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Transportation Research Board

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THANK YOU FOR THE WELCOME. I APPRECIATE VERY MUCH THE OPPORTUNITY TO ADDRESS THE RAIL ARM OF THE TRANSPORTATION RESEARCH BOARD. FOR YEARS, THIS PRESTIGIOUS ASSEMBLY HAS REVIEWED AND DISCUSSED THE MAJOR TRANSPORTATION ISSUES CONFRONTING THIS NATION.

YOUR WORK HAS CONSISTENTLY PROVIDED SOME OF THE BEST MATERIALS AVAILABLE TO CONGRESS AND THE EXECUTIVE. THIS FORUM ITSELF HAS GIVEN LEADING TRANSPORTATION EXPERTS FROM AROUND THE COUNTRY AN OPPORTUNITY TO MEET AND SHARE INFORMATION ON TRANSPORTATION RESEARCH AND INNOVATIONS.

I EARNESTLY HOPE THAT YOUR RECORD OF INVOLVEMENT IN TRANSPORTATION WILL CONTINUE AND INTENSIFY. WE NEED IT BADLY.

FROM WHERE I SIT, THE NATION'S TRANSPORTATION SYSTEM PRESENTS A STUNNING PARADOX. IN MANY WAYS, WE HAVE THE WORLD'S MOST EFFICIENT AND ELABORATE TRANSPORTATION NETWORK. WE MOVE A STAGGERING VOLUME OF FREIGHT AND PASSENGERS ON THE NATION'S WATERWAYS, AIRWAYS, RAIL LINES AND HIGHWAYS.

AT THE SAME TIME, HOWEVER, THERE ARE OMINOUS SIGNS THAT WE ARE SLUMBERING PERILOUSLY CLOSE TO A TRANSPORTATION NIGHTMARE. I KNOW THIS FROM MY OWN EXPERIENCE IN MY HOME STATE OF MONTANA.
THE RURAL HIGHWAY SYSTEM THERE IS NOT BEING MAINTAINED ADEQUATELY. HIGHWAY SAFETY IS A PERSISTENT PROBLEM--THERE AND AROUND THE COUNTRY. AIRLINE SERVICE ALWAYS SEEMS RUMORED TO BE IN JEOPARDY. PROPOSED RAIL LINE ABANDONMENTS HAVE RIPPED OPEN OLD POLITICAL WOUNDS ACROSS THE STATE. THE FORMATION OF A HOLDING COMPANY BY BURLINGTON NORTHERN HAS GENERATED CONSIDERABLE SKEPTICISM. THE COSTS OF ALL TRANSPORTATION SERVICES HAVE SKYROCKETED.

THE PARADOXES OF TRANSPORTATION ARE ESPECIALLY NOTICEABLE WITH THE NATION'S RAILROADS. THERE ARE SIGNS OF PROMISE AND SIGNS OF GLOOM. ESPECIALLY FOR THE ESTABLISHED COAL-HAULING RAILROADS, THE RECESSION HAS NOT HAD AS SEVERE AN IMPACT AS WE HAVE COME TO EXPECT. THE LONG-TERM PROSPECTS OF THE INDUSTRY HAVE, I GATHER, BRIGHTENED APPRECIBLY UNDER THE STAGGERS ACT--PERMITTING CONTRACT RATES, REVENUE ADEQUACY STANDARDS, AND RATE FLEXIBILITY.

AT THE SAME TIME, IT IS CLEAR THAT THE FINANCIAL PERFORMANCE OF THE INDUSTRY IS NO CAUSE FOR EXCESSIVE JOY. A PROLONGED PERIOD OF ECONOMIC STAGNATION COULD WIPE OUT THE GAINS OF THE RECENT YEAR, AND THE WEAKER RAILROADS CONTINUE TO HAVE DIFFICULTIES--RESULTING IN HARSH IMPACTS ON SHIPPERS AND COMMUNITIES AROUND THE COUNTRY.

MY EXPERIENCE WITH THE RAILROADS--ESPECIALLY IN THE LAST TWO YEARS--HAS NOT BEEN REASSURING AND HAS MADE A LASTING IMPRESSION. I GREW UP IN A STATE THAT DEPENDS DIRECTLY AND
ALMOST COMPLETELY ON ITS RAIL TRANSPORTATION SYSTEM. IT HAS BEEN SO FROM THE TERRITORIAL DAYS.

