

KEYNOTE ADDRESS: TRANSPORTATION AND  
ENERGY

The Honorable Bud Shuster, U. S. House of  
Representatives and Chairman National  
Transportation Policy Study Commission

Today the U.S. has the finest transportation system  
in the world - today the U.S. is facing a transpor-  
tation crisis.

The plight of transportation in this country  
is a result of over regulation and a dampening of  
the competitive spirit. The Doyle Report almost  
20 years ago, identified fundamental problems as a  
lack of adequate information; lack of continuing  
research; lack of a program approach and organiza-  
tion in the government; and the need for a complete  
redirection of transportation pricing philosophy.  
This wasn't the first time problems and needs of the  
transportation sector had been identified; it was  
however, another example of our failure to respond  
expeditiously and intelligently to demanding  
issues. For now, nearly a generation later, the  
National Transportation Policy Study Commission is  
ending its study, and we have determined that the  
old problems are still with us, compounded by even  
more unsettled perplexities. We are additionally  
faced with an energy shortage, increasing demands  
on our transportation network and perhaps the most  
serious problem of all, a ponderous proliferation  
of inequitable regulations. Thirty Congressional  
Committees, 64 Federal agencies and a mindless  
acceptance of governmental intervention, have  
combined to produce over 1000 programs and policies  
misguiding our transportation system. Congressman  
Jim Howard and I, responding to public concern,  
sponsored the 1976 Federal Aid to Highways Act  
which mandated the National Transportation Policy  
Study Commission. The Commission's three year task  
was to examine all modes of transportation for needs  
and ability to meet those needs through the year  
2000. Special emphasis was placed upon examining  
existing Federal programs and suggesting new poli-  
cies to develop a balanced system designed to anti-  
cipate our growing requirements.

In carrying out the mandate, one crucial fact  
became evident: the current shortage of transporta-  
tion services, capital and facilities will become  
even more acute by the 21st century. We can not  
wait another twenty years to adopt logical, rational  
programs and thus repeat the mistake we made in the  
areas of energy, environment and other crucial poli-  
cies. The Transportation Research Board has the  
responsibility to rally behind a unified national  
policy supporting fair competition, reduced regula-  
tion and equitable pricing. Not just because that  
is the intent of our free enterprise system but  
because as people, a nation, we need your leadership  
in the private sector.

The National Transportation Policy Study Commis-  
sion (NTPSC) Final Report makes policy recommendations  
based on indepth study, input from some of you and  
your colleagues, and identification of current  
issues and forecasts. There are those who feel the  
changes proposed by the Commission don't go far  
enough in suggesting reform and some feel they  
suggest too much change, too much restructuring. If  
those who are opposed can put aside their selfish  
interests and participate willfully and ethically in  
dynamic capitalism we will soon find regulations and  
modal jealousies a phenomenon of the past.

To allow you to better understand the NTPSC's  
conclusions and recommendations I will briefly  
review its mission and approach. Composed of 19  
members, six from the House of Representatives, six  
from the Senate and seven public members appointed  
by the President, the Commission was mandated to  
examine, evaluate and analyze the nation's transpor-  
tation needs and resources through the year 2000.  
In addition, NTPSC was to make recommendations for  
a responsive, efficient and cohesive national trans-  
portation policy.

None of the past government reports, which date  
to the Windom Report of 1874, has attempted to  
identify transportation needs through a concise inte-  
gration of empirical findings, current status and  
projected trends spanning the entire spectrum of  
our transportation network. The Commission first  
developed a detailed plan composed of 19 major tasks  
which were later grouped into five study areas.

The first of the Commission's major study areas - identification of the key issues confronting the transportation system in the U.S., analyzes and evaluates these issues with respect to their significance to potential national transportation policy initiatives and impacts. To accomplish this, previous transportation problems and proposals were identified through a comprehensive literature search. Additionally surveys and public hearings were conducted in various cities around the country. These produced a compendium of current transportation issues.

The second NTPSC task was to compile and assess current transport policy. Much to our amazement we identified over 1000 transportation policies and programs formulated and administered by 64 Federal agencies and 30 Congressional committees. Not surprisingly, we discovered that many of these programs are contradictory.

