

November 26, 1973

MEMORANDUM FOR: DAVE PARKER

FROM: MICHAEL RAOUL-DUVAL

SUBJECT: GOVERNOR ROCKEFELLER MEETING
WITH THE PRESIDENT

I understand that Governor Rockefeller and Mayor-elect Beame have requested to meet with the President this Friday on the issue of mass transit operating subsidies.

There is a bill in conference which will provide \$800 million over two years for mass transit operating subsidy. This passed the House by an extremely close vote and after our firm veto signal. Also, the Jackson-Fannin Emergency Energy bill has a provision for a similar subsidy.

We are firmly on record against the bill in conference, and Secretary Brinegar and Bill Timmons' office have said the bill will be vetoed. We have also indicated our opposition to the mass transit subsidy provision in the Emergency Energy bill, but no veto signal has been given.

Rockefeller and Beame will obviously push hard for the \$800 million bill and this is a no-win issue for the President. Although our position is unquestionably right as a matter of policy, it will undoubtedly be falsely characterized as anti-mass transit.

Accordingly, we recommend against the meeting. As an alternative, we recommend that Secretary Brinegar meet with Rockefeller and Beame as the President's representatives. Such a meeting has already been scheduled for Friday on Capitol Hill.

This position has the concurrence of Secretary Brinegar, Roy Ash, Ken Cole and Dana Mead.

POINTS OPPOSING FEDERAL OPERATING SUBSIDIES TO TRANSIT

Subsidies Won't Cure Fundamental Transit Ills: Operating subsidies treat the symptoms, not the causes of poor service and deficits. Better management and marketing is needed to attract riders, better allocate costs among users, and reduce costs. Archaic fares underprice rush hour service and overprice off-peak hours. Subsidies would defer the management improvements and fare structure overhauls needed to keep deficits from increasing. Transit fares should not be singled out for protection from inflation. Business as usual in New York City alone, for example, could result in a \$1B annual transit deficit by 1980.

Federal Subsidies Are Pernicious: In addition to the general inadequacies of subsidies, a Federal transit dole which substitutes for local subsidies would divert attention from problems and weaken the incentives which should be felt locally to improve transit management and marketing, control costs, and establish policies to deemphasize automobile use.

Federal Transit Assistance Already Extensive: Aggregation of capital for major investments is the appropriate Federal role. The 1973 Highway Act provides such assistance. It increases the UMTA authorization to \$6.1B and provides flexibility to use the \$800M/yr. urban system highway funds for bus and rail transit capital investments. Also at State and local option, transit investments may be substituted for almost \$5B of controversial non-essential Interstate highway segments.

Federal Operating Role Not Justified: The never-ending costs of an operating subsidy do not generate national benefits and are an improper use of revenues at the Federal level. State and local governments have begun to assist transit institutionally and financially and are in better financial condition than the Federal government. Federal subsidies invite local inefficiency and larger subsidies, not efficiency and self-sufficiency. If local resources are insufficient, localities should tax themselves, supervise their own subsidies, and reexamine fare policies.

Federal Control Problem: Federal involvement in local decisions on fares, routes, and transit management would be required to achieve any facsimile of equitable and efficient operating subsidies. The major deficits occur in three of the largest urban areas and are due to artificially low fares, older equipment, and high labor wages. Varying costs, fares, and efficiencies defeat formula allocations. Operating practice is a local responsibility and should be tailored to community needs.

Energy Crisis Should Make Transit Self-Sufficient Again: Local transportation plans under the Clean Air Act and the upcoming gasoline shortages both create a "captive audience" for transit. While lower off-peak fares attract marginal riders, it is perfectly legitimate to increase peak hour fares to increase revenues. Ridership will increase in coming months without an equivalent increase in costs. Hence, deficits should narrow.

Current Federal Deficit: In addition to the aforementioned sound programmatic reasons, a major new subsidy is opposed to constrain current Federal expenditure. The proposed legislation before Congress would grossly exceed the Administration budget for fiscal 1974 and 1975.

THE WHITE HOUSE

WASHINGTON

December 3, 1973

MEMORANDUM FOR JOHN CARLSON

FROM: MICHAEL RAOUL-DUVAL

SUBJECT: MASS TRANSIT OPERATING SUBSIDIES

In response to the press reports of Brinegar's meeting with Rockefeller and Beame, here is the status of our position on operating subsidies for mass transit.

The Administration is firmly and unequivocally opposed to a categorical grant program of operating subsidies for mass transit. There is a bill in conference which would provide this in the form of an \$800 million, two-year categorical grant program. This is known as the Williams Bill on the Senate side and the Minish Bill from the House. To date, the conferees have not met although this bill could come out at any time. Secretary Brinegar in testimony both on the Senate and House side has firmly indicated that neither version is acceptable to the Administration. In other words, this is a firm veto.

In addition, the Emergency Energy bill submitted by Senator Jackson contains a provision for operating subsidies for mass transit in connection with the energy crisis. Again, the Administration is on record in firm opposition to this although we have not gone so far as to say that the entire energy bill would be vetoed if such a provision survives. Our point here is that we will fight it in the House and thereby attempt to knock it out of the Senate bill in conference. It might be that if some limited form of the Jackson provision were to survive we could accept it as part of a one-year larger package, assuming that the rest of the emergency bill were acceptable.

To sum up our position, the \$800 million, two-year categorical grant mass transit operating subsidy bill in conference is clearly a veto item.

The limited operating subsidy provision in the emergency energy legislation is opposed by the Administration but we have made no decision yet on the overall bill in terms of a veto.

Brinegar, in his meeting with Rockefeller, indicated that the Administration is looking at the overall question of federal transportation aid to our nation's urban areas. As you recall, in 1971 we sent to the Congress Special Transportation Revenue Sharing, which funds could be used for operating or capital needs at the decision of the state and local governments. This was not acceptable to the Congress and we abandoned this position in order to get the 1973 Federal-Aid Highway Act through, which the President signed in August. Under this bill we have doubled the amount of money going to capital programs for mass transit (from \$3.1 billion to \$6.1 billion) and also for the first time some of the highway program money will be available for mass transit capital improvements at the election of state and local officials.

As a part of our continuing review of the transportation programs, and in anticipation of developing initiatives for next year's SOTU message, we are looking at a range of options which include an expansion of the flexibility provided in the 1973 Federal-Aid Highway Act concerning urban areas and a relook at our 1971 Special Transportation Revenue Sharing. Secretary Brinegar is chairing the Domestic Council's Transportation Policy Committee which is the group considering this question. Thus far no decisions have been made.

cc: Dana Mead

THE WHITE HOUSE

WASHINGTON

November 12, 1973

MEMORANDUM FOR

JOHN BARNUM
MAX FRIEDERSDORF
THEODORE LUTZ
ROBERT MONAGAN
FRED WEBBER

FROM:

MICHAEL RAOUL-DUVAL

SUBJECT:

MASS TRANSIT OPERATING SUBSIDIES

We have discussed S. 386 and H. R. 6452 with Paul O'Neill and together we recommend the following strategy for your consideration as these bills come out of conference:

We should work for a conference report that requires another floor vote in the House or would force the bill to be recommitted to committee. If another House vote is possible, we should put together a very strenuous effort to get out our still-valid arguments in opposition to a transit operating subsidy categorical grant program. We think that it is likely that a full understanding of the inequity and budgetary impact of such a subsidy program coupled with the prospect of a veto should be enough to give us a good chance at defeating this bill on the floor.

Since Max Friedersdorf and Bob Monagan are probably closest to this in terms of the legislative action, we will await their signal before taking any additional steps in opposition to these bills.

cc: Dana Mead
Paul O'Neill

File Rockefeller-Beane

Mass Transit
Operating Subsidy

Meeting.

THE DEPUTY UNDER SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

November 30, 1973

NOTE TO MIKE DUVAL

Per our discussion.

A handwritten signature in blue ink, appearing to read "Ted", is positioned above the printed name.

Theodore C. Lutz

1. Significant Administration/Congressional efforts to assist national mass transportation programs through:

- Enactment of the Urban Mass Transportation Act of 1970 provided more than \$3 billion in Federal funds for mass transit. Prior to enactment of this statute, Federal support for mass transit had never exceeded \$200 million in any year.
- Enactment of the 1973 Federal-aid Highway Act (P.L. 93-87) more than tripled the potential Federal resources targeted for transit
 - (a) It doubled the \$3 billion available for the UMTA capital grant program to \$6 billion.
 - (b) It allows \$2-1/2 billion in urban highway funds to be used for transit
 - (c) It potentially allows up to \$5 billion in Federal funds now tied up in controversial Interstate highway projects to be used for transit at the discretion of State/local officials.
- The Federal share of funding for transit has been increased to 80% of project costs from the prior 66-2/3%. This frees local funds for other purposes, such as operating subsidies.

2. Considerable Federal Assistance to New York area:

- Over 25% of UMTA capital program (over \$550M in grants since 1965)
- Continuing assistance for capital expansion (63rd St. & 2nd Ave.)
- 1973 highway legislation allows almost \$60 million in fiscal year 1974 for urban highway funds which could be used for transit capital projects in New York City.

3. Administration believes proper Federal role in mass transit should not involve a new categorical operating subsidies program because:

- Operating subsidies do not address fundamental problems of transit industries. The decline of transit has been caused in large part by extensive suburbanization and increased automobile use.
- New categorical program will necessitate extensive and undesirable Federal involvement in local decisions on local transit issues (fare structure, wage rates, etc.). It should be noted that the major portion of New York's operating deficit is a result of a local decision to restrain transit fares to a 35¢ level.

- New categorical program could remove responsibility of local officials to make the tough decisions necessary to improve the competitive position of transit vis-a-vis the automobile.
- New categorical program provides an easy mechanism for local officials to pass on increased labor costs rather than in engaging in tough bargaining -- a Federal subsidy removes incentive for effective management at the local level and could easily plow Federal taxpayers' dollars for spiralling local operating costs without realizing service improvements.

4. Relationship of Energy Crisis to operating subsidies issue:

- Administration recognizes the strains this shortage may place on existing transit systems, and is moving to address these needs through the capital assistance programs.
- National Energy (and air quality) situations will discourage automotive use and create a new clientele for transit -- a clientele which will receive an economic benefit from a switch to transit (especially as the automobile becomes a more costly alternative). Fare policy and other facets of the local transit situation should be evaluated by local officials in this light.

THE WHITE HOUSE

WASHINGTON

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Rockefeller -
Beane -
Roman -
Keso - Mission Cuts
Exc
Carey - Cong. wage
+ men

Rocky's new man -
avowed purpose of
visit ~~was~~ is to shift
class of raise in 35¢
fare on to us.

- Meeting very

- Wright introduced a 4¢
increase in gas tax; Federal
Trust Fund Parking
charge
1/2 - Energy research
1/2 - Capital + operating costs
Trust

Rocky - broader proposal (Revenue
Sharing)

Brinegar - we proposed
Trans. R/S.

Brinegar → Minish Bill is
a disaster.

✓ * Rocky defended P several times
before Press today. (N.Y. Grant share
doubled under RN Admin.)

* Beane said P rebuffed him by not seeing them.

Brinegar

Rocky
Bill raised urban grant
fund.

Key players Carid, Ash + Shultz

Brinegar - to Press we will consider
broader approach

→ Press raised putting Minish Bill
on Jackson Bill.

Public Transportation

New York City Area

Historically, rapid transit service in New York City dates back to the early steam operated elevated lines in the 1870's. The first subway was opened in 1904, and ran from lower Manhattan up the East Side (today's Lexington Avenue line) to 42nd Street, then through what is now the Grand Central Times Square shuttle and then up Broadway to 145th Street. The subways then expanded rapidly, being built with public money but operated by private companies under contracts with the City (the Interborough Rapid Transit Company (IRT) in Manhattan and the Bronx with some Brooklyn mileage; and the Brooklyn-Manhattan Transit Company (BMT) in those boroughs. Later extensions into Queens were operated by both companies). In 1932 the City for the first time operated subways on its own account - the Independent system, which was developed during the 1920's. In 1940 the City took over the IRT and BMT operations.

Today's New York subway and bus systems are arms of the Metropolitan Transportation Authority, a State-created agency headed by Dr. William J. Ronan. MTA has under its wing commuter railroad lines (some owned, some controlled), as well as bridges and tunnels within New York City and airports (Republic and Stewart). All in all some 8 million persons daily use MTA facilities and nearly 60,000 people are employed by it directly (Penn Central's lines are still manned by railroad employees).

The MTA thus combines all modes of transportation within the New York State portion of the New York Metropolitan region, and uses surplus revenues generated by bridge and tunnel facilities to reduce rail and bus facility deficits.

New York City is unique among American cities in the role played by transit. It accounts for approximately 40% of all transit passengers in the United States. The New York City Transit Authority's service represents the great bulk of rapid transit mileage, equipment, and patronage (all ranging about 75% to 80%) in the nation, while its supplementary bus fleet is also the largest in the nation. The 7,000 rapid transit cars and 4,500 buses, operating on a system employing over 47,000 persons (including the subsidiary Manhattan and Bronx Surface Operating Authority) comprise a system which generated over \$640 million in revenues in 1972, more than twice that of the nearest rival, Chicago. The 1.9 billion passengers in 1971 are incomparably greater than those of any other U.S. city.

Support of the system by the City is exceptional. \$75-\$100 million have been expended every year to support transit capital facilities. Special fares are provided for school children and for the elderly, and transit police are provided - all of these at city expense. Substantial subsidy payments to cover operating losses have been contributed by the city - over \$100 million per year the last two years.

UMTA Capital Grants - The New York metropolitan area has received by far the largest commitments of capital grant funds (\$551.2 million to date, of which NYCTA accounts for \$296.6 million). The \$551.2 million total includes funds for 1,189 new subway cars (444 now in service), construction of the Second Avenue and 63rd Street subways, 638 railroad commuter cars, 54 new buses, and numerous other system improvements. Applications for capital grants remain on file for over \$3.5 billion in transit improvements and extensions. Projections of transit capital needs by the year 2000 exceed \$50 billion.

Financial Background - The following table presents relevant statistics for the NYCTA and predecessor agencies:

<u>FY Ended 6/30</u>	<u># Revenue Passengers (000,000)</u>	<u>Base Fare</u>	<u>Deficit (000)</u>
1930	2.524	5¢	NA
1941	2.252	5¢	\$27,769*
1949	2.402	10¢	18,000
1954	1.865	15¢	23,688*
1967	1.733	20¢	2,228
1970	1.737	30¢	78,858
1973		35¢	

*Surplus

A number of efforts have been made in the last decade to expand the capital resources available to transit in New York State. In 1968 a \$1.5 billion Transportation Bonding Program was approved by New York State voters. Of that, \$600 million was to be used for transit capital purposes in New York City. In fact, these funds form the basis for the local matching share used to finance the current subway expansion program for which \$130 million in Federal funds have been granted. In 1971 another State Transportation Bonding Proposal was submitted to the voters for their approval. The proposal, this time for \$2.5 billion of which a little over \$1 billion was for transit, was turned down.