UP UNTIL THE 1960'S, MONTANA WAS SERVED STATEWIDE BY 3 MAJOR RAIL SYSTEMS. NOW, AS THE RESULT OF A MERGER AND A BANKRUPTCY, THAT NUMBER IS REDUCED TO ONE.

THE SLOW MOTION COLLAPSE OF THE MILWAUKEE RAILROAD WAS A LITTLE LIKE FALLING ON A FOOTBALL. THERE'S NO EXPERIENCE QUITE LIKE IT. I DON'T WANT TO SEE IT REPEATED IN THE WEST.

IN ADDITION, YOU ARE ALL WELL AWARE, I AM SURE, OF THE INCREASING CONCERNS OF AGRICULTURAL SHIPPERS. THE LONG-TERM FEUD BETWEEN RAILROADS AND FARMERS SEEMS TO RUN IN CYCLES. WHEN CARS ARE IN SHORT SUPPLY, THE MAIL IN MY OFFICE PILES UP IN A HURRY. WHEN, AS NOW, THE GRAIN CARS LINE THE SIDINGS, THEY SEEM ONLY TO DRIVE MORE DEEPLY THE POINT THAT CARS SHOULD BE READILY AVAILABLE ON DEMAND. I KNOW IT IS A DIFFICULT SITUATION.

THE SAME IS TRUE IN THE RATE AREA. RAIL REVENUES AND RATES OF RETURN SEEM TO ARGUE FOR HIGHER RATES, BUT FARM REVENUES AND RATES OF RETURN ARGUE FOR FREE SERVICE.

RECOGNIZING THE DIFFICULTY OF THESE AND OTHER PROBLEMS BETWEEN THE RAIL INDUSTRY AND ITS CLIENTS, I BELIEVE IT IS TIME TO SEEK BETTER INFORMED SOLUTIONS -- FOR THE LONG HAUL, IF YOU WILL.
IN MAY OF LAST YEAR, SENATOR DAVE DURENBERGER OF MINNESOTA AND I FORMED THE SENATE RAIL CAUCUS. WE ESTABLISHED IT WITH SEVERAL GOALS IN MIND:

1. WE BELIEVE IT IS ESSENTIAL THAT SENATORS AND THEIR STAFFS HAVE A CONVENIENT, REGULAR FORUM TO DISCUSS THE PROBLEMS AND OPPORTUNITIES FACING OUR RAILROAD SYSTEM.

2. WE BELIEVE THAT THE NATION DESPERATELY NEEDS A HEALTHY RAILROAD INDUSTRY. SOMEHOW, WE MUST END THE LURCHING HISTORY OF RAILROAD BANKRUPTCIES.

3. AT THE SAME TIME, WE URGE THAT THE NATION NEEDS A RESPONSIBLE RAILROAD INDUSTRY— AN INDUSTRY THAT PROVIDES ESSENTIAL SERVICES IN A WAY THAT DOES NOT UNNECESSARILY DESTABILIZE AND DISRUPT LOCAL ECONOMIES.

I REALIZE THAT THIS LAST OBJECTIVE RAISES IMPORTANT AND SERIOUS CONCERNS FOR RAIL EXECUTIVES AND GOVERNMENTAL OFFICIALS. ON THE ONE HAND, IT IS CLEAR THAT RAILROADS MUST OPERATE AS BUSINESSES. THEY MUST AND SHOULD SECURE A REASONABLE LEVEL OF PROFIT, A REASONABLE RATE OF RETURN ON INVESTMENTS. THE STAGGERS ACT RIGHTLY SAYS SO. AND IT IS CERTAIN THAT RAILROADS HAVE NOT, FOR A VARIETY OF REASONS, BEEN ABLE TO APPROACH THE 12% RATE OF RETURN STANDARD SET RECENTLY BY THE INTERSTATE COMMERCE COMMISSION.

IN THESE TIMES OF DISAPPOINTING ECONOMIC NEWS, IT IS DIFFICULT FOR ANY BUSINESS TO SCORE WELL ON THE BASIC TESTS OF THE MARKETPLACE.
Unfortunately for railroads, they must serve an additional master. They are private corporations to be sure; but their operations are burdened by the claims of the public interest -- and they always will be to some extent.

