with my computer  
paper - Add Gardner  
Allen to list

7/13

GARDNER ACKLEY, Chairman  
Council of Economic Advisers

Lee White--

Here is a very  
discouraging report on  
the Transportation Task  
Force exercise. I  
thought you should see it.

Gardner  
(also sent a copy to  
Joe Califano)



UNITED STATES GOVERNMENT

# Memorandum

TO : Gardner Ackley

DATE: September 11, 1965

FROM : Arthur Okun

*Task force on Transportation*

SUBJECT: Transportation Program: High Road or Low Road?

On maritime policy, the work in planning the 1966 legislative program for transportation has been fine, and it is just about complete. In the other areas, however, I am disturbed by the way things are going. Commerce seems determined to follow a sure-footed, slow-paced, cautious legislative strategy. No doubt, a case can be made for such an approach; but it is my impression that the President expects a bold imaginative transportation program which could serve as a centerpiece of his domestic legislative program for next year. Yet, delays in staffing out some of the ingredients that would enter into a full-scale program threaten to frustrate the readiness of such a program for early next year.

Things are fine on the waterfront. After considerable study and cooperative work by an interagency task force, Alan Boyd has shaped up a very promising maritime program. It returns to our conclusions of 9 months ago in deciding to pursue the Nation's interest and not to steer a politically easy course. So long as Commerce stands firm and does not let the Maritime Advisory Committee scuttle the program, the President will be able to deliver fully on a new policy for the merchant marine.

In other areas, however, the program is not shaping up to match the size and scope that the President has indicated that he wants. Back in May, I attended on your behalf a meeting with the President at which he told Connor and Boyd that he deeply regretted that we were not following through in 1965 on the pledge of the State of the Union Message to produce a maritime policy and a deregulation program. The President made it clear that he wanted a bold and imaginative program in all areas of transportation for next January, <sup>and</sup> that he was prepared to fight the difficult political battles to get such a program enacted. Otto reports that, at the initial meeting of the Transportation Task Force last month (which I couldn't attend), Commerce resisted the bold approach; and Lee White said at the close of that meeting that somebody from Commerce had better tell the President promptly that he wasn't going to get the program that he expects. So far as I know, this hasn't been done.



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Meanwhile, Commerce has played its cards close to the vest: the Task Force Report went to Califano as an unevaluated set of staff studies; so far, they have not been discussed by the whole task force. Boyd had a meeting yesterday to work on the goals exercise. Here too there was the same display of conservatism and unwillingness to sign on to anything dangerous. The regulatory agencies were represented along with the members of the legislative task force at yesterday's session. Boyd asked for comments on the task force legislative studies at this meeting, and it was obviously impossible to review these things candidly in front of the regulatory people. So I shut up entirely, and told him after the meeting that we needed a good session in the proper forum for further discussion of the legislative program; he said that we would be meeting again when he got further signals from Joe Califano. Boyd said "The White House" told him to include the regulatory people in the goals exercise. In view of the generally archaic attitudes of the regulatory agencies, that was not an inspired decision.

The Commerce staff studies that were sent to Califano make proposals that go in the right direction, but they do not go far enough. They reflect the philosophy of a small, politically feasible program, except for the one bold proposal for a Cabinet Department of Transportation. They should propose the consolidation of the 3 regulatory agencies into one, and the creation of a Transportation Investment Review Board. They pussyfoot particularly on deregulation, recommending very little to change the situation on rates and nothing at all on operating rights. The President pledged himself to "heavier reliance on competition in transportation" in the State of the Union Message last January, and emphasized this at the May meeting. The proposals in the staff studies would not implement this commitment in 1966. The proposals on safety and research are not bad, but the experts outside of Commerce think we could afford to move more forcefully. The staff studies list about 50 things in the safety area that we might want to do in the future "after further study;" we ought to have enough conviction to be able to launch a few of these right now, for example, a Federal grant program on driver education. Treasury thinks we could beef up the user charge proposals, e.g. with a Presidential commission. Moreover, the staff studies are written in a detailed drawn-out undigestible style that cannot be informative to the White House.

Just a few weeks ago, in discussing our domestic legislative plans in a press backgrounder, the President once again put transportation at the head of the list. He is going to be disappointed, unless something is done to break the traffic jam. Lee White has not been at any of the meetings since the organization meeting of the task force, and I doubt

- 3 -

that anybody has been briefing him or Joe Califano. I think we are left with the responsibility for carrying the message to the White House.

Once Joe and Lee know where things are (or more accurately are not) going, they can decide how to proceed. They might want to remind Boyd once again that, if the President is going to get a little package, he ought to be warned of this at once; or Boyd could be asked to do a short summary of the staff studies to determine whether his program could stand as a centerpiece of our 1966 legislative program; or Boyd could be asked specifically to reconsider items previously labeled "politically unfeasible" so as to leave that decision to the President.

cc:

Otto Eckstein

Charles Taff

Lew Spellman