In January 1972 a new labor contract was signed by the NYCTA. In order to meet the additional costs of this contract and the general cost increased the following sources of revenue were tapped:

1. New York City agreed to provide \$100 million per year from revenue sharing funds for calendar years 1972 and 1973.
2. Subway and bus fares were increased by 5¢.
3. Tolls on the MTA bridges and tunnels were doubled and the surplus revenues generated were made available to NYCTA and the commuter rail lines.

The total amount of money generated from these sources was about \$400 million over the two years.

In mid-1973 Chairman Ronan warned that for the next two years unless some \$600 million in subsidies was made available for the NYCTA the fare would have to be increased to 60¢; and without \$100 million in subsidies for the commuter and suburban bus lines, fares would have to be raised by 70%.

During a special session of the New York State Legislature early this past summer, a \$3.5 billion Transportation Bonding proposal was authorized for submission to the voters, of which 60% was for transit purposes. A key element in this proposal was a plan to allow the State to use monies to be made available from the General Fund to cover transit deficits and to preserve a 35¢ base transit fare statewide. Again, however, the voters turned down the bonding proposal.

It would appear at this time that without any subsidy the 60¢ fare will become a necessity. If the past is any guide, fare increases appear to have little effect on deficit increases. Over the longer run their impact may, in fact, be detrimental as the relative balance between the cost of competing modes is changed. This is further aggravated in New York City where bus-to-bus and bus-to-rail free transfers are not generally permitted. A 25¢ single fare increase will, for many riders, mean a \$1.00 daily increase in the cost of transportation. In view of the existing peak hour transit congestion in New York City and the high level of transit patronage, it's probably not realistic to expect that the emerging energy crisis will have any significant effect on the deficit problem.

Demographic Characteristics - While the population of the New York Tri-State Region has grown from 17.1 million in 1960 to 19.0 million in 1970, NYC population has remained substantially stable for nearly 30 years. There have, however, been shifts from the center to the periphery of the city and from older core areas in each of the boroughs to the newer areas at the city's edges.

NYC Population (000,000)

	<u>1940</u>	<u>1970</u>
Bronx	1.4	1.5
Brooklyn	2.7	2.6
Manhattan	1.9	1.5
Queens	1.3	2.0
Richmond	<u>0.2</u>	<u>0.3</u>
Total NYC	<u>7.5</u>	<u>7.9</u>

In the same 30-year period, there has also been a large out migration of whites - perhaps 1,500,000 - and their replacement by blacks and Puerto Ricans.

Employment in the region has increased primarily in "white collar" work. In NYC manufacturing employment has decreased, but until several years ago this was offset by the increase in service, finance, trade and government jobs. In the past several years the absolute number of jobs in the city - particularly in the CBD - has decreased by perhaps 250-300,000.

Summary of Financial Problems - The City of New York has a long history of support for public transportation. More recently the State government has played a significant role through their creation of the MTA and their willingness to support through State bonding public transportation capital improvements. The problem of how to subsidize significant deficits from public transportation operations is a more recent development. Truly imposing deficits have developed in the last four years and appear now to have outpaced the ability of the local areas to fund them. Total transit deficits for the region will be on the order of \$500 million in 1974. Of these deficits, the most significant will be in New York City where approximately \$300 million per year on top of existing sources of deficit funding will be needed. If no funds are forthcoming a 60¢ base fare will be required. The problem of increasing deficits is two-headed. On the one hand transit patronage has been gradually decreasing, reducing revenue, and on the other hand the expense of operation and mounting labor costs has been rapidly increasing. UMTA will over the next several years support to the degree possible a planned expansion of the subway system. This expansion will relieve system congestion and hopefully reverse the downward trend in ridership, but it will not change the problem of rapidly escalating deficits from operation. At current funding levels, even a complete diversion of all UMTA assistance to operating purposes would not cover an 80% share of the annual deficit from operations in New York City.

THE WHITE HOUSE
WASHINGTON

Date: Nov 26

FROM: DANA G. MEAD

TO:

	<u>Action</u> (rtn)	<u>Action</u>	<u>Info</u>
Mike Duval	_____	✓	_____
Tod Hullin	_____	_____	_____
Brad Cates	_____	_____	_____
Rtn for file	_____	_____	_____

NOTE:

*if you have
opposite.*
NO

November 17, 1973

Dear Jim:

I would like to acknowledge and thank you for your November 15 letter to the President urging that consideration be given to a national freeze on transit fares, and that the Federal government match the funds already being provided by localities in order to encourage more people to use public transportation.

It is useful to have your views on this very important subject, and you may be assured that your letter will be called to the attention of the President and his appropriate advisors.

With kind regard,

Sincerely,

Max L. Friedersdorf
Deputy Assistant
to the President

The Honorable James J. Delaney
House of Representatives
Washington, D.C. 20515

bcc: with incoming to Governor Love - FYI

✓ bcc: with incoming to Dana Mead - for appropriate handling

MLF:EF:ki

7

Congress of the United States
House of Representatives
Washington, D.C. 20515

November 15, 1973

BT

Richard M. Nixon
The President
The White House
Washington, D.C.

Dear Mr. President:

The New York Democratic Delegation would like to respectfully urge your consideration of an immediate freeze on transit fares coupled with federal aid to meet the deficits that will be produced by the freeze in the face of rising operating costs. Today's fuel shortage underscores the necessity of stabilizing transit fares and increasing transit ridership.

Your Administration has acknowledged the federal government's responsibility and role in meeting the fuel shortage. Indeed, it is a national problem. At the same time, mass transit must be acknowledged as one of the most efficient users of fuel and increased transit ridership can only contribute to the goal of fuel conservation. Therefore, it is in the nation's interest to increase transit ridership and include as a fundamental component of any fuel conservation program means by which public transportation can be more fully utilized.

Today, increased transit ridership can be achieved only with aid from outside the farebox. And many cities are threatened by significant fare increases which will be stayed only if aid is forthcoming from the federal government to be matched by funds already being provided by localities. The principal objective on which the House and Senate bills are structured is an increase in transit achieved through better utilization of existing capital investments and improved service that makes mass transit a more efficient and preferable means of travel than the automobile. If the federal government does not provide this critically needed aid, fares will go up and we will see further diversions from public transportation to automobiles which of course will undermine the nation's other fuel conservation effort.

A national freeze on fares is desirable to establish as national policy the necessity of maintaining existing fares and if possible, lowering fares so that public transportation will serve a greater segment of the traveling public. Recent subsidized fare reductions in San Diego, Atlanta, and other cities have demonstrated the positive effect on ridership of fare reductions.

Richard M. Nixon

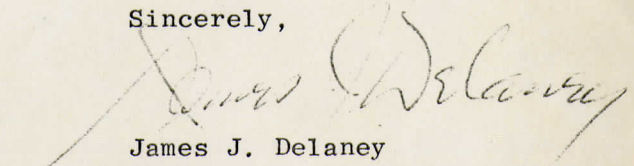
-2-

November 15, 1973

To conclude, we urge that public transportation can make a significant contribution to our nation's fuel conservation efforts. We respectfully urge your support of a freeze on transit fares coupled with operating aid the federal government has a responsibility to provide if transit fares are to be stabilized.

In closing, may I acknowledge on behalf of the delegation the difficulties the energy crisis presents to your Administration and express our interest in helping with its resolution. Of course Members of the delegation would be pleased to meet with you to discuss this matter further.

Sincerely,

A handwritten signature in dark ink, appearing to read "James J. Delaney", is written over a large, light-colored circular stamp or watermark.

James J. Delaney
Chairman
New York Democratic Delegation

clip

PRESERVATION COPY

"All the News
That's Fit to Print"

The New York Times

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— NEW YORK, SATURDAY, DECEMBER 1, 1973



At Washington meeting on fares, from left: Mayor-elect Abraham D. Beame, Transportation Secretary Claude S. Brinegar, Nassau County Executive Ralph G. Caso, Governor Rockefeller and Representative Hugh L. Carey.

BRINEGAR WEIGHS MASS-TRANSIT AID

**Tells Rockefeller and Beame
Closer Look at Operating
Subsidies Is Needed**

By MARTIN TOLCHIN
Special to The New York Times

WASHINGTON, Nov. 30—In a major shift spurred by the energy crisis, Transportation Secretary Claude S. Brinegar said today that the Nixon Administration was moving toward a broader look at mass transit that would include the use of Federal funds for operating subsidies.

"There's an obvious need for a broader program," the Secretary said in a joint news conference with Governor Rockefeller, Mayor-elect Abraham D. Beame and Nassau County Executive Ralph G. Caso, who came here in search of Federal funds to save the 35-cent fare in New York City.

Texan Offers Plan

"The time has come, I think, to take a broader look at how to build and run mass-transit systems by giving localities funds to distribute themselves," Mr. Brinegar said.

The secretary said that he was thinking in terms of "significant sums," and added that a preliminary report would be made "in weeks." He also pledged a "total review" of New York's mass-transit needs.

Shell and Atlantic Raising Gasoline by 2c-3c Today

By DAVID A. ANDELMAN

Two of the nation's leading oil companies announced yesterday that they were raising gasoline prices this morning when motorists are expected to be stocking up in advance of anticipated widespread closing of service stations throughout the country.

The Shell Oil Company raised its prices 3.2 cents a gallon across the board, while Atlantic Richfield said it would increase prices 2 cents a gallon.

Pending favorable Congressional action on proposals to conserve energy, President Nixon has asked stations to close voluntarily 9 P.M. Saturdays to midnight Sunday.

Company officials said that the price actions were "within the regulations of the Cost of Living Council, allowing a pass-through of increased costs" incurred by the oil companies in their production of gasoline. Retail gasoline prices have been rising steadily recently.

Other major national oil companies were also reported prepared to follow the lead of

Shell and Atlantic Richfield in posting price increases.

In many cases the new price increases were expected to push the retail price of gasoline to more than 50 cents a gallon.

A spokesman for Atlantic Richfield, in commenting on the price rises, said: "The increases are necessary to recover sharply higher costs of crude oils, imported and domestic, and the high cost of increasingly greater volumes of imported heating oil needed to supplement short domestic supplies."

The oil companies are not allowed, under Cost of Living Council regulations, to pass on to the consumer any additional production costs of domestic crude oil or increases in refinery-operation costs.

But they are allowed to pass along increases in the price of imported crude oil.

An Atlantic Richfield spokesman said that the company's imports of heating oil, for instance, had risen from 756,000

Continued on Page 18, Column 6

U.S. PLANS TO ADD TO NUCLEAR ARMS

**Defense Chief Cites Need for
New Weapons if Talks
With Moscow Fail**

By JOHN W. FINNEY
Special to The New York Times

WASHINGTON, Nov. 30 — Secretary of Defense James R. Schlesinger said today that the Administration would propose development of a new series of strategic weapons as insurance against the possible failure of the United States and the Soviet Union to agree to further limitation of their nuclear arsenals.

Among the possible new strategic weapons that might be developed by the United States, Mr. Schlesinger listed a larger intercontinental ballistic missile, mobile land-based missiles, more multiple warheads for existing missiles and new armaments for bombers. He also mentioned accelerated production of missile submarines and bombers.

Limited Treaty in Effect

Making this announcement at a news conference, Mr. Schlesinger said that development funds for such new strategic weapons would be included in the defense budget that is being prepared for the fiscal year beginning next July. It is to be presented to Con-

U. N. COMM SEEKS TO TALK IN

**Confers in Cairo
War Minister
Flies to Jer**

By HENRY J.

Special to The New York Times
CAIRO, Nov. 30 — Commander of the United Nations Emergency Force, General Sir Gerald Stopford, is expected to approach the Egyptian and Israeli governments in an effort to get the talks on the Cairo started again.

The commander, General Sir Gerald Stopford, has been an active formal mediator between the two sides in addition to his role as chairman of the talks, called this morning by Gen. Ahmed Ismail, Egyptian War Minister and forces commander.

Immediately after the talks, Gen. Stopford flew to Jerusalem for talks with Defense Minister Moshe Dayan, according to sources. Both meetings were expected to continue at General Stopford's residence, the sources said.

Trip Planned

The United Nations had made plans to hold several days of talks—which began yesterday—were scheduled to continue. At that time his plan was to confer with United Nations officers on the spot. This plan was changed to include urgent consultations with Mr. Dayan, the sources said.

General Stopford's mission, diplomats are expected to put into proper perspective the breakdown of the talks at Kilometre 101, about 63 miles from the Cairo-Suez road.

The breakdown, diplomats said today, was a result of a bargaining jockeying only at the 101, about 63 miles from the Cairo-Suez road, while the continued with increased in other forms and

Fighting Seen

These are, the sources said, in preparation for Arab-Israeli peace talks scheduled to begin in Geneva; in contact with the United States and the Soviet Union, who are now working for a settlement; and the involvement of the United Nations.

Eastern Will End Shuttles At Newark and Montreal

By RICHARD WITKIN

Reproduced at the Richard Nixon Presidential Library and Museum

said today that the Nixon Administration was moving toward a broader look at mass transit that would include the use of Federal funds for operating subsidies.

"There's an obvious need for a broader program," the Secretary said in a joint news conference with Governor Rockefeller, Mayor-elect Abraham D. Beame and Nassau County Executive Ralph G. Caso, who came here in search of Federal funds to save the 35-cent fare in New York City.

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The secretary said that he was thinking in terms of "significant sums," and added that a preliminary report would be made "in weeks." He also pledged a "total review" of New York's mass-transit needs.

Mr. Rockefeller and Mr. Beame told newsmen that they thought that the 35-cent fare could be saved, especially in view of legislation proposed

Continued on Page 54, Column 6

Questions on Energy

Questions and answers designed to clear up confusion about the energy situation are on Page 19.

Effort to Toughen Tax Rule Defeated As Oil Men Object

By EILEEN SHANAHAN

Special to The New York Times

WASHINGTON, Nov. 30—The Senate defeated today a relatively modest tax-reform proposal after oil men argued that any increase in their taxes could make the energy shortage worse.

The Senate voted down the proposed tightening in what is called the "minimum tax" by 46 to 37, a margin that was considerably wider than the 49-to-47 vote by which it defeated essentially the same proposal last June.

The change in the minimum tax was proposed as an amendment to a bill that would increase Social Security benefits by 7 per cent, effective immediately, and by an additional 4 per cent next June.

The Senate meeting into the night, appeared to be on its way to final action on the Social Security measure.

The bill contains a number of other changes in the Social Security, Medicare and welfare program. A very different version of the bill was passed by the House, so the bill would have to go to a Senate-House conference to work out a compromise version before it could

Continued on Page 40, Column 4

cross the board, while Atlantic Richfield said it would increase prices 2 cents a gallon.

Pending favorable Congressional action on proposals to conserve energy, President Nixon has asked stations to close voluntarily 9 P.M. Saturdays to midnight Sunday.

Company officials said that the price actions were "within the regulations of the Cost of Living Council, allowing a pass-through of increased costs" incurred by the oil companies in their production of gasoline. Retail gasoline prices have been rising steadily recently.

Other major national oil companies were also reported prepared to follow the lead of

imported and domestic, and the high cost of increasingly greater volumes of imported heating oil needed to supplement short domestic supplies."