Railroads are not free to respond solely to the call of the marketplace. They cannot simply halt service, increase rates, sell stock, or build new lines.

They are, to use a modest profanity, "regulated" businesses. Though the regulatory shackles have been loosened to some degree, that basic feature of the industry will remain. And we all know that those two masters seem all too often to pull -- and pull hard -- in opposite directions.

I know that this poses enormous and, in some ways, unyielding contradictions for rail managers and rail regulators. They -- you -- face no easy task. It is a bit like trying to shoe a mule using a soft, rubber hammer. It takes time and it is a risky business.

The Senate Rail Caucus now has some three dozen Senate members -- individual offices that continue to express a deep interest in our work. In 1931, we had three sessions of the Rail Caucus. The discussions in each were instructive.

We reviewed the present situation and future prospects of Amtrak. We heard from those who favor an expanded system of service. We heard from those who believe Amtrak trains should be confined to the transportation museum with the stagecoach. Congress has now decided to continue that national rail passenger experiment -- at least for the time being.
In our second session, we held an inspired debate between the railroads and shippers on rail line abandonments. A rail official stated bluntly that rail abandonments were vital rail enhancements. Others argued that they were a form of rail banditry.

In our final session of the year, we sponsored a debate on transportation subsidies.

The railroads and the waterways did battle on the perennially proposed waterway user fee. The railroads were ably represented by Frank Wilner of the Association of American Railroads. The waterways position was presented by John Creedy of the Waterway Transport Association. Both sides agreed that transportation subsidies are not easy to define and both refused to be the first to give up any alleged subsidies. The debate was finally halted on account of darkness, but this is an issue that will be with us for the foreseeable future.

Recognizing this, we are sending to all Senate offices a packet of materials expressing the rail and waterway positions. We hope the material will be useful in this year's debate on the waterway user fee.

All in all, what has been learned from the Rail Caucus so far? No doubt, different members have learned different lessons. In my own case, I have a deeper understanding of the problem of rail passenger service, the dilemmas posed for railroads and shippers alike as they propose and fight over rail line abandonments.
Most important, I have become increasingly fascinated by the continuing debate on transportation subsidies. Ultimately, I do not believe that the railroad and waterway industries can afford to continue their debate throughout the 1980’s. It is an instructive difference of opinion and I take it seriously. It is a matter of considerable importance for both the railroads and the waterway operators. Nonetheless, we need to see our way clear to an end of the battle once it has been well-waged. In short, at some future point, we need to resolve the transportation subsidy dispute.

Early in this session of the Congress, I will introduce legislation calling for a comparative compilation of all transportation subsidies. Under the bill, the list would be prepared by a number of agencies for reporting to the Congress 180 days after enactment of the bill.

I know that subsidies have been examined in the past. I know that there are difficulties in deciding what is a subsidy and what is not. I know the Administration is just completing its "205" study on waterway user fees. I have a broader, more informative report in mind.

The real need is to compile all transportation subsidies -- grants, loans and tax breaks -- so that we can have a better feel for the impact of federal policy. We should do this before making major adjustments in federal transportation policy.

WE NEEDN'T DEBATE TODAY THE WATERWAY USER FEE OR ANY OTHER SUBSIDY. WE SHOULD, HOWEVER, RECOGNIZE THAT WE NEED TO TAKE A GOOD, HARD LOOK AT ALL TRANSPORTATION SUBSIDIES BEFORE DECIDING WHICH TO RETAIN AND WHICH TO THROW ON THE JUNK HEAP.

I MUST, OF COURSE, DISTINGUISH MY OWN LEGISLATIVE PLANS FROM THE ACTIVITIES OF THE RAIL CAUCUS. WE DID NOT ESTABLISH THE CAUCUS TO OPERATE AS A SOUNDING BOARD OR POINT OF ACCESS FOR ANY PARTICULAR SPECIAL INTEREST. YOU CAN SEE THAT FROM THE EARLY TOPICS WE SELECTED.