The third task was to create models based on the history of growth, consumption and problems of our transportation system. These scenarios were then carried out to the year 2000. The resulting wealth of information permitted forecasting of future demands on and by our transportation network. The unquestioned conclusion is that our current situation will be greatly compounded if we do not soon take positive actions.

Total national domestic person miles of travel are forecast to increase from 2.57 trillion in 1975 to 4.5 trillion in 2000, and may reach as high as 5.04 trillion. This represents increases of 81 percent and 96 percent respectively. At the lower figure, the urban local market leads the growth with a 95 percent increase while under the higher scenario the intercity market will lead the growth with a 119 percent increase.

Total national domestic freight ton miles are forecast to increase from 2.361 trillion in 1975 to 6.264 trillion in 2000, and may reach as high as 7.687 trillion. This represents increases of 165 and 226 percent respectively, with the urban market leading the growth in both cases with increases of 207 percent and 314 percent respectively.

These projections are the result of a major forecasting effort. Three scenarios were developed, each assuming certain basic conditions. By inserting various indicators the formula provides a plausible glimpse into America's transportation future. Known factors include substantial growth of person and ton miles, and expanding labor force and a rise in the number of households relative to population. Our ability to meet these growing demands depends upon our seriousness of commitment. Continued procrastination and piecemeal reform will manifest debilitating shortages by the turn of the century.

Our fourth and fifth tasks were the formulation and testing of policy proposals. Unlike previous studies, the Commission's report attempts to group its recommendations into a policy package and then to analyze and evaluate the impact of those proposals on the system.

Before turning to the Commission's recommendations it may be enlightening to recognize the enormity of our transport system. Almost 20 percent of our gross national product is derived from transportation; 80 percent of eligible Americans have drivers' licenses; over 240 million travellers took to the air in 1977 alone; we have 200,000 miles of railroad line, 25,000 miles of navigable inland waterways, 14,000 airports; the transportation sector, both private and governmental, employs a combined total of 6 million Americans. It is only the diverse nature of each mode and isolation

of their problems that has kept us from recognizing the severe impact a reduction in transport abilities would bring. A unified transportation policy should be our first priority.

The recommendations of the Commission can be separated into 5 functional areas. The first is that of regulation. Any future policy must involve a uniformity of government regulations. Certainly unique aspects inherent to each mode require unique solutions, nonetheless regulation should not work at cross-purposes. It is imperative that we provide adequate service, achieve more efficiency and promote safety in a cost-effective manner. Attempting to reach these goals with our present system has produced a quagmire of regulatory oppression, to the point of being anti-competitive. To remedy this, the Commission recommends a substantial, though certainly not total deregulation of the rail and motor freight industries. Specifically, it recommends easing entry requirements and establishing a zone of reasonableness for rate making.

The second area of deep concern is governmental ownership and operation of transportation facilities and services. The Federal government now directly owns or operates a myriad of transport activities including the Corps of Engineers dredging operations, FAA's air traffic control system and the St. Lawrence Seaway Development Corporation. Federal funds are used to permit other levels of government to own or operate such facilities as highways, urban transit, airports and selected rail branch lines. This produces the paradoxical circumstance of government agencies and actions competing with private sector firms in a free enterprise system. Clearly this is an untenable situation. Any attempt at immediate divestiture would prove calamitous. Therefore we must seek technological change, innovation and cost-effectiveness to show that market forces are far superior to political processes in business management.

Finance, pricing, and taxation are points of much debate as well as the Commission's third major study area. With the unquestioned need to maintenance and rehabilitation, some form of equitable fee collection is mandatory. It is estimated that within the next twenty years we will need as much as four trillion dollars for capital investment and maintenance. Presently, Congress provides some capital grants, subsidies and operating assistance and oversees management of trust funds for various modes. These present programs unfortunately, are not meeting demands. As the shortcomings become acute additional means of raising funds is necessary. Of the total capital needs, through the year 2000, it is projected that various levels of government will be required to spend \$1.242 trillion and may need to spend as much as \$1.292 trillion. For the year 2000 itself, total federal, state and local government transportation outlays are projected to be \$105.4 billion in constant 1975 dollars, and may range as high as \$109.7 billion as compared to \$37.06 billion in 1975.

Of the total government transportation outlays in the year 2000, it is projected that general revenue requirements will be \$70.8 billion and may be as high as \$72.8 billion as compared to \$17.5 billion in 1975.

