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STATEMENT OF JOHN A. VOLPE, SECRETARY OF TRANSPORTATION, BEFORE THE  
SUBCOMMITTEE ON SURFACE TRANSPORTATION OF THE SENATE COMMERCE COMMITTEE  
IN REGARD TO THE RAIL PASSENGER SERVICE ACT OF 1970, FRIDAY, APRIL 30,  
1971.

Mr. Chairman, I welcome this opportunity to appear before the Committee to discuss the Department's response to the mandate given to it by Congress under the Rail Passenger Service Act of 1970. I can tell you quite frankly that this essential task has been among the most challenging in my years in public life.

At my last check, which was but a few days ago, we had received more than 750 pieces of mail from Congress--including direct inquiries and referrals--covering the period since last November 30, when we announced the preliminary basic system. Letters from governors, state legislators, mayors, city councils, chambers of commerce and private citizens are over the 5,000 mark and are still coming in. This outpouring of public sentiment and views about rail passenger service was extremely helpful to the Department in analyzing the Act itself and our actions in meeting the requirements of the Act.

I know the Committee is fully aware of the history of the Act, and the fundamental issue that led to its passage--the urgent need to save rail passenger service from extinction.

You will also recall that there were those who argued that all existing rail service should be retained and supported with public funds regardless of demand, current ridership, or projected growth. This course

would have cost the Nation at least \$200 million this year in operating subsidies, plus even greater amounts in the years ahead, with additional millions needed for service improvements.

Congress rejected that course--wisely, in my view--and chose instead to establish a special Corporation to operate intercity rail service over a limited basic system, on a for-profit basis, with public funding made available only for initial start-up needs.

Congress recognized, at the time the Act was passed, that the preservation of every route, every train and every stop, regardless of use or cost, was simply inconsistent with the need for a genuine revitalization of intercity rail passenger service. The only hope for this service was and is the creation of new demand based on improved service truly responsive to passengers' needs and desires. That was the mandate given by Congress in directing me to establish a basic system of points between which passenger service should be provided.

The criteria and analyses used in developing the basic system and in reviewing official comments of interested parties are discussed in the final report submitted to Congress on January 28, 1971. I would like to submit for the record the preliminary and final reports of the basic system. I also have for your information the official comments on the preliminary system as submitted by railroad labor, railroad companies, state regulatory commissions and the Interstate Commerce Commission. The Appendix to the final report is a review of these comments and explains our adoption or non-adoption of the recommendations.

The process of establishing the basic system was clearly spelled out in the Act. It envisioned a dynamic process in which the Secretary

would designate a preliminary system, which would be the basis on which the affected parties would be able to base their official comments. I think, as is evident from the final report, the Department was indeed responsive to these comments. I'm sure you are aware that the final report included five major "city pair" designations which were not included in the preliminary report.

I do not believe it is necessary to discuss in detail the procedures and criteria that shaped our decisions, but some discussion is in order.

The Act set out criteria for the Department to follow in designating a basic system, and included such relevant matters as population, profitability, capital needs, corporate flexibility, ridership, costs, and so forth.

We took these statutory criteria and incorporated them in the procedures developed for identifying points between which service might be viable, for determining those markets in which rail service could effectively compete with air or bus, and for determining those points between which rail service would have a reasonable chance to become financially self-supporting.

We were quickly led to the inescapable conclusion that a real rebirth of rail passenger service was entirely dependent upon the initial success of a viable basic system to which major improvements could subsequently be made. Let me emphasize here that when we speak of a viable basic system, we strictly mean one that is capable of living and developing. Any other approach would have spread fewer improvements over a larger network. In my view, this would have defeated the purposes of the Act and locked passenger train service to its immediate past.

Therefore, our designation of 21-city-pairs as the basic system stems from the criteria and procedures spelled out in the report. Most importantly, the basic system is a reflection of the Rail Passenger Service Act's clear mandate that the rail alternative should be saved and made an effective and competitive mode of transportation.

Nevertheless, given the present and projected levels of rail ridership and the Corporation's initial start-up costs, the Corporation estimates that it will lose significant amounts of money in its first few years of operation. The additional burden of costly service requirements would have jeopardized the financial basis of the Corporation.