The oil companies are not allowed, under Cost of Living Council regulations, to pass on to the consumer any additional production costs of domestic crude oil or increases in refinery-operation costs.

But they are allowed to pass along increases in the price of imported crude oil.

An Atlantic Richfield spokesman said that the company's imports of heating oil, for instance, had risen from 756,000

Continued on Page 18, Column 6

Eastern Will End Shuttles At Newark and Montreal

By RICHARD WITKIN

Eastern Airlines announced yesterday that, to achieve fuel savings ordered by the Nixon Administration, it would end its shuttle services connecting Newark with Boston and Washington, effective Jan. 7. In addition, it will drop its shuttle service to Montreal, which operates from LaGuardia Airport.

The airline also sent layoff notices to 360 of its 4,400 pilots in what it called a first installment of companywide cuts caused by the fuel shortage.

The measures do not affect the original and most popular La Guardia-Washington and La Guardia-Boston shuttle flights. These guaranteed-set flights will continue to operate every hour from morning to night.

To partly compensate for the inconvenience to Newark and Montreal customers, Eastern

said it would replace the shuttles to those cities, now operating every two hours, with "frequent" reserved-seat standard scheduled flights. It did not say how often the replacement service would be flown.

Pioneered by Eastern 12 years ago, shuttle services require no reservations, and guarantee all prospective passengers a seat by providing stand-by planes to make the run if a first or even a second section is filled.

Tickets are sold en route so dashing businessmen, Congressmen and others with crowded and often-changing schedules may, as they constantly do, show up minutes before flight time.

In other measures to comply with the federally ordered fuel savings, Eastern said it would

Continued on Page 19, Column 4

Judge Clears Pfizer, Cyanamid And Bristol-Myers in Trust Suit

By ISADORE BARMASH

A Federal judge acquitted Charles Pfizer & Co., the American Cyanamid Company and the Bristol-Myers Company yesterday of conspiracy and of monopolizing the market for broad-spectrum antibiotics.

Judge John M. Cannella of the Federal District Court here dismissed the 12-year-old suit against the three concerns on grounds of reasonable doubt.

The companies had been accused of violating the Sherman

Antitrust Act between 1953 and 1961 through an alleged conspiracy to exclude competition, fix prices and monopolize the antibiotics market, particularly in the manufacture of the drug tetracycline.

The concerns were convicted after a jury trial in 1967 but the conviction was reversed in 1970 on a successful appeal charging errors in the judge's instructions to the jury. The case was then sent back by the United States Court of Appeals for the Second Circuit here to the Federal Court for the Southern District of New York for a new trial.

Judge Cannella, who sat without a jury in the Federal District Court in Manhattan, said yesterday, "After a careful and laborious review of all the

Continued on Page 49, Column 5

Administration would provide development of a new series of strategic weapons as insurance against the possible failure of the United States and the Soviet Union to agree to further limitation of their nuclear arsenals.

Among the possible new strategic weapons that might be developed by the United States, Mr. Schlesinger listed a larger intercontinental ballistic missile, mobile land-based missiles, more multiple warheads for existing missiles and new armaments for bombers. He also mentioned accelerated production of missile submarines and bombers.

Limited Treaty in Effect

Making this announcement at a news conference, Mr. Schlesinger said that development funds for such new strategic weapons would be included in the defense budget that is being prepared for the fiscal year beginning next July 1. It is to be presented to Congress in January.

The United States and the Soviet Union, which concluded a treaty last year on limiting

Continued on Page 5, Column 2

U.S. Set to Aid Dutch

The United States has told the Netherlands that it is prepared "in principle" to come to her aid in case the Arab oil embargo causes a serious problem. Page 11.

officers on the ship. This plan was characterized as urgent consultation. Mr. Dayan, the son

General Siilasvuo's position, diplomats are said to put into proper light the breakdown of talks at Kilombero, the Cairo-Suez road.

The breakdown, diplomats said today, Egyptian-Israeli bargaining jockeying only at 101, about 63 miles from Cairo, while the conflict continued with increased intensity in other forms and

Fighting Seen

These are, the said, in preparation for Arab-Israeli peace talks scheduled to begin in Geneva; in contact with the United States and the Soviet Union, who are not for a settlement; and involvement of the United Nations, under whose auspices General Siilasvuo is

In addition, they said, there is a serious possibility that new fighting may break out in advance of the peace conference during—a peace conference

And further, they said, Arab nations in the region found solidarity after the meeting in Amman last week are pressing for their oil embargo, a

Continued on Page 8

Jersey Welfare Mother



Rosa Thomas, 25, on welfare two years ago, is

By FRANK J. PRIAL

Special to The New York Times

NEWARK, Nov. 30 — Two years ago, Rosa Thomas was just another statistic on the Essex County welfare rolls. She was 25 years old and the sole support for three children. She had only an elementary school education, no steady job and, with the children to care for, little prospect of finding one.

Now all that has changed. Rosa is a full-time social-work

assistant at the New Jersey College of Medicine and Dentistry. She recently passed her high school equivalent exam and plans to enroll next year. More important, she is off the welfare rolls, has, for herself at least, broken the vicious cycle of poverty.

Rosa Thomas is one of 900 New Jersey welfare mothers who are participating in an experiment designed to see if they can hold down jobs

PRESERVATION COPY



The New York Times

ting 106-year-old Mrs. Catherine T. Ward yesterday at the on York Avenue. At left is Bishop Anthony F. Mestice.

BRINEGAR WEIGHS MASS-TRANSIT AID

Continued From Page 1, Col. 1

today by Representative James C. Wright Jr., a Texas Democrat. The legislation would provide \$2-billion for urban mass transit from increased taxes on gasoline, automobiles, parking lots and other automobile-related expenses. New York City would receive \$200-million under the plan, which Mr. Brinegar declined to discuss.

"It's clear to me that this is a period of transition on the thinking on mass-transit programs," the Governor said after the 45-minute conference. "I like the idea of leaving it up to the localities."

The Administration has heretofore been opposed to the use of Federal funds to subsidize mass-transit operating costs. Administration officials have contended that such subsidies would constitute blank checks to local authorities, who would then bow to political expediency and keep transit fares low and transit salaries high, while the Federal Government paid the difference. Hence Federal funds have thus far been limited to capital projects.

"This is the first time that there has ever been a spokesman for the Administration who has embraced the concept of operating subsidies," said Dr. William J. Ronan, chairman of the Metropolitan Transportation Authority, who accompanied the Governor.

The Governor, asked if the energy crisis had proven a blessing in disguise for New Yorkers, as far as mass transit was concerned, replied, "Tragic as it is, I would say yes."

He said that if the Federal Government would provide \$200-million of the \$300-million needed to save the 35-cent fare, the state and city could make up the difference.

"We've come to Washington and found an awareness of the problems nationwide," Mr. Rockefeller said.

Nixon's Stand Discussed

The Governor, asked if he were perturbed by the fact that President Nixon turned down his request for a meeting today, replied "No," and added, "The President's a busy man."

"The president would rather wait until he has the advice of his own people," Mr. Rockefeller said.

The Governor attributed the President's refusal to hold the meeting to an article in The New York Times last week that reported that Mr. Rockefeller had requested such a meeting. The Governor said that the President thought that Mr. Rockefeller was applying public pressure to obtain the meeting, although the Governor's office was not the source of the article.

Mr. Beame, however, said that "I'm deeply disturbed by the fact that the President refused to see us."

"We're the elected leaders, representing almost 10 per cent of the people of our country," Mr. Beame added.

A White House press spokesman said yesterday afternoon that "the President's pretty well tied up on energy." Late last night, after the White House press office was apprised by United Press International of yesterday's article in The New York Times, a White House press spokesman

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Today, Dec. 1

Ship	Passengers	From	Due	Will D
ROTTERDAM, Holl. Amer.		Bermuda, Nov. 29	9 A.M.	W. Houston
SEA VENTURE, Flag Ship Cruises (440)		Bermuda, Nov. 29	8 A.M.	W. 44th

Outgoing Passenger and Mail Ships

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Trans-Atlantic
WESER EXPRESS (Hapag), Rotterdam Dec. 1 and Bremerhaven 16; sails from Elizabeth, N.J.
South America, West Indies, Etc.
BROOKLYN (Sea-Land), San Juan Dec. 3; sails from Elizabeth, N.J.
ROTTERDAM (Holl. Amer.), Nassau Dec.

3 and Bermuda 6; sails 5 P.M. 1 W. Houston St.
SEA VENTURE (Flag Ship Cruise Bermuda Dec. 3; sails 4 P.M. from 44th St.

SAILING TOMORROW

South America, West Indies, Etc.
OAKLAND (Sea-Land), San Juan Dec.

ns Bazaar at Home for the Aged

or a bargain for her granddaughter and worrying about the horse she faces in her move to Gracie Mansion.

The occasion was her first

public appearance since the mayoral election — a ribbon-cutting ceremony in which she formally opened the 22d annual three-day bazaar and rummage sale at the Mary Manning Walsh Home for the aged and infirm at 1339 York Avenue at 72d Street. The home is run by The Carmelite Sisters.

Mrs. Catherine T. Ward, who at the age of 106 is the eldest of 347 residents at the nursing home, is a spry woman who laughs easily, has merry eyes, and looks considerably younger than her years. It was a special day for Mrs. Ward, who had been chosen to present a gift to Mrs. Beame. For the event & she wore a brand-new jersey dress and had had her gray hair done.

Mrs. Beame, married to the 67-year-old Mayor-elect for 44 years, but still reticent about revealing her age, could hardly contain a gasp when she was introduced to Mrs. Ward.

Asks for Tips

"Oh, can you give me some hints," she said, "You must have wonderful genes. Just look at her skin—there are hardly any wrinkles. So smooth. Won't you give me your secret? You look just wonderful."

"Yo look wonderful, too," replied Mrs. Ward, shaking Mrs. Beame's hand. She has lived at the home for six years.

At the formal ceremony, lasting less than five minutes, Mrs. Beame told the group of 30 residents that "the care of our senior citizens is one of the principal concerns shared by my husband and me."

"I am so happy you invited me to this celebration," she said. "I want to bless the Carmelite Sisters for their humanity and I hope you make lots of money."

Then Mrs. Ward stood up and gave Mrs. Beame a framed needlepoint mat that read, "Let Us Give Thanks."

"As the first lady we hope you enjoy this beautiful, artis-



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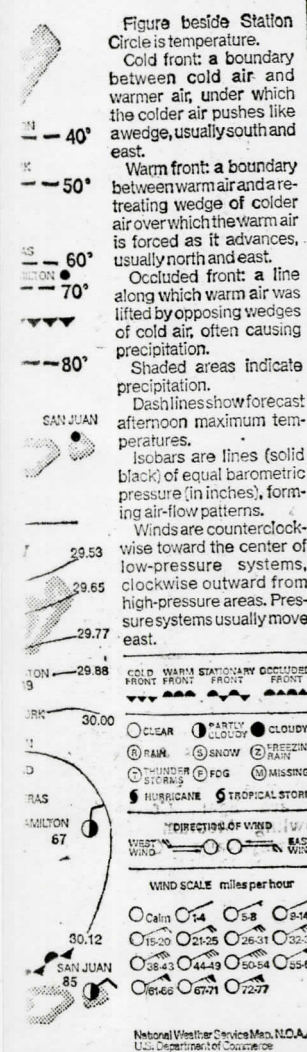
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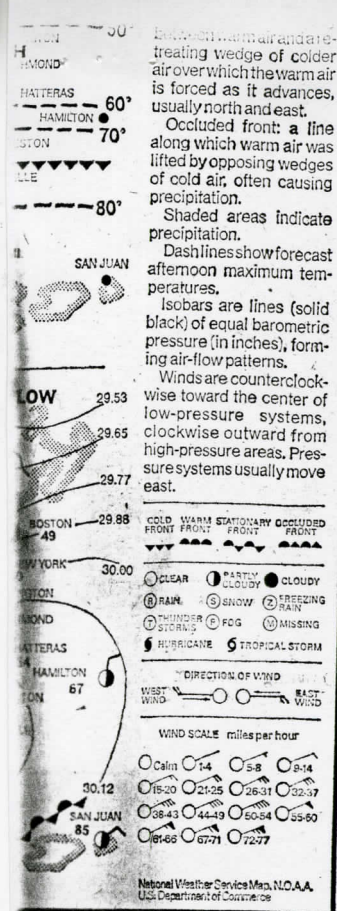
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"As the first lady we hope you enjoy this beautiful, artistic needlework and we hope you will enjoy your stay in..."

"In Garcie Mansion," said Mrs. Beame, helping Mrs. Ward to find the right words.

"I forget sometimes," said Mrs. Ward apologetically.

Mrs. Beame replied: "This needlework will have a prominent place in the mansion. Everyone applauded. Later Mrs. Ward said she had voted for Mr. Beame.

Searches for a Bargain

Then Mrs. Beame, who can never resist a bargain, went off in search of one, chatting meanwhile about how someone "walked out with the dishes and pots" in between the Wagner and Lindsay administrations. "I have to bring my own," she said.

Mrs. Beame and Mrs. John V. Lindsay toured the mansion earlier this week. "The place is in bad shape," Mrs. Beame said. "It needs painting, and some of the walls are cracking. I don't know when we'll move in."

After inspecting the price tags on a half-dozen baby sweaters for her granddaughter, Julia, 2, Mrs. Beame said the colors or sizes did not suit her, and she purchased instead a ruffled clown doll for \$3.50.

POLICE PROVE RINGS ARE NOT FOR 'EATING'

BERLIN (AP) — The police waited in a hospital to see how the case of the missing \$6,000 ring would turn out. Spokesmen gave these details:

The barmaid said she returned the ring. The lady said the barmaid had asked to borrow it so she could show it to a customer in a West Berlin night club.

The barmaid said she had returned the ring. The lady said she did not get it back.

A bright policeman suggested taking the barmaid to a hospital for X-rays. The X-rays showed that the ring was inside the barmaid.

A judge ruled the 25-year-old barmaid would have to stay in the hospital until the ring reappeared, then he would decide on charges. Names were withheld.

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A White House press spokesman said yesterday afternoon that "the President's pretty well tied up on energy." Late last night, after the White House press office was apprised by United Press International of yesterday's article in The New York Times, a White House press spokesman telephoned The Times to say that the President hoped to arrange a meeting at any early time.

The visiting New Yorkers breakfasted with leaders of the city's Congressional delegation. Senator Jacob K. Javits, a Republican, said after the breakfast that "this is an emergency demanding emergency action."

Buckley Cites Bond Vote

But Senator James L. Buckley, Conservative-Republican, noted that New Yorkers had themselves voted against a bond issue to save the fare. He said that he failed to understand how New Yorkers could then ask the Federal Government to bail them out.

"I am in principle against Federal transit subsidies," Senator Buckley said. "If one of my colleagues here in the Senate would ask me how New Yorkers, having voted against incurring debt in order to save the 35-cent fare, could at the same time ask the Federal government to incur debt for that purpose, I couldn't answer to the question and wouldn't try to."

He added, however, that he supported Representative Wright's proposal to encourage energy conservation through a system of taxes and utilize those funds in part to expand and support mass transportation.

THE ANNUAL MEETING OF THE OWNERS OF MAPLE GROVE CEMETERY ASSOCIATION will be held at the Company's office, 83-15 Kew Gardens Road, Kew Gardens, New York, November 26, 1973 at 11 A.M. Hazel Mandel, Assistant Secretary.

NOTICE is hereby given to relatives of Clementine Keys, formerly of 326 East 61st Street, New York City, that unless a claim is made for her personal property within 30 days, same shall be considered abandoned—signed Frank Siclari, RN 3-1442.

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If you are over 60 years, in good physical health & suffering from poor memory, disorientation and/or confusion, you may qualify for special oxygen treatment at NYU Medical Center free of charge. For further information, call OR 9-3200, ext 4023.

Public Meeting SLOANE CHILDREN'S CENTER 630 E. 6 St., NY, NY 10009 December 6, 1973, 7 PM. Discussion of Sloane learning center's program and application for emergency school aid act funding to the Department of Health, Education & Welfare.

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TRUTH OR CONSEQUENCES Bob Barker "Look-A-Like Contest" free trip to Hollywood and back plus show prize if you look like Bob Barker. Meet Jim Huish at N.Y. Public Library at 2 St & 5 Ave in front of lions. Sun. Dec. 2, at 10:00 AM or leave message at JU 6-3400.

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I am not responsible for any past, present or future debts or charges incurred by my wife, Aicha Hanael Taslimant, of 895 Park Ave. NY, NY. M. Taslimant.

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GOLD and GARNET STONE BRACELET design. Lost Thurs., Nov. 29. Th 66th-68th Sts. REWARD. 628-0878.

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tion EASTERN TO DROP SOME SHUTTLES

Continued From Page 1, Col. 3

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should be bro- separate prob- n and long- mediate problem, the Arabs' ac- ome to an end after the Arabs their embargo cutbacks. But ill get worse the s maintain their shortfall might per cent in the 1974. There is d States can do pply during the s. Opening up Naval oil reserve ould add about s a day to the nine montss. m problem has on growing de- gy and the de- cation of conven- ere appears to be t until sometime

It takes three a refinery, five te a port, five lop an oil field, s or more for a Large scale devel- nonconventional solar, geothermal take even longer. lau, head of the dustry Research escribes the out- : "If an oil field e North Slope in rgest ever discov- America, were w in New Jersey, big help, but the would still have ms for the rest of

retire its fleet of 16 Electra turboprop planes, making sched- ule changes in other areas of its far-flung route system and ask the Civil Aeronautics Board to permit suspension of service to five points.

The Electras have been used primarily as back-up planes on the shuttle runs, all of which will now be made by jet planes. The five points Eastern wants to drop are Titusville-Cocoa, Fla.; Wilmington, Del.; Akron, Ohio, Columbus, Ga., and Cincinnati.

15% Below 1972 Level

The Eastern announcement said the measures, taken to- gether, would bring the air- line's fuel consumption to about 15 per cent below what it used in 1972. That is the level Presi- dent Nixon ordered the airlines to attain by Jan. 7 in his omni- bus energy-conservation mes- sage last Sunday.

Since then, the airline indus- try has been moving rapidly to comply. United Air Lines, the nation's largest, was the first to react, announcing Tuesday that it was laying off 300 pilots and more than 600 flight at- tendants on Jan. 7 and simul- taneously canceling about 100 flights a day.

The next day, American Air- lines said it had told 214 of its 3,979 pilots that they would be furloughed Jan. 2 and Fron- tier Airlines, a regional carrier, announced 150 layoffs of flight and ground personnel.

The curtailing of shuttle ser- vice was expected to alter the travel habits of a lot of pas- sengers in Newark and Mon- treal who have grown accus- tomed to the impromptu ap- pointment-changing the shuttles have made possible.

The Newark and Montreal shuttle services, however, have exercised nothing like the pull of the LaGuardia-Washington and La Guardia-Boston runs. Currently, these two La Guar- dia operations account for 64 per cent of the passenger vol- ume of all five shuttles.

Breakdown of Traffic

In 1972, prior to the inau- guration of the Montreal shut- tle, the four services between

New York (embracing La Guar- dia and Newark) and Boston and Washington carried a to- tal of 2,939,703 passengers. Well over 2 million of those ap- parently flew in and out of LaGuardia.

Eastern tried a direct Wash- ington-Boston shuttle for a brief period a few years ago but said it did not draw enough patron- age to warrant keeping it.

Eastern has persistently said it could not precisely deter- mine the profit-and-loss figures for its shuttles, as differenti- ated from its regular runs. But about two years ago it acknowl- edged that the shuttle flights profitable in and of themselves, in addition to helping feed regu- lar scheduled Eastern flights to other points.

The current year has been disastrous for Eastern, finan- cially. But company sources said the shuttles certainly had been relatively bright spots in a over-all gloomy scene. The company's net loss for the first 10 months was \$35-million compared with a net income in 1972 of \$21.3-million.

The fare on the shuttles has been the same as the coach fare on regular scheduled flights. But an increase of about 5 per cent went into effect on all domestic airline fares today. That meant the New York- Washington fare increased from \$26 to \$27, plus 64 cents tax for anti-hijacking security. The fare from New York to Boston rose from \$24 to \$25 plus the tax.

Eastern said the total number of employees cut would be "roughly proportional" to the curtailment in flight schedules, and that the next installment would probably be made known within a few days.

Actually, in late September before the fuel crisis became acute, Eastern said its finan- cial setbacks would mean a cutback in coming months of 2,000 of its 34,000 employees. It was not immediately clear how much beyond that figure the newly announced layoff plans would go.

Stuffed Bird Brings \$21,000

LONDON (UPI) — A stuffed bird, the Great Auk, which has been extinct since the middle of the 19th Century, was purchased at Sotheby's famous auction house for \$21,000 by Iceland's Natural His- tory Museum.



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- B. \$5 Gold Indian, Uncirculated, with a 24"-18K chain and 14K custom mount
- C. \$5 Gold Liberty, Uncirculated, with a 24"-18K chain and 14K custom mount
- D. 50 Mexican Peso, Gold, Uncirculated, with a 24"-18K chain and 14K custom mount
- E. \$20 Liberty Gold, Uncirculated, with a 24"-18K chain and 14K custom mount
- F. \$20 St. Gauden Gold, Uncirculated, with a 30"-18K chain and 18K custom mount

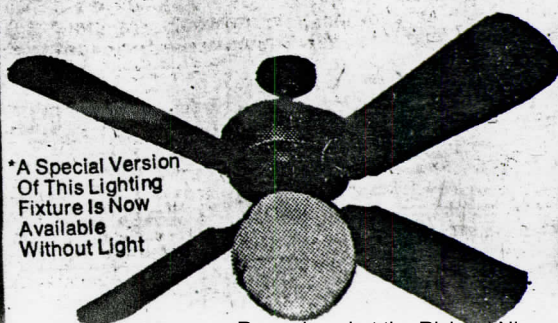
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Metropolitan Rare Coin Exchange,

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New York City 10019 (212) 541-5650

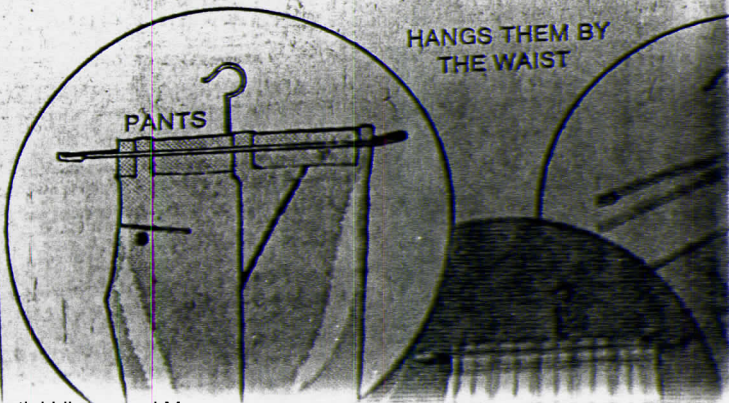
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Questions on Energy Situation

By WILLIAM D. SMITH

Considerable confusion abounds about the nation's present energy situation, much of it the result of conflicting figures and their interpretation. The following questions and answers are an attempt to clear up some of the confusion:

Q. What is the shortfall of oil to the United States as a result of Arab production cutbacks and embargos?

A. So far the Arab actions have caused very little shortfall of oil in the United States because tankers that had been loaded and were on the high seas before the Oct. 17 announcement of the Arabs have continued to their destinations. Shortages, however, will soon start to be felt. Most estimates place the shortfall in the first quarter of 1974 at about 3 million barrels a day or 15 per cent of projected demand of 19.7 million barrels a day. This breaks down into about 1.2 million barrels a day of crude oil directly from the Arab countries; 200,000 barrels a day of Arab oil that would normally come via Canada; 400,000 barrels a day of Arab oil via the Caribbean—all in the form of refined products; and 500,000 barrels a day of refined products, which the United States would normally get from Europe. The remaining 600,000 to 700,000 barrels a day of shortfall is what the United States will be unable to obtain from non-Arab producers such as Iran and Nigeria because of European and Japanese competition for their output.

Q. Why were the original estimates of the shortfall lower than present estimates?

A. The original announcement by the Arab Governments was ambiguous. It was uncertain whether or not the embargo would include the transshipment areas such as the Caribbean. Indeed, there was some suspicion at the time that the Arabs might only be going through the motions of an embargo and that while announcing a stoppage of direct shipments to the United States they would allow oil to slip through by way of transshipment areas. The 6 per cent figures most often used therefore was the percentage of oil the United States received directly from the Arabs.

Q. Does the United States export petroleum products?

A. In the first seven months of 1973 the United States "petroleum" exports averaged 237,000 barrels per day, most of it in the form of coke and lubricating oils, which have nothing to do with the present energy crisis, and high-sulphur residual oil from California, which cannot be burned in the United States because of environmental restrictions.

In 1972, exports totaled 223,000 barrels a day. In 1970 the level was higher—259,000 barrels a day. In September and October of this year, however, 600,000 barrels of distillate oil a month, or 20,000 barrels a day, was shipped from Houston to the Netherlands and Britain. At that time the price in Europe for heating oil was considerably higher than the controlled price in the United States and

the shipments. Nor is it known whether any distillate was shipped overseas in November.

Q. What are America's over-all sources of energy and what will be the over-all energy deficiency as opposed to oil shortfall?

A. In 1972 oil supplied 45.6 per cent of United States energy needs; natural gas, 32.2 per cent; coal, 17.2 per cent; hydropower, 4.1 per cent and nuclear power, 0.9 per cent. Thus a 15 per cent cutback in oil means a reduction of about 7 per cent in the over-all energy supply.

Q. What is the current United States production of distillate oil? (This includes home heating oil, jet fuel and diesel.)

A. Production of distillate fuel for the week ended Nov. 16 totaled 2,850,000 barrels a day, compared with 2,559,000 barrels per day a year ago, and 2,411,000 barrels a day at this time in 1971.

Q. What are current stocks of distillate?

A. Stocks of distillate oils are higher now than they were last year at this time but considerably lower than in 1971. Stocks for the week ended Nov. 23 totaled 204.9 million barrels, compared with 188.4 million in 1972 and 223 million barrels in 1971.

Q. What is the current production and stocks of residual fuel oil?

A. Residual fuel oil or heavy oil is the so-called "bottom of the barrel" that is used to power-utility generators, run large factory and institutional boilers and drive some ship engines. As of Nov. 23 the United States was producing 896,000 barrels a day, and had 55,193,000 barrels in stock. This was higher production and smaller stocks than a year ago. At this time last year, production was 822,000 barrels a day and stocks totaled 57,204,000 barrels.

Q. What is the current supply of gasoline?

A. Gasoline production for the week of Nov. 16 totaled 6,288,000 barrels a day. This compares with 6,400,000 barrels a day at this time last year, 5,972,000 barrels a day in the 1971 period. Gasoline stocks at mid-November totaled 203,791,000 barrels—2 million less than a year ago.

Q. What is the likely trend of United States refineries with regard to various products?

A. Given the reduction in crude imports, total refinery

output will probably decline. However, the share of total output in the form of distillate oils will increase and the share of gasoline will decrease, as President Nixon has requested.

The mix of refinery output or yields is determined by both the type of crude processed and the design of the refinery. The analogy used in the industry is that "you can't turn the whole cow into a steak—there has to be some hamburger, some stew meat, some liver as well as sirloin."

The traditional breakdown of the crude oil barrel into refined products has been: Gasoline, 43 to 46 per cent; distillate, 17 to 23 per cent; residual fuel, 5 to 8 per cent. As a result of the present situation distillate output is expected to rise to the range of 28 to 30 per cent, at the expense of gasoline. A reduction in gasoline production does not result in an equal increase in distillate yields. Some of it appears in the form of liquid gas.

Q. How long will the energy crisis last?

A. The crisis should be broken up into two separate problems—short-term and long-term. The immediate problem, brought on by the Arabs' actions, should come to an end about six weeks after the Arabs decide to end their embargo and production cutbacks. But the situation will get worse the longer the Arabs maintain their stance, and the shortfall might rise to about 20 per cent in the second half of 1974. There is little the United States can do to increase supply during the next 12 months. Opening up the Elk Hills Naval oil reserve in California could add about 200,000 barrels a day to the supply within nine months.

The long-term problem has been brought on growing demand for energy and the decline in production of conventional fuels. There appears to be no relief in sight until sometime in the 1980's. It takes three years to build a refinery, five years to create a port, five years to develop an oil field, and eight years or more for a nuclear plant. Large scale development of nonconventional fuels such as solar, geothermal and shale will take even longer.

John Lichtblau, head of the Petroleum Industry Research Foundation, describes the outlook this way: "If an oil field as large as the North Slope in Alaska, the largest ever discovered in North America, were found tomorrow in New Jersey, it would be a big help, but the United States would still have energy problems for the rest of this decade."

EASTERN TO DROP SOME SHUTTLES

Continued From Page 1, Col. 3

retire its fleet of 16 Electra turboprop planes, making schedule changes in other areas of its far-flung route system and ask the Civil Aeronautics Board to permit suspension of service to five points.

The Electras have been used primarily as back-up planes on the shuttle runs, all of which will now be made by jet planes. The five points Eastern wants to drop are Titusville-Cocoa, Fla.; Wilmington, Del.; Akron, Ohio, Columbus, Ga., and Cincinnati.

15% Below 1972 Level

The Eastern announcement said the measures, taken together, would bring the airline's fuel consumption to about 15 per cent below what it used in 1972. That is the level President Nixon ordered the airlines to attain by Jan. 7 in his omnibus energy-conservation message last Sunday.

Since then, the airline industry has been moving rapidly to comply. United Air Lines, the nation's largest, was the first to react, announcing Tuesday that it was laying off 300 pilots and more than 600 flight attendants on Jan. 7 and simultaneously canceling about 100 flights a day.

The next day, American Airlines said it had told 214 of its 3,979 pilots that they would be furloughed Jan. 2 and Frontier Airlines, a regional carrier, announced 150 layoffs of flight and ground personnel.