The effectiveness of any unified transportation policy will depend upon a program of planning and information, NTPSC's 4th study area. Status quo policy provides little effort to publicize or integrate results of categorical planning by the Federal government. Rather, separate programs are pursued. For example, social service programs of HEW require the availability of transportation. In

this case and many others, no coordination with state and local transportation officials is attempted, much less cooperative planning with the Federal Department of Transportation.

Perhaps one cause of state and local problems with the federal government is the high cost of federally mandated planning methods. Designed for federal purposes these procedures make unreasonable demands on limited budgets. I believe the federal government can best serve as an effective clearinghouse for information in this area. The availability of a national data bank would reduce the ponderous quantity of state and local studies initiated yearly and enhance cooperation among all levels and agencies of governments.

The fifth area of Commission recommendations is government organization. We have recommended that the ICC, FMC, and CAB should be abolished and a single regulatory commission be established to perform the residual functions of these agencies. We have also recommended that the DOT be strengthened to become the lead agency in all federal programs when primary objectives are transportation oriented. In addition to these areas of study, the Commission also did an indepth study of the two faceted relationship of transportation and energy. First, is the energy transportation consumed and secondly the transportation of energy. Both will continue to have dramatic effects on our economy. As is readily evident there is a shortage of gasoline at the pumps. Because the transportation sector will depend upon petroleum as its primary energy source for the foreseeable future, the movement of energy forms may be in jeopardy. Certainly our 440,000 miles of pipeline will aid oil movements but we are also faced with growing demands for coal, problems in transporting nuclear waste and of course waterway, railway and tanker transport of petroleum to areas not served by pipelines. The major transportation issues that result from the need to adequately distribute the nation's fuels to the transportation sector and all other users must be identified if we are to attempt solutions. NTPSC quantifies six such issues:

1. Upgrading and expansion of the railroad network.
2. Supplementing bulk interior rail transportation with improved waterways and by slurry pipeline.
3. Equipment improvement of bulk facilities at ports.
4. Study and provision for increased local coal haul on our nations highways.
5. Increased use of off shore petroleum and Colorado Plains coal and
6. Acceptance of a long range nuclear waste handling, transporting, and storage policy. Without a comprehensive national transportation policy these questions of energy availability will severely compound the deficiencies our transport network is facing. By recognizing and attaining free market capabilities, the industry should be able to cope with future demands.

Historically, while society has enjoyed and proclaimed the benefits of transportation opportunities, the environmental consequences of transportation activities have frequently been ignored or misunderstood. Until perhaps the last decade, environmental concern over transportation activities

has been slight. Since the mid 60's we have witnessed a proliferation of environmental regulations, many with severe cost of operational consequences for the transport sector. Strong support is found in all segments of American society for environmental protection. Nevertheless, demands on the economy and supply of energy often compete with environmental endeavors for limited resources. It is time to examine very closely new means of environmental protection that will not damage our economy and add to the misuse of our energy reserves. Clearly the next 2 decades will see continued economic and energy pressures. More direct trade-offs will be confronted in solving environmental problems. Congress, the administrative agencies, industry and individuals will increasingly need to turn their attention to deciding these trade-offs on a case by case basis for each transportation-environmental problem. As industry leaders it is your responsibility to consider environmental impacts when establishing methods and practices of doing business. Perhaps with more concern on your part reduction of certain government agencies will be possible.

My tenure as Chairman of the National Transportation Policy Study Commission has been an experience both enlightening and worrisome. Knowledge of the history of our transportation network, its capabilities, needs, benefits and problems will make achievement of a unified transportation policy more realistic. However, I am also deeply concerned about the ability of current transportation resources to meet future demands. What was intended to provide fairness among competing modes has now become a regulatory nightmare, inhibiting business, stifling competition and fostering wasteful and duplicative expense.

I believe the Federal transportation structure must be strengthened and streamlined for managerial efficiency and to eliminate the costly burdens that redundant federal agencies and rules impose on the private sector and on state and local governments.

Our choices are not easy or even obvious, but we have identified the problems and now it is time to let free-enterprise function in the market place with minimal governmental intervention. We of course must provide for equitable distribution of our scarce resources but that is best accomplished by accentuating the positive and eliminating the negative.

Thank you for asking me to address this distinguished association and your guests; it has been a pleasure.