However, the present basic system is not merely a function of these financial considerations but is related to two other important factors.

First, we need to see whether the public will respond with sufficient demand to make quality rail transportation an effective competitor to other transportation modes. Unless we reverse the present

precipitous decline in rail ridership, the issues under discussion today will be academic in the long run. An indication of this decline is the statistic which shows that the number of daily passenger trains in intercity rail service has dropped from 1,500 in 1958 to 366 in 1970.

Second, in order to fairly evaluate the public's demand for this service, improvements in the quality of service is mandatory, and we need a system which is neither so large as to make dramatic improvements economically unfeasible nor so small as to preclude a fair nationwide test. I believe the system now designated creates the framework for a fair test.

I am convinced, Mr. Chairman, that Congress has set a sound course, and we have devised a system that can become a new, revitalized, attractive and financially responsive rail passenger service network.

I am sure the Committee understands the difficult task that the Department had in designating a basic system. The Corporation had an equally difficult task in choosing routes for service within that system. However, the largest task still lies ahead--that is to provide quality service and to attract an increased level of ridership which will permit the Corporation to operate at a break-even or profit level. To burden the Corporation with assured heavy losses on routes not now within the basic system would be a severe setback to this new enterprise's chance of success.

Congress has created a mechanism for dealing with the need for additional service by a State or community. Section 403 of the Act provides--for the first time--the means by which a State, region or community can obtain the level of intercity rail transportation it

believes essential. The Act further provides that the State or local agency must fund a minimum of 66-2/3 percent of any loss attributable to the requested service. It is also important to emphasize that--again for the first time--there is now an institution with which States and communities can work in resolving intercity rail transportation needs.

This is particularly important for developing or continuing intrastate services. There are many illustrations where this kind of arrangement can prove helpful; for example, in connecting Orlando and Tampa, Florida, or Chicago with its satellite cities too far out for commuter service; the San Joaquin Valley route in California, and in my own area of the country, for establishing through service from Boston to Albany or to reestablish service to Portland, Maine.

In considering the job that this Corporation has been asked to do--to save intercity rail passenger service from extinction--I feel that Congress prudently established this mechanism whereby local governments pay their share of the losses necessitated by requests for service beyond that included in the basic system. I feel that the basis set by Congress is both fair and just. I might point out here that should the Congress enact the President's transportation revenue sharing proposal, the States and the communities would have the flexibility to use their shared Federal revenues to pay for this service.

As you know, Mr. Chairman, the Department has been asked to consider a number of proposals which would amend, in varying degrees, the Rail Passenger Service Act of 1970. In brief, my view is that any proposed change in this Act at this time would be premature and unnecessary.

I would not favor attempts to alter a course Congress has wisely set at a time when we are ready to implement the plan and test the system. I believe it would be particularly unwise if the Congress were to take action to increase the size of the basic system. Any additional service provided by the Corporation should not become part of the basic system.

It is important to remember, in this connection, that the Act requires the Corporation to report annually to both Congress and the President on its operations and accomplishments, together with legislative recommendations which it feels are desirable. In addition, both the Department of Transportation and the Interstate Commerce Commission must report to Congress and the President on the state of rail passenger service in the Nation and on the effectiveness of the Rail Passenger Service Act of 1970 in meeting the requirement for a balanced national transportation system, together with legislative recommendations. The first deadline for these two reports is October 30, 1971--just six months away. It seems most sensible for us to wait at least until the reports are in before making changes in the legislation.

Congress made a bold and courageous decision when it laid the foundation for a new rail passenger system network. The Corporation has made fantastic strides in making itself ready to assume the huge responsibility for intercity rail service. Twenty railroads have entered into contracts with the Corporation under the Rail Passenger Service Act. The Corporation has selected its Chief Executive Officer, Mr. Roger Lewis, and the Corporation is ready to get under way tomorrow. To obstruct its momentum now would be particularly unfortunate.

In conclusion, my recommendation to the Committee is that the Rail Passenger Service Act, the system it created and the Corporation it established, be given the opportunity to prove the fundamental concept that rail service can be made attractive, that the demand for it can increase and that its financial feasibility can be a reality.

This concludes my prepared statement, Mr. Chairman. I would be happy to answer any questions you may have.