The curtailing of shuttle service was expected to alter the travel habits of a lot of passengers in Newark and Montreal who have grown accustomed to the impromptu appointment-changing the shuttles have made possible.

The Newark and Montreal shuttle services, however, have exercised nothing like the pull of the LaGuardia-Washington and La Guardia-Boston runs. Currently, these two La Guardia operations account for 64 per cent of the passenger volume of all five shuttles.

Breakdown of Traffic

In 1972, prior to the inauguration of the Montreal shuttle, the four services between

New York (embracing La Guardia and Newark) and Washington carried a total of 2,939,703 passengers. Well over 2 million of them apparently flew in and out of LaGuardia.

Eastern tried a direct Washington-Boston shuttle for a period a few years ago but it did not draw enough passengers to warrant keeping it.

Eastern has persisted in its effort to mine the profit-and-loss for its shuttles, as differed from its regular routes about two years ago it edged that the shuttle was profitable in and of itself in addition to helping regular scheduled Eastern to other points.

The current year has been disastrous for Eastern financially. But company officials said the shuttles certainly had been relatively bright spots in a gloomy scene. The company's net loss for 10 months was \$35 million, compared with a net in 1972 of \$21.3 million.

The fare on the shuttles has been the same as the fare on regular flights. But an increase of 5 per cent went into all domestic airline fares. That meant the New York-Washington fare increased \$26 to \$27, plus 64 cents for anti-hijacking security. The fare from New York to Boston rose from \$24 to \$25.

Eastern said the total of employees cut would be "roughly proportional" to the curtailment in flight schedules and that the next increase would probably be made within a few days.

Actually, in late September, before the fuel crisis became acute, Eastern said it would cut back on coming months 2,000 of its 34,000 employees. It was not immediately clear how much beyond the newly announced plans would go.

Stuffed Bird Brings

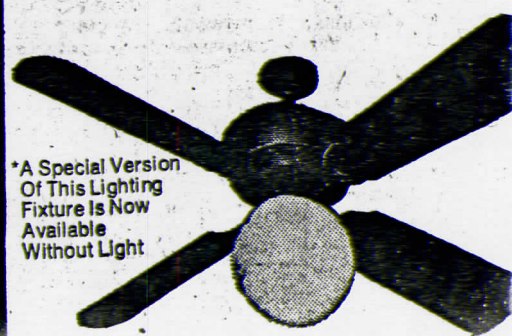
LONDON (UPI)—A stuffed bird, the Grampian, which has been extinct since the middle of the 19th century, was purchased at a famous auction house in London by Iceland's National Museum.

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LOVE WARNS U.S. ON 'GAS' RATIONS

He Calls It 'Possibility,' but Promises Public Would Be Consulted on a System

By EDWARD COWAN
Special to The New York Times

WASHINGTON, Nov. 30 — John A. Love, director of the President's Energy Policy Office, declared tonight that "gasoline rationing is a possibility that we must face."

In a statement issued by the White House following a meeting of President Nixon with his Cabinet-level Energy Emergency Action Group, Mr. Love promised that before any rationing system was put into effect it "would be presented for public discussion and evaluation."

The energy group of about 25 persons, met for two hours and 35 minutes in the Cabinet room, with Mr. Nixon attending for 45 minutes.

Mr. Love also said that the oil shortage "makes it essential that all utilities which can convert to coal do so at the earliest possible date." He urged utilities to do so voluntarily, before Congressional passage of pending emergency legislation that would authorize the President to compel such conversions.

The part of the statement that dealt with gasoline rationing read as follows:

"Finally, alternative planning for the rationing of gasoline continues, with additional studies still to be presented for final decision. It is anticipated that prior to any implementation of such a program, prospective regulations would be presented for public discussion and evaluation."

"It should be understood that while gasoline rationing is a possibility that we must face, the absolute necessity of such an action has not now been conclusively demonstrated. Whether rationing is needed, will depend in substantial measure on the effectiveness of other programs now in place—particularly voluntary and mandatory conservation measures."

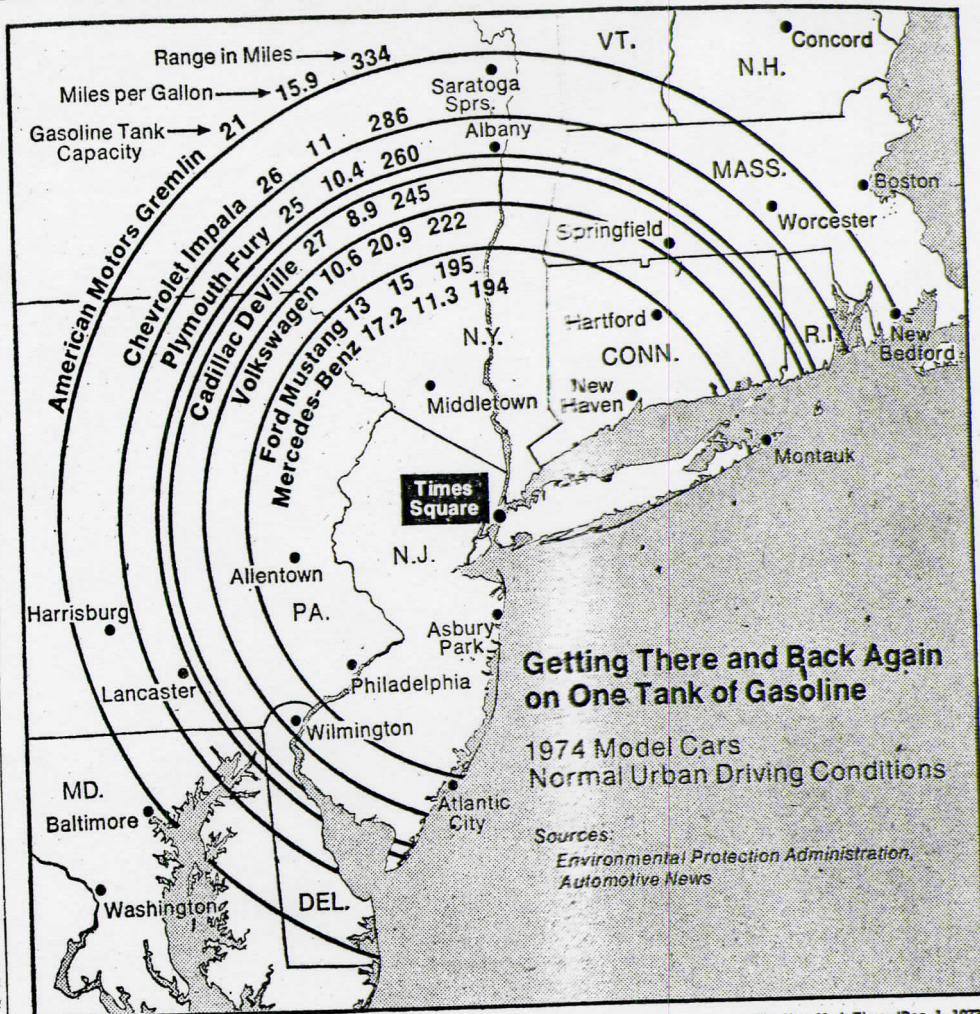
New System Foreseen

The President's advisers are virtually unanimous that rationing in 1974, if it comes, should differ in some important respects from the World War II system. Most important, coupons would be exchangeable, and there would be only one basic ration, without extra coupons for those who made a showing of need.

Anyone wanting to burn more than a basic ration would be able to do so by paying a premium for the gasoline. Either he would buy coupons not being used by someone else—such transactions would be lawful, unlike World War II—or under another proposal, he would pay an additional tax to the Government for noncoupon gasoline.

Some officials contemplate that coupons could be bought and sold at official exchange windows in post offices. Other officials want to avoid such an administrative apparatus and leave exchanges entirely to private initiative.

The emergency group's next meeting was scheduled for Tuesday, and it appeared no important decisions would be announced before then.



Getting There and Back Again on One Tank of Gasoline

1974 Model Cars
Normal Urban Driving Conditions

Sources:
Environmental Protection Administration,
Automotive News

Cars shown represent popular models in the small, intermediate and full-size categories. Size of gasoline tank, miles per gallon and mileage vary from model to model.

Sunday Motorist sTold to Plan Ahead

By NATHANIEL SHEPPARD JR.

Motorists planning to travel during the weekend should have a clear idea of how far they plan to travel, the range of their cars on a tank of gasoline and how they will handle emergency breakdowns, highway officials warned yesterday.

Most service stations in the metropolitan area have indicated that they will close from 9 P.M. Saturday until 12:01 A.M. Monday to comply with President Nixon's request for a voluntary ban on the Sunday sale of gasoline.

Similarly, some highway and parkway authorities report that emergency road service will also be curtailed during the restricted period.

The Long Island State Park Commission reported that usual emergency towing service would be available on the Northern, Southern, Meadowbrook, Wantagh, Ocean and Bethpage Parkways, but that motorists running out of gas would be supplied a maximum of two and a half gallons to get them off the parkway. Motorists will have to pay a \$3 service charge plus the cost of the gasoline.

The New York State Thruway Authority reported that its service stations would remain open, but that gasoline sales would be banned.

The authority said that it would provide stranded motorists with enough fuel to get off

the parkway and that service charges of \$3 would be levied between 8 A.M. and 6 P.M. and \$5 between 6 P.M. and 8 A.M., in addition to the cost of the gasoline.

The East Hudson Parkway Authority reported that eight of its nine service stations would be closed during the restricted period and that emergency service would be provided by off-parkway stations.

These stations will limit gas

Other Energy News

Additional articles on energy appear on the following page and in Business/Finance, starting on Page 47.

sales to a maximum of five gallons, the authority reported.

The station to remain open is at Clinton Corners on the Taconic State Parkway north-east of Poughkeepsie.

Other roads controlled by the authority are the Hutchinson River, Cross County, Saw Mill River and Sprain Brook State Parkways.

The Garden State Parkway reported that all of its stations would be closed and that emergency service would be provided by authorized off-parkway stations.

Motorists running out of fuel along the 173-mile roadway will be provided enough to get them off the parkway.

The New Jersey Turnpike Authority reported that it would curtail the sale of gas at stations in its jurisdiction providing a maximum of five gallons of gas to passenger cars and 20 gallons of diesel to large trucks and buses.

Toll tickets will be stamped at service stations when gas is purchased.

The ranges motorists will actually realize depends largely on driving techniques.

However, as a general rule, cars in the 2,000-to-2,750-pound class—if they are driven at 50 mile and hour—will average 22.9 miles a gallon; those in the 2,750-to-3,000-pound class about 16.5; those in the 3,000-to-4,000-pound class about 10.8 and those in the 4,000-to-5,500-pound class about 9, according to the Department of Interior's energy research center in Oklahoma. Cars with automatic transmissions may get somewhat less mileage, and those with manual transmissions may get better mileage, the center reported.

The most critical factors affecting gasoline economy are acceleration and braking, according to Richard Hurn of the research center.

Mr. Hurn said motorists should avoid jack-rabbit starts and should stop gradually. They should reduce speed well in advance of traffic signals or congested areas by allowing the vehicle to slow of its own accord.

Most Gas Stations Will Close Tomorrow

By JERRY M. FLINT

Most of the nation's gasoline stations will be closed tomorrow, state surveys disclose. But emergency services are being established and some stations—estimated to be 100 to 200—will remain open.

one out of state customer out of 300. Most of my customers are neighborhood people."

But some, such as Bill Feith, owner of a Shell station in Greenville, South Carolina, are angry.

said, "depending on the weather and on whether we can stand it that low."

Most mentioned 68 degrees as the temperature they believed was recommended. Some, of course, are using their own standards to save fuel.

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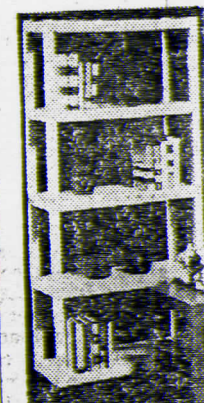
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conclusively demonstrated that rationing is needed in a substantial measure on the effectiveness of other programs now in place—particularly voluntary and mandatory conservation measures."

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Albert Promises Vote
On Capitol Hill, Carl Albert, Speaker of the House, promised that the House would vote on an emergency bill before it adjourns for Christmas.

Mr. Albert's pledge evidently was occasioned by the slowness of the House Commerce Committee in reviewing the bill section by section. The committee decided against working tomorrow. The chairman, Representative Harley O. Staggers, Democrat of West Virginia, raised the possibility of evening sessions next week.

The Senate has approved an emergency bill that would give the President broad, almost unlimited, powers to compel reduction of energy consumption. Mr. Nixon has said he hoped to get such a bill from Congress by mid-December. His plans to ban Sunday gasoline sales and to lower highway speed limits to 50 miles an hour for cars and 55 for trucks and buses are contingent upon enactment.

Mr. Albert also included on his priority list a bill reported yesterday by the House Public Works Committee to set a national speed limit of 55 for all vehicles. Prospects of Senate passage were unclear.

The Commerce Committee adopted an amendment to let the President decide whether gasoline rationing was necessary. The Senate also took the discretionary approach in its bill.

In an episode that may be a harbinger, officials of three Southern California cities came to Washington to plea with fuel allocation officials for oil for their electric power system. Representatives of Burbank, Glendale and Pasadena reported that their municipally owned utilities had been told by oil suppliers that deliveries would be stopped after Dec. 31.

The officials said the independent refiners that have supplied the utilities were notified by the Atlantic Richfield Company that the refiners' supplies of crude would be cut off as of Dec. 31.

The Federal mandatory allocation system for residual oil, still being drafted, would go into effect Dec. 27.

A.M. Monday to comply with President Nixon's request for a voluntary ban on the Sunday sale of gasoline.

Similarly, some highway and parkway authorities report that emergency road service will also be curtailed during the restricted period.

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Most Gas Stations Will Close Tomorrow

By JERRY M. FLINT

Most of the nation's gasoline stations will be closed tomorrow, state surveys disclose. But emergency services are being established and some stations—estimates run up to 20 or 25 per cent—may be open, which means gasoline will be hard but not always impossible to find during the nation's first gasoline-less Sunday.

In Maine and Pennsylvania and Florida, for example, stations on toll roads will be open tomorrow for service; they are not to fill motorists' fuel tanks but they are to sell enough gasoline to let a stranded driver get to the next pike exit.

Across the country on non-toll roads, most of the 220,000 stations were expected to be closed. In Ohio, for example, an Associated Press survey reported that 80 per cent to 90 per cent of the state's 12,000 stations would not sell gasoline tomorrow and that Standard Oil of Ohio would put extra men at its stations today and Monday to handle the extra crush, while Ohio's highway patrol cruisers would be carrying pumps and fuel to help stranded motorists.

"In this cold weather we're not going to let anyone sit out on the highway and freeze," a patrol spokesman said.

In Massachusetts, the Automobile Club said it would tow fuelless cars to the nearest station tomorrow for a fill on Monday.

In South Dakota a spokesman for gasoline sellers said most stations would have to close "because if they stay open they will be out of products for the rest of the month." Some station operators are unhappy, a spokesman for Wisconsin pump men said, and "if they had gasoline to sell, they would stay open." But more than 90 per cent will be shut tomorrow, he said.

Response to Appeal

That kind of report was echoed in every state, although the Sunday closings are being carried out because of President Nixon's appeal this week, rather than any new law.

Some gasoline sellers like the program. "It will mean that I can utilize less people more effectively," said Owen McKenzie, who owns an Exxon Station in East Dallas, Texas. "I won't have to worry about days off. It won't hurt my volume one bit, because I get only

one out of state customer out of 300. Most of my customers are neighborhood people."

But some, such as Bill Feith, owner of a Shell station in Greenville, South Carolina, are angry.

"As far as I'm concerned, free enterprise has been blown to hell," he said. "First they started telling us how much gas I can buy and now they are telling me what hours I can stay open."

Talks with ordinary citizens across the country indicate that at least one important part of President Nixon's energy saving program was far from perfectly clear: how low home thermostats are to be set.

In his speech to the nation last Sunday, Mr. Nixon said: "You should lower the thermostat by six degrees below its normal setting, so we can achieve a national daytime average of 68 degrees."

Talking to reporters, many homeowners said they were setting the thermostat at 68 as they think was requested—but they were not necessarily turning the heat down six degrees.

In North Bend, Washington, outside Seattle, Mrs. Harriet Norenberg said the thermostat "never goes above 72 degrees."

"It's now 68 or lower," she

said, "depending on the weather and on whether we can stand it that low."

Most mentioned 68 degrees as the temperature they believed was recommended. Some, of course, are using their own standards to save fuel.

Two Rooms Closed

Mrs. Sheila Damerow, a radio operator for the Los Angeles Police Department, said "we have closed up two bedrooms, but we didn't turn the heat down."

Mrs. W. S. Nunn, of Raleigh, turns off her furnace at night but keeps it at 72 during the day. "At 75 years old," she said "I just can't sit around the house with the heat cut back to 68 degrees." But she said she saves enough at night "to entitle me to run it on 72 degrees during the day."

A few think the fuel-saving program is just unfair. "I don't think you can make across-the-board rules like that," said Alan Smith, a Brookline, Mass., newspaper delivery man. "I drive a Volkswagen and I shouldn't be penalized because of the ego hangups of some people who can't drive anything smaller than Cadillacs. I'd probably have to drive 100 miles an hour to burn the same amount he'd burn at 50."

Shell and Atlantic Are Raising Gasoline Prices 2c-3c Today

Continued From Page 1, Col. 3

gallons in May at an average cost of 14.5 cents a gallon, to 56.3 million gallons in November at an average cost of 41.2 cents a gallon.

However, the importation of heating oil traditionally increases substantially in November as the companies begin laying in supplies for the winter months.

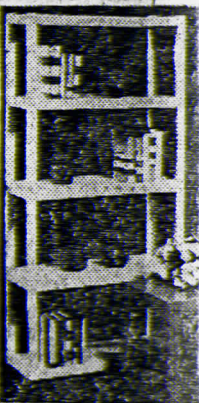
Atlantic Richfield, whose trade name in the metropolitan area is Arco, also announced that under the Federal Government's mandatory petroleum-allocation program, sales of "distillates" or heating oil and gasoline combined will be limited to an average of 96 per cent of the sales volume in the same month a year ago in areas east of the Rockies and 95 per cent in the Western marketing areas.

This 4 per cent drop in the sales figure over a year ago, combined with the sharp increases in demand that have occurred in the last year, mean that further gasoline and heating-oil shortages may be felt even sooner than previously expected.

Atlantic Richfield officials warned that "the present outlook for future supply is not optimistic because of such factors as increased demand, uncertain severity of weather and further shortages in the supply of crude."

Officials of the oil companies said that the price increases were "coincidental" with the first Sunday on which gasoline service stations throughout the nation had been asked to close by President Nixon who said the action could save 50,000 barrels of gasoline each day.

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February 26, 1974

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FROM: MIKE DUVAL

May I have your comments on the attached legislation which would establish an urban mass transportation trust fund and amend the Urban Mass Transportation Act of 1964 to provide operating subsidies.

Thank you.

cc: Ted Lutz

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United States Senate

COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS

DUDLEY L. O'NEAL, JR.
STAFF DIRECTOR AND GENERAL COUNSEL

WASHINGTON, D.C. 20510

January 30, 1974

The Honorable Wallace F. Bennett
Committee on Banking, Housing and Urban Affairs
United States Senate
Washington, D. C. 20510

Dear Senator Bennett:

Yesterday I introduced a bill which would establish an urban mass transportation trust fund and would amend the Urban Mass Transportation Act of 1964 to provide operating subsidies. These measures are intended to assure adequate local transportation service.

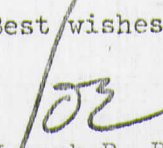
I know the subject of mass transit is not new to this committee, but I believe that present shortages of energy supplies require immediate enactment of legislation that will substantially increase money available for mass transit. Such money, from a new mass transit trust fund, would be transferred from all amounts presently appropriated under the Urban Mass Transportation Act of 1964 and remaining unexpended on the effective date of this legislation and, in addition, 40% of the total amount received in the highway trust fund for each fiscal year beginning on or after the effective date of this act.

The second aspect of the bill provides that money available from the new mass transit trust fund will be available for operating subsidies as well as capital expenditures. Federal operating subsidies would be limited to four times the amount of financial assistance provided from the State or local sources for that purpose. This formula therefore contemplates that at least twenty percent of the operating subsidy would be contributed by the State or local body which maintains the mass transportation service.

This bill is intended to provide immediate assistance and to include those programs I feel are essential. Although we have debated the pros and cons of many programs in the past, I hope this bill will once again focus attention on an issue which has now become of urgent importance.

A copy of the bill is enclosed for your further information. If you wish to co-sponsor the bill, or if you have any questions, please have your staff contact Emily Berlin at Extension 5-5042.

Best wishes,


Joseph R. Biden, Jr.
United States Senator

JRB/aeb
enclosure

93D CONGRESS

2nd SESSION

S. _____

(NOTE.—Fill in all blank lines except those provided for the date, number, and reference of bill.)

IN THE SENATE OF THE UNITED STATES

Mr. Biden _____

introduced the following bill; which was read twice and referred to the Committee on _____

A BILL

To establish an urban mass transportation trust fund and to amend the Urban Mass Transportation Act of 1964 in order to assure adequate local ~~transportation~~ transportation service.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Congress finds that present shortages of energy supplies require the immediate expansion of mass transportation services because they are essential to the needs of commerce; that rapid urbanization and the continued dispersal of population and activities within urban areas has made the ability of all citizens to move quickly and cheaply an urgent national goal; and that success in the effort to provide efficient, safe, and convenient mass transportation compatible with soundly planned urban areas will require substantially greater and more assured Federal financial participation to permit confident and continuing ~~present~~ local planning and greater flexibility in program administration. It is the purpose of this Act to provide an effective means of meeting these requirements.

CREATION OF TRUST FUND

SEC. 2. There is hereby established in the Treasury of the United States a trust fund to be known as the urban mass transportation trust fund (hereinafter in this Act called the "trust fund"). The trust fund shall consist of such amounts as may be appropriated or credited to the trust fund as provided by this Act.

TRANSFERS TO TRUST FUND

SEC. 3. (a) All amounts appropriated for purposes of grants, loans, and general administrative expenses under the Urban Mass Transportation Act of 1964 (or for liquidating obligations incurred for such purposes) and remaining unexpended on the effective date of this Act are transferred as of such date to the trust fund; and any amounts which may be appropriated for such purposes (or for liquidating obligations incurred for such purposes) after the effective date of this Act shall be deposited in the trust fund.

(b) There shall be transferred to the trust fund from the highway trust fund, for each fiscal year beginning on or after the effective date of this Act, an amount equal to 40 per centum of the total amount received in the highway trust fund in that year under applicable provisions of law. Transfers under this subsection shall be made at such times and in such manner as the Secretary of Transportation shall determine in consultation with the Secretary of Commerce, who shall make such adjustments in the apportionment of other amounts in the highway trust fund as may be necessary or appropriate to

reflect such transfers. In addition, the Secretary may make such adjustments in amounts available for the purposes of section 14.2 of title 23, United States Code, as may be necessary to assure equitable distribution of such amounts in accordance with the policy of such section and with the policy of the Urban Mass Transportation Act of 1964.

(c) There are authorized to be appropriated from the general fund of the Treasury to the trust fund, for any fiscal year beginning on or after the effective date of this Act, such additional sums as may be required to make the expenditures referred to in section 5. These sums are to be repayable advances unless otherwise provided.

MANAGEMENT OF TRUST FUND

SEC. 4. (a) It shall be the duty of the Secretary of the Treasury to hold the trust fund, and (after consultation with the Secretary of Transportation) to report to the Congress not later than the 1st day of March of each year beginning with 1974 on the financial condition and the results of the operations of the trust fund during the preceding fiscal year and on its expected condition and operations during the current and next ensuing fiscal year. Such report shall be printed as a House document of the session of the Congress to which the report is made.

(b) It shall be the duty of the Secretary of the Treasury to invest such portion of the trust fund as is not, in his judgment, required to meet current withdrawals. Such investments may be made only in interest-bearing obligations of the United

States or in obligations guaranteed as to both principal and interest by the United States. For such purpose such obligations may be acquired (1) on original issue at issue price, or (2) by purchase for which obligations of the United States may be issued under the Second Liberty Bond Act, as amended, are hereby extended to authorize the issuance at par of special obligations exclusively to the trust fund. Such special obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average yield during the month preceding the date of such issue, on marketable interest-bearing obligations of the United States of comparable maturities then forming a part of the public debt rounded to the nearest one-eighth of 1 per centum. Such special obligations shall be issued only if the Secretary of the Treasury determines that the purchase of other interest-bearing obligations of the United States, or of obligations guaranteed as to both principal and interest by the United States on original issue or at the market price, is not in the public interest. Advances to the trust fund pursuant to section 3(c) shall not be invested.

(c) Any obligation acquired by the trust fund (except special obligations issued exclusively to the trust fund) may be sold by the Secretary of the Treasury at the market price, and such special obligations may be redeemed at par plus accrued interest.

(d) The interest on, and the proceeds from the sale or redemption of, any obligations held in the trust fund shall be

credited to and form a part of the trust fund.

EXPENDITURES FROM TRUST FUND

SEC. 5 (a) Amounts in the trust fund shall be available, as provided by appropriation Acts, for making expenditures to meet obligations of the United States which are incurred on or after the effective date of this Act under the Urban Mass Transportation Act of 1964 (including general administrative expenses).

(b) Advances made pursuant to section 5(c) shall be repaid with interest to the general fund of the Treasury when the Secretary of the Treasury determines that moneys are available in the trust fund for such purposes. Interest shall be at rates computed in the same manner as provided in section 4(b) for special obligations and compounded semiannually.

(c) Section 3 of the Urban Mass Transportation Act of 1964 is amended --

(1) by striking out "No" in the fifth sentence of subsection (a) and inserting in lieu thereof "Except as provided in subsection (f), no"; and

(2) by adding at the end thereof a new subsection as follows:

"(f) The Secretary is also authorized, on such terms and conditions as he may prescribe, to make grants or loans

to any State or local public body to enable it to assist any mass transportation system which maintains mass transportation service in an urban area to pay operating expenses incurred as a result of providing such service. No financial assistance shall be provided under this subsection unless (1) the Secretary determines that the mass transportation services provided by the system involved are needed to carry out a program referred to in section 4(a), and (2) the applicant State or public body has submitted to the Secretary a comprehensive mass transportation service improvement plan which is approved by him and which sets forth a program, meeting criteria established by the Secretary, for capital or service improvements to be undertaken for the purpose of providing more efficient, economical, and convenient mass transportation service in an urban area, and for placing the mass transportation operations of such system on a sound financial basis (including a reasonable fare structure), and (3) the Secretary determines that the mass transportation services provided by each system involved is being provided by an efficient operation of such system in accordance with regulations promulgated by the Secretary.

" Notwithstanding the provisions of the fifth sentence of section 4(a), the amount of any grant under this subsection to a State or local public body to enable it to assist any mass transportation system to pay operating expenses shall not

exceed four times the amount of financial assistance provided from State or local sources for that purpose. The Secretary shall issue such regulations as he deems necessary to administer this subsection in an equitable manner. Such regulations shall include appropriate definitions of (A) operating expenses, and (B) the sources or types of State or local financial assistance which may be considered in computing the maximum allowable Federal grant."

(d) The fourth sentence of section 4(a) of such Act is amended by striking out "section 3" and inserting in lieu thereof "section 3 (other than subsection (f))".

(e) Section 4(c) of such Act is amended by striking out "sections 3, 7(b), and 9" and inserting in lieu thereof "section 3 (except subsection (f)), and sections 7(b) and 9".

(f) Section 12 of such Act is further amended by adding at the end thereof the following new subsection:

"(g) The provision of assistance for the payment of operating expenses under section 3(f) shall not be construed as bringing within the application of chapter 15 of title 5, United States Code, any nonsupervisory employee of an urban mass transportation system (or of any other agency or entity performing related functions) to whom such chapter is otherwise inapplicable."

LIMITATION ON EXPENDITURES

Sec. 6. The Secretary of the Treasury shall from time to time, after consultation with the Secretary of Transportation

estimate the amounts which will be available in the trust fund (excluding repayable advances) to defray the expenditures required to be made from the fund. The Secretary of the Treasury shall advise the Secretary of Transportation whenever, after all other expenditures required to be made from the trust fund have been defrayed, the amounts available in the trust fund (excluding repayable advances) will be insufficient to defray expenditures required to meet obligations incurred under section 5(a). Whenever he is advised of any insufficiency, the Secretary of Transportation shall, for the fiscal year affected, determine the percentage which the amount remaining available is of the amount authorized to be obligated for that fiscal year under section 5(a) and shall, by prorating using that percentage, determine the amount which can be obligated in lieu of the amount which would be obligated but for the provisions of this subsection. Whenever the Secretary of the Treasury determines that, after all other expenditures required to be made from such fund have been defrayed, there will be available in the trust fund (excluding repayable advances) amounts sufficient to defray the obligations previously withheld under section 5(a) for any fiscal year, he shall so advise the Secretary of Transportation who may then obligate such amounts.

EFFECTIVE DATE

SEC. 7. This Act shall take effect on the first day of the first fiscal year which begins on or after the date of its enactment.



THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

NOV 14 1973

Honorable Henry M. Jackson
Chairman, Committee on Interior
and Insular Affairs
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

I have had an opportunity to review the "Nationwide Emergency Energy Act of 1973" (S. 2589) as reported by your Committee.

I wish to reiterate the Administration's opposition to any provision which would authorize Federal operating subsidies for mass transportation. Such a program does not confront the real causes of declining transit usage, and requires extensive Federal involvement in local transit decisions, particularly the negotiation of labor contracts. While we recognize that there may be added costs from increased transit during this emergency, there are measures which communities may take to ameliorate this problem. One such measure is to promote staggered work hours which would enable the transit operators to substantially reduce their operating expenses by making more extensive use of the existing fleet.

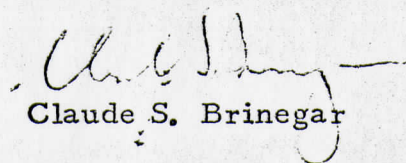
Additionally, I wish to express our concern about several aspects of section 204(b) of the bill which would give the transportation regulatory agencies certain emergency authority. These concerns relate to the extent of the agencies' jurisdiction during the emergency, the authority that would be given them to rationalize operations with regard to "frequency of service" and "scheduling to prevent duplication of service", and the absence of a requirement that the agencies consult with the Secretary of Transportation before taking an emergency action.

Our specific comments on section 204(b) are enclosed.

I appreciate the opportunity to participate in the development of this important legislation. Please contact me if I can be of further assistance.

The Office of Management and Budget has advised that from the standpoint of the Administration's program there is no objection to the submission of this letter.

Sincerely,



Claude S. Brinegar

Enclosure



OFFICE OF THE SECRETARY OF TRANSPORTATION

WASHINGTON, D.C. 20590

NOV 23 1973

Mr. Michael Raoul-Duval
The White House
Washington, D.C.

Dear Mike:

We have received a copy of your memorandum to Mr. Charles DiBona regarding the mass transit operating subsidy provision in S. 2589. We appreciate your efforts on our behalf.

At John Barnum's request I am enclosing a copy of a letter the Secretary sent to Senator Jackson on November 14 regarding the bill's operating subsidies provision and a section giving the transportation regulatory agencies certain emergency authority. I have also enclosed a copy of the material we supplied Governor Love's office for inclusion in an Executive Branch package that office is submitting to the House Interstate and Foreign Commerce Committee. The Committee is scheduled to begin marking up its energy bill (H.R. 10511) on Tuesday, November 27.

Sincerely,

A handwritten signature in dark ink, appearing to read "John", is written above the printed name.

John Oberdorfer

Enclosures

File
Energy Bill
Mass Transit
Operating Subsidies



OFFICE OF THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

NOV 23 1973

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Sincerely,

John L. Oberdorfer

John Oberdorfer

Enclosures

U.S. DEPARTMENT OF TRANSPORTATION

Discussion of Proposed Amendment to Section 106 of H.R. 11450

Subsection 106(a) would give the Interstate Commerce Commission, the Federal Maritime Commission, and the Civil Aeronautics Board the authority to take any action on their own motion or on the petition of the President which existing law permits such Commission or Board to take on the motion or petition of any regulated carrier or other person for the purpose of conserving energy. Section 106(b) would direct the three regulatory agencies to report within 15 days of enactment to the appropriate Congressional committees on the need for additional authority to conserve fuel during the energy emergency.

Need for Additional Authority

DOT believes it is desirable for the transportation regulatory agencies to have sufficient emergency authority to act to conserve fuel, and we are concerned that under existing law such authority may be limited. The regulatory agencies need a clear statement of their authority to adjust the carriers' level of operations and to adjust operating certificates in order to alter points served and shorten distances traveled. In addition, the regulatory agencies need the authority to consider fuel conservation when making "public convenience and necessity" determinations. We are concerned that, as presently drafted, section 106 would not accomplish these objectives soon enough, and therefore, the regulatory agencies will not have adequate authority to deal with energy conservation as rapidly as is required.

As mentioned above, section 106(b) directs the regulatory agencies to report on their need for additional legal authority. We do not object to the inclusion of section 106(b), provided it is preceded by a grant of the authority contained in our draft amendment. However, if it is intended that a choice between section 106(a) and (b) be made prior to final Committee action, we strongly prefer giving the regulatory agencies emergency authority along the lines of our enclosed draft amendment as a substitute for 106(a). We fear that inclusion of only a reporting requirement will unduly delay the establishment of this important authority.

Proper Breadth of New Regulatory Authority

We are very concerned about the breadth of any additional regulatory powers which this emergency energy legislation would authorize. We believe that the proper approach is that of our draft amendment: to authorize the regulatory agencies to review and make reasonable and necessary adjustments to the operating authority in order to conserve fuel while providing for the public convenience and necessity. This authority should include adjusting a carrier's level of operations, altering points served, shortening distances traveled and reviewing or adjusting rates accordingly.

The term "level of operations" would permit a regulatory agency to set broad guidelines and priorities regarding carrier operations during the energy emergency. Any such guidelines or priorities should be established on a carrier system or industry basis. For example, a

regulatory agency might direct that carrier cutbacks in service be made only in markets with alternative transportation systems which are more efficient from an energy standpoint. A regulatory agency also might prohibit carriers from reducing service in any market below one trip per day and direct the carriers to make their service cuts in markets with the greatest excess capacity or the least need for the particular service. In addition, the authority to shorten distances traveled on a temporary basis could provide significant benefits not otherwise achievable.

We continue to oppose the grant of regulatory authority, such as that provided in section 204(b)(1) of S. 2589, to adjust and rationalize operations of carriers with regard to "frequency of service" and "scheduling to prevent duplication of service". Our concern relates to the fact that this authority might be interpreted to provide for the day-to-day control of thousands of transportation companies, a type of control which is not necessary, desirable, or workable. The Interstate Commerce Commission, for example, might be authorized to schedule the operations of each railroad and regulated trucking line in the country. The emergency authority of the Civil Aeronautics Board might be construed to include establishing departure times for the flights of various carriers. In our view, authorizing such extensive authority would not be desirable. The suggestion that this authority would only be "reserve authority" which the regulatory agencies do not anticipate exercising provides further reason for not granting it.

Consultation With Executive Branch Agencies

We think it advisable for the transportation regulatory agencies to be directed to consult with the Department and other interested agencies before taking emergency action. Section 204(b)(3) in S. 2589, which provides that the regulatory agencies subject to this subsection "may, where appropriate, consult with departments or agencies of the Federal Government having expertise or jurisdiction over the mode involved", is a step in that direction. While we agree that a new statutory provision is not needed to assure the Department's participation as a party in regulatory proceedings, a statutory provision along the lines of the Department's proposed amendment would emphasize the need for careful consideration by the independent regulatory agencies of the views of the Executive agencies which would be responsible under this legislation for managing the production, conservation, and allocation of energy among the various transportation modes.

The Department is available to discuss with the Committee our draft amendment and any alternatives.

Proposed Amendment to H.R. 11450

Add the following as a new Section 107 and renumber subsequent sections accordingly.

Section 107. Mass Transportation

For the duration of the energy emergency, paragraph (3) of subsection (e) of Section 142 of Title 23, USC, is amended as follows: Strike the period at the end of the paragraph and add the following: "except that, with respect to the purchase of buses and rolling stock for fixed rail, the Federal share shall be 80 per centum."

This amendment would raise the Federal share of transit projects financed out of Federal-aid urban system authorizations from 70 to 80 percent. Under present law, when transit projects are financed through the UMTA capital grant program or in lieu of an urban Interstate route segment, the Federal Government pays 80 percent of the cost. Only in this one case, when transit projects are financed out of Federal-aid urban system authorizations, is Federal participation less than 80 percent. The purpose of this amendment is to encourage the use of these urban transportation funds for transit expansion during the energy emergency by raising the Federal share to 80 percent.

U.S. DEPARTMENT OF TRANSPORTATION

Amendment to H.R. 11450 ("National Energy Emergency Act of 1973")

Delete section 106(a) and substitute in its place the following:

(a) Agency Authority. - The Interstate Commerce Commission, with respect to carriers subject to regulation under Parts I, II, and III of the Interstate Commerce Act, the Civil Aeronautics Board with respect to air carriers engaged in interstate, overseas and foreign air transportation, and the Federal Maritime Commission, with respect to carriers subject to its jurisdiction, for the duration of the energy emergency, in addition to their existing powers, shall have the authority on their own motion or by motion of any interested party, after consultation with the Secretary of Transportation and any other interested Federal agencies, to review and make reasonable and necessary adjustments to the operating authority of carriers within their respective jurisdictions in order to conserve fuel while providing for the public convenience and necessity. This authority includes but is not limited to adjusting the level of operations, altering points served, shortening distances traveled and reviewing or adjusting rates accordingly. Actions taken pursuant to this paragraph may be taken notwithstanding any other provision of law, after hearings in accordance with section 553 of title 5 of the United States Code. Any person adversely affected by an action shall be entitled to a judicial review of such action in accordance with chapter 7 of title 5 of the United States Code.



THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

NOV 14 1973

Honorable Henry M. Jackson
Chairman, Committee on Interior
and Insular Affairs
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

I have had an opportunity to review the "Nationwide Emergency Energy Act of 1973" (S. 2589) as reported by your Committee.

I wish to reiterate the Administration's opposition to any provision which would authorize Federal operating subsidies for mass transportation. Such a program does not confront the real causes of declining transit usage, and requires extensive Federal involvement in local transit decisions, particularly the negotiation of labor contracts. While we recognize that there may be added costs from increased transit during this emergency, there are measures which communities may take to ameliorate this problem. One such measure is to promote staggered work hours which would enable the transit operators to substantially reduce their operating expenses by making more extensive use of the existing fleet.

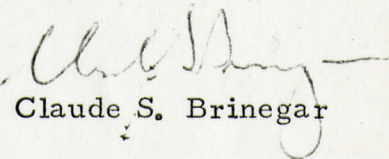
Additionally, I wish to express our concern about several aspects of section 204(b) of the bill which would give the transportation regulatory agencies certain emergency authority. These concerns relate to the extent of the agencies' jurisdiction during the emergency, the authority that would be given them to rationalize operations with regard to "frequency of service" and "scheduling to prevent duplication of service", and the absence of a requirement that the agencies consult with the Secretary of Transportation before taking an emergency action.

Our specific comments on section 204(b) are enclosed.

I appreciate the opportunity to participate in the development of this important legislation. Please contact me if I can be of further assistance.

The Office of Management and Budget has advised that from the standpoint of the Administration's program there is no objection to the submission of this letter.

Sincerely,



Claude S. Brinegar

Enclosure

U. S. DEPARTMENT OF TRANSPORTATION

Discussion of Section 204(b) of S. 2589

Subsection 204(b)(1) would give energy emergency authority to the Interstate Commerce Commission, the Federal Maritime Commission, and the Civil Aeronautics Board to review and adjust a carrier's operating authority in order to conserve fuel while providing for the public convenience and necessity. An amendment proposed by the Commerce Committee and now incorporated in the bill as section 204(b)(2) would direct the three regulatory agencies to report in fifteen days to the appropriate Congressional committees on the need for additional authority to conserve fuel during the energy emergency.

We believe it is desirable for the transportation regulatory agencies to have sufficient emergency authority to act to conserve fuel, and we are concerned that under existing law such authority may be limited. The regulatory agencies need a clear statement of their authority to adjust the carriers' level of operations and to adjust operating certificates in order to alter points served and shorten distances traveled. In addition, the regulatory agencies need the authority to consider fuel conservation when making "public convenience and necessity" determinations. Section 204(b)(1) would accomplish these objectives and should give the regulatory agencies adequate authority to deal with energy conservation.

As mentioned above, section 204(b)(2) directs the regulatory agencies to report on their need for additional legal authority. While we do not object to the inclusion of section 204(b)(2), it would appear unnecessary. If section 204(b)(1) and (b)(2) are mutually exclusive and it is intended that one of the subsections will be deleted prior to final Senate action, we strongly prefer the approach in section 204(b)(1) of now providing authority. We fear that inclusion of only a reporting requirement would unduly delay the establishment of this important authority.

However, we are troubled by several aspects of section 204(b)(1) as reported by the Committee. First, with respect to agency jurisdiction, the bill would limit the jurisdiction during the emergency of the Interstate Commerce Commission to carriers subject to Part 1 of the Interstate Commerce Act and motor common carriers. (We presume that the reference to 49 U.S.C. 304(1)(a) is intended to be 49 U.S.C. 304(a)(1).) The Department does not believe there is any justification for limiting the applicability to railroads, pipeline companies and motor common carriers. The Commission's traditional jurisdiction with regard to motor carriers includes common carriers, contract carriers and certain other classes of motor carriers. The Commission also has regulatory jurisdiction

over certain water carriers. If this legislation is to be fully effective, section 204(b)(1) should be applicable to all carriers subject to Parts 1, 2 and 3 of the Interstate Commerce Act.

Section 204(b)(1) does not state clearly the jurisdiction of the Civil Aeronautics Board during an energy emergency. The provision in section 204(b)(1) is subject to an interpretation that the Board's emergency authority applies only to interstate and overseas air transportation. ("Overseas" is defined in the Federal Aviation Act as between the United States and its territories.) Air carriers engaging in foreign air transportation, therefore, would not be covered. There may be many opportunities in foreign air transportation for appropriate fuel conservation measures. Thus, we believe that the act should be extended to include carriers engaging in foreign air transportation. (Pursuant to the Federal Aviation Act, any such extension, of course, would be exercised in a manner consistent with our bilateral obligations.)

With respect to the Federal Maritime Commission, we again do not see any justification for limiting applicability of the proposed legislation to carriers engaging in the domestic trades of the United States. The level of operations by U.S. and foreign carriers between the United States and foreign points may require an allocation of

domestic fuel supplies. Consequently, we do not see any justification for limiting the applicability of the act to domestic maritime operations. This extension of authority would have to be exercised in a manner consistent with our international obligations.

We are very concerned about the way in which the additional authority in the bill could be administered. It authorizes the regulatory agencies to adjust and rationalize operations of carriers with regard to "frequency of service" and "scheduling to prevent duplication of service". An earlier Committee Print (No. 3) identified the regulatory agencies' new authority as including, but not limited to "adjusting the level of operations, altering points served, shortening distances traveled and reviewing or adjusting rate schedules accordingly". Our concern relates to the fact that this authority might be interpreted to provide for the day-to-day control of thousands of transportation companies, a type of control which is not necessary, desirable, or workable. The Interstate Commerce Commission, for example, might be authorized to schedule the operations of each railroad and regulated trucking line in the country. The emergency authority of the Civil Aeronautics Board might be construed to include establishing departure times for the flights of various carriers. The term "level of operations"

would permit a regulatory agency to set broad guidelines and priorities regarding carrier operations during the energy emergency. Any such guidelines or priorities should be established on a carrier system or industry basis. For example, a regulatory agency might direct that carrier cutbacks in service be made only in markets with alternative transportation systems which are more efficient from an energy standpoint. A regulatory agency also might direct the carriers to make their service cuts in markets with the greatest excess capacity or the least need for the particular service. While achieving the same energy conservation benefits on a broad basis that would result from regulatory agencies having authority over frequency and the duplication of service, the term "level of operations" thus would be far preferable to the language in the reported bill to which we object.

In addition, the bill reported by the Committee eliminates the authority to shorten distances traveled, an authority which would have been provided by Committee Print No. 3. We believe that significant benefits could be derived from temporary changes in carrier operating authorities to shorten distances traveled.

Finally, section 204(b)(3) of the reported bill provides that the regulatory agencies subject to this subsection "may, where appropriate, consult with departments or agencies of the Federal Government having expertise or jurisdiction over the mode involved". To achieve a

balance among the several transportation modes and to preserve competition and management flexibility to the maximum extent feasible, the provision should be amended to require that the regulatory agencies consult with the Secretary of Transportation before taking an action pursuant to this section.

Question:

Why is the Administration threatening to veto the mass transit operating subsidy bill at a time when the energy crisis is forcing more and more people to mass transit?

Answer:

We oppose a narrow categorical grant program of operating subsidies for mass transit because this will simply treat the symptoms and not cure the causes of poor service and operating deficits. Substituting federal payments for existing local payments would weaken local resolve to improve transit management, control local transit costs, and establish local policies designed to control automobile use. Such a narrow categorical grant program would involve the Federal Government in local labor negotiations with transit workers and in establishing traffic rules for our Nation's cities. These are purely local matters and federal involvement would exasperate the problems, not correct them.

What is needed is additional federal help in a way which preserves the power of states and communities to make their own decisions concerning their transit problems. Accordingly, the Administration has doubled the amount of federal funds for mass transit capital purposes and by working with the Congress we now have true flexibility in the use of urban highway funds. Because of the 1973 Highway Act, local officials can now choose between urban highway projects and mass transit projects in determining how their federal funds will be utilized.

In addition, the President is seriously considering as a part of his State of the Union Message, a new transportation initiative which would increase the amount of money available for urban transportation and increase substantially the flexibility of state and local officials to handle their urban transportation problems. The President is considering combining both the urban mass transportation capital grant program and the urban highway program and providing some additional funds while giving the state and local officials discretion over how these transportation funds will be broken down between capital and operating and between highway and mass transit needs.

Follow-Up Question

Why would this single urban transportation fund proposal fare better in the Congress than the Administration's 1971 special transportation revenue sharing proposal which was rejected?

Answer:

It is true that the initiative being considered by the President for this year's State of the Union is similar in some respects to the 1971 special transportation revenue sharing proposal which was not looked upon favorably by the Congress. Although the new transportation initiative is still taking form, it is likely to differ substantially from the revenue sharing proposal and be patterned more along the compromise provision in the 1973 Federal Aid-Highway Act.

That is, the new initiative is a logical extension of the compromise, worked out between the Administration and within the Congress, which provided flexibility in the use of highway program funds for mass transit. This is a logical extension of that compromise and brings together two complementary programs, the urban highway program and the urban mass transportation capital grants program. In other words, the current initiative is simply another step along the course already charted by the Congress in their work on the 1973 highway bill.

By avoiding some of the controversial pitfalls in the 1971 special revenue sharing proposal and by linking the new initiative with steps that have already been approved by the Congress, this proposal stands a considerably better chance of acceptance. Also, external developments, for example, the energy crisis and the requirement for cleaning up our cities' environments, mean that modernization and improvements of our mass transit capabilities is needed now more than before and thus this might be an idea whose time has come.

Mead
January 4, 1974



DEPARTMENT OF TRANSPORTATION

*Mass Transit
Operating Subsidy*

NEWS

OFFICE OF THE SECRETARY

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REMARKS BY SECRETARY OF TRANSPORTATION, CLAUDE S. BRINEGAR,
TO THE ANNUAL CONGRESS OF CITIES, NATIONAL LEAGUE OF CITIES,
SAN JUAN, PUERTO RICO, DECEMBER 6, 1973.

It's a great personal honor to be asked to address
this annual conference of the National League of Cities and
the United States Conference of Mayors.

Urban centers represent a majority of the Nation's
population and by far our most serious long-term National
transportation issues. These issues deserve--and are getting--
a great deal of thought in our department. Today I'd like to
share with you our present positions on these most important
issues, as well as outline some possible future directions.

To me, and I think to more and more Americans, it is
becoming increasingly clear that our National concentration
on highways and automobiles--to the point where we now have

3.4 million miles of the former and 100 plus million of the latter--is no longer appropriate. While our highways constitute a valuable National asset, and our motor vehicles are essential elements of our mobility, we have come to the time when we must use our streets and roads, our cars and buses, to better advantage. I'm convinced that the priority demands of the '70's and '80's--led by problems of congestion, air pollution, and an energy shortage--now give us little choice but to shift our thinking and our directions. To our cities these problems and the forthcoming changes pose issues of enormous importance and enormous urgency.

Given any one of our problems by itself--and given sufficient time, we might be able to manage a smooth transition from the old ways to the new ways. We have already made rewarding progress in controlling emissions, and we have a start on rebuilding the Nation's urban transportation systems. But the energy shortage has suddenly become a problem of an altogether different magnitude. Regrettably, we no longer have the luxury of planning and carrying out a leisurely transition. We must act now and act decisively.

Though the Department of Transportation made a rather late start, I believe we are now addressing the urban transportation issue in a number of positive ways.

One way--familiar to everyone here--is through our capital grant assistance program, the product of President Nixon's Urban Mass Transportation Assistance Act. Since January 1969 our department has approved 250 transit projects involving grants totalling \$1.83 billion. The 1973 Federal-Aid Highway Act doubled the available contract authority, extending it to a total of \$6 billion. In this fiscal year we have in the neighborhood of \$875 million to oblige for capital grants and we expect an increase in the next fiscal year.

A second significant way that we are moving forward to meet the Nation's urban transportation needs is through the resources newly provided under the terms of this year's Federal-Aid Highway Act. This was landmark legislation--a victory for flexibility and common sense in the use of Highway Trust funds. This law overcomes one of the obstacles that has most hindered the progress of public transit in the past--the inability of local planners and municipal authorities to bargain persuasively for transit funds when Federal dollars for highways were cheaper and more readily available. Now,

for the first time, cities can choose from a shopping list of transportation options in budgeting their portions of Highway Trust Fund monies.

President Nixon proposed this flexibility principle and supported it steadfastly. We worked hard to insure its inclusion in the final bill. Also, we received fine support from members of your organization, for which I'd like to express our great appreciation. The result is not only a new flexibility of funding, but immediate flexibility in the sense that only budget technicalities stand between urban communities and the accessibility of designated funds for transit purposes. Any city preferring an exclusive busway, for example, over a proposed freeway should make the fund application accordingly. We will work out the bookkeeping details.

In addition to the urban systems fund, another important source of potential transit funding is in the Interstate substitution provision. Mass transit projects--railways or busways--can now be substituted on a dollar-for-dollar basis for unbuilt Interstate highway segments no longer considered essential to the National system.

I wish to caution that the '73 Highway Act does not guarantee money for transit purposes; it simply makes it available. Whether funds are drawn down for highways or transit depends ultimately on local initiatives. For long-term success of these initiatives, in our view, we must have more comprehensive planning at the local level, better cooperation on the part of all the authorities involved, and closer coordination between local and state agencies. As part of President Nixon's doctrine of New Federalism, we believe that as much as possible of this decision-making should be at the levels of government closest to the people. I'm certain that this group shares this view with me.

The concept of returning decision-making to the local level--coupled with adequate financial resources--is a vital one. On the other hand, it's equally vital that local governments develop the institutions capable of assuming this leadership in decision-making. I am hopeful that under the broad provisions of the Highway Act, more and more highway people and transit people, state officials and local authorities, will find out how to sit down and work together. Perhaps, we'll even stop thinking of "highway people" and "transit people" as having different objectives.

We look to you Mayors to help prove our beliefs that public investments in public transit is money well spent. You must also show how future transit development and land-use planning go hand-in-hand. Certainly, unless transportation-planning and land-use planning are done jointly, new transportation systems--rather than relieving congestion, may actually lead to larger and more complex levels of congestion. Our freeways and expressways put us through this cycle in the last 20 years--let's not do it again with mass transit.

For our part we have a number of task forces of Federal Highway and Urban Mass Transportation people working to put the appropriate regulations together so that local authorities can make the proper applications for funds. I've encouraged them to keep it as simple as possible. I consider it highly significant that highway and transit advocates, once worlds apart--even in our own department--are now working shoulder to shoulder to implement the 1973 legislation.

Another factor forcing a re-thinking of our urban priorities is the push for cleaner air. According to the plans announced last month by the Environmental Protection

Agency, 22 major metropolitan communities will have to take substantial--and, in some cases, extreme--action to achieve compliance with those standards.

I must note that it's my personal view that some of the criteria specified in the legislation that the EPA must enforce are too strict and too inflexible. Revisions and flexibility are now especially appropriate because the energy shortage has altered the cost-benefit relationship. Nevertheless, while the realities of a short energy supply may require interim modifications and delays in meeting our environmental goals, I believe that over the long-term we must continue to push toward the broad goals of the Clean Air Act.

To reach these long-term goals, and to keep from laying all the burden on the doorstep of the EPA, we must see more positive local actions. I'm sure it's well known by this group that ideas that originate solely in Washington can have painful consequences. The changes before us must come from joint thinking and joint actions. It involves the automobile industry by challenging the manufacturers to produce an environmentally-acceptable engine that also uses fuel sparingly. It requires unusual cooperation at Federal, state and city levels in

developing, funding and implementing public transportation incentives. It necessitates the creation or the strengthening of local planning institutions empowered to take the lead in the structuring and coordination of transportation and land-use policies. The positive, joint-action approach also requires the re-allocation of some of the resources that are now going largely to highways.

I am greatly encouraged by the progress being made in each of these directions. The fact that 23 states now have departments of transportation shows the accelerating trend toward broad gauge transportation planning and thinking.

The really urgent factor now demanding new transportation approaches is, of course, the energy shortage. The roots of the problem are deep. Let me pause a moment to offer a little perspective.

Liquid petroleum provides almost half of the energy that makes our Nation move, our business prosper, keeps our houses bright and warm, and our living standards the highest in the world. With only some 6% of the world's population we consume over 30% of the world's energy.

Unfortunately, three years ago oil from the Nation's oil fields began declining. New oil discoveries--except for

Alaska's North Slope--have been disappointing. To offset these declines and to meet our growing energy demands we have had to reach abroad for new sources--increasingly into the unstable Middle East where enormous oil reserves lay undeveloped. Of the Nation's total present oil usage of about 17½ million barrels a day, over six million--nearly 40%--now comes from other countries. And of the six million, nearly half comes either directly or indirectly (for example, after processing in European refineries) by tanker from the Arab world.

Last Spring we were faced with a modest oil shortfall--say in the order of 3-5%. This resulted mainly from inadequate refinery and tanker shipping capacity. A 3-5% shortage can be managed by a few allocations and a few readjustments of oil usage. It was worrisome but not a crisis.

But suddenly the Middle East once again erupted into war--the fourth since 1948. The Arab world, because of our direct support of Israel, has successfully embargoed all Arab-source oil imports into the U.S. In addition to shutting off direct crude oil shipments, they have cut off or reduced oil to refineries in the Netherlands, Italy, Spain, and the Caribbean--refineries that were the source of sizable oil

product shipments to U.S. markets, especially those on the East Coast. In total, we face an immediate shortage of at least two million barrels a day and possibly as much as three million barrels a day. Whereas we thought we were dealing with a 3-5% oil shortfall, we now must face a 15-20% oil shortage. And no matter how you look at it, a 15-20% oil shortage is a crisis of major proportions.

The oil shortages for the next few months will be most critical in heating oils, diesel fuels, jet fuels, and the residual oils which are used to generate electricity. The Northeastern section of the U.S. will be most seriously affected. Shortly after the beginning of the year the shortage will hit gasoline and, if the Middle East embargo is not soon lifted, the present interruption will mean shortages for months ahead.

What do we do?

We do as we have done in other National crises. We use our heads and our ingenuity to manage as best we can. With care and cooperation we can squeeze the "slack" out of our energy usage without major impacts on living styles or employment. Disruptions, yes--but not frozen homes or massive unemployment.

President Nixon--in two nationwide television speeches--
has established some early directives for dealing with this
shortage. The President has asked for:

1. A ban on the Sunday sale of gasoline in order
to discourage leisure driving.
2. A nationwide speed limit of 50 mph for
automobiles and 55 for trucks and buses.
3. A shift by refineries from gasoline production,
insofar as possible, to production of scarce
industrial fuels.
4. A return to daylight savings time.
5. Significant reductions in fuel usage by the
air carriers and general aviation.
6. Significant reductions in heating oil usage.
7. Significant reductions in electrical usage,
especially in non-essential lighting.

The thrust of these and other early steps is to
quickly cut back on fuel usage in ways that will have the
least impact on basic production and employment levels.
The next steps--including that most unwanted of events,
gasoline rationing--depend partly upon the success of these

voluntary actions, the winter temperatures, and the effectiveness and duration of the Arab oil embargo. For now, at least, prudent planning demands that we treat this like the serious National crisis that it could become. We hope it won't turn out that way, but we must be prepared to deal with it.

Please let me assure you that our department will do all it can to see that the Nation's transit systems receive adequate fuel supplies. To help with this effort we have established a new office--the Office of Transportation Energy Policy. I have asked this group to keep very close tabs on the fuel situation in mass transit.

Let's now shift away from today's programs and today's crises and attempt to focus on some of the longer-term urban transportation issues that are before us. While our present efforts are substantial--especially in contrast to even five years ago--it could well be asked: Is it adequate for the long-term?

It's my personal view that the answer is "No"--it is not adequate. But I would then quickly add: It's inadequate at all levels--Federal, state, and local. And it's lacking not just in dollars but in broad-gauge thinking and planning as well.

Here is a brief listing of what I see as some of the main items on our joint agenda for future thinking and planning:

1. The automobile's role in producing haphazard urban growth appears to be near a turning point. Let's grab the initiative and regain control of our cities' structures and life styles. But to do this requires more than agreement on the concept--it requires workable organizational structures and effective planning bodies at all levels. We are endeavoring to make these changes at the Federal level. Are you?

2. In my view too many cities have been approaching their urban transportation problems from the point of view that says, more or less, "if the Feds will finance it let's think big." I intend to change that to: "Let's think carefully." Capital funds--even taxpayer funds--are limited and must be used prudently. I believe all of us need better guidelines as to what types of transit investments and operations are proper for what types of urban settings. We would like to work with your organization, as well as with other interested groups, to develop workable criteria to guide our future decision-making. We see this as a high-priority project.

3. Additional sources of funds are unquestionably needed to help solve the serious urban transportation problems that are before us, and I am prepared to recommend a broader approach at the Federal level. But please recognize this most important qualification: additional state and local funding and additional state and local decision-making is likewise needed. In other words, we are willing to help but we can't do it alone. We lack both the knowledge and the resources.

4. We oppose narrowly-conceived categorical funding--such as the Minish or Williams Bills on operating subsidies--not because we're stingy or insensitive, but rather because we're convinced that it's the absolutely wrong way to get at the problem. The inflexibility inherent in these Bills treats symptoms only--and badly in our view--rather than reaching to the heart of the illness. As I told Governor Rockefeller and Mayor-Elect Beame last week, I believe the time is here to take a broader look at the question of future financing of both transit capital and operations. But I stressed that this look must be in the context of trade-off decision-making at the local level. Let me put it this way: Are you willing

to face up to the trade-offs between, say, urban highways, urban transit investments, and transit operating costs?

Are you willing to help decide how available Federal dollars will be used amongst those types of alternatives? I believe you should be, and I believe that an approach such as this is now the proper one.

Thank you for the opportunity to review these