NOR IS THE RAIL CAUCUS INTENDED TO TAKE POSITIONS AS A GROUP OR ADVOCATE SPECIAL CAUSES OF ANY KIND. UNLIKE A NUMBER OF CONGRESSIONAL CAUCUSES, WE DO NOT RUN ON PRIVATE FUNDS. NOR WILL WE.
In the future, I expect the Rail Caucus to continue with six to ten meetings per year. We are just now in the process of developing a list of subjects for 1982. Certainly, we intend to conduct a debate on the need for coal slurry pipelines. We may look at the promises and costs of rail electrification; the debate on rail work rules; the effects of new ratemaking rules under the Staggers Act; the debate on coal unit train rates; and more.

It is in shaping the future of the Rail Caucus that you can play a prominent role. For that reason, I want to spend a little more time with you on what I hope is a productive exercise. I'm sure that some of the questions you have on your mind about future Congressional action are essentially unanswerable—at least by me. My sense is that we in the Congress do not yet know how vigorously the Interstate Commerce Commission and its newly selected Chairman (Mr. Reese Taylor) will press ahead with railroad deregulation. (I do know that I am not pleased with his support for coal slurry pipelines.) We do not know whether deregulation will prove uniformly beneficial to shippers and consumers across the country. Of course, it might simply inaugurate a new series of skirmishes reminiscent of those which started the Agrarian Populist movement in the late 19th Century. There are certainly signs of this in the Midwest and West.
We do not know how -- or even how soon -- the Rock Island bankruptcy will play itself out. Those who tried to predict the timetable for the Milwaukee bankruptcy quickly learned the modesty essential for such speculation.

We don't have a final answer to Conrail's problems. We do not know what budget adjustments are likely in rail programs for Fiscal Year 1983. We do know that someone's belt is likely to be tightened.

On these and a host of other rail transportation issues, we in the Congress are simply not in a position to provide clear predictions. But there is an increasing perception that we must begin to find real solutions -- not simply to the questions I have sketched above. -- but to the even more difficult problems that the railroad industry will face in the coming years. And let me emphasize that these problems are not merely economic, but political as well. Neither the railroad industry nor the Congress will benefit if railroad customers become irate.

I want to anticipate and help resolve some of these issues. I believe it is essential to do so. I want the Senate Rail Caucus to play a role in this effort.
What I am asking is that you help us develop the agenda of the Senate Rail Caucus. What are the critical problems that will face the railroad industry in the near future? What are some of the most promising solutions that we should hear about and consider in the caucus? What are the obstacles to healthy and responsible rail industry performance? In short, what major problems must be addressed now if we are to avoid continued financial distress in the railroad industry and political warfare in the states?
For some time, I have been concerned about transportation subsidies. In recent months, the subsidy debate has intensified. In the next session of Congress, the issue will be directly before us as the Administration presses its proposed increase in waterway user fees.

I believe it is important to get to the bottom of this issue. Congress needs to know the extent of transportation subsidies, the degree to which they are equitable and useful, and the advisability of adjusting any subsidies in isolation from other subsidies.

The Administration is now releasing its 205 study on waterway user fees. We, in the Congress, will have an opportunity to review it over the next few months. Whether it is a good study or not, I believe we should try to look at all subsidies more comprehensively before dramatic changes are made in any of them individually.

The conclusions reached in a recent GAO study prepared at my request in April of this year are relevant to this issue. It focused on the nation's grain transportation network and concluded that the network should not be viewed in a piecemeal fashion.

The study noted that the nation's grain transportation system "is complex and interrelated, involving railroads,
waterways, roads and ports. Changes and events in one area affect all others, straining their ability to perform efficiently.... An integrated analysis that considers interrelationships between the various components of the grain transportation system has not yet been conducted. Without such an analysis, GAO believes that implementing wise policies is difficult...The real need is for an analysis of overall system constraints, interactions, and solutions to prepare for the expanding export industry."

I believe the situation is the same with respect to transportation subsidies. Accordingly, I will soon be introducing legislation providing for a federal interagency study of transportation subsidies. The Interstate Commerce Commission, Department of Transportation, Department of Agriculture, Department of Commerce, and other relevant entities would be asked to pool their collective talent and compare the history and current status of transportation subsidies. Some of this work will involve merely updating past efforts in this area.

But I want to emphasize that a fresh look is in order -- one that will provide Congress with the information it needs to make informed transportation subsidy decisions. It should include all airline, rail, highway and waterway subsidies so we can see the system as a unit, not as an unrelated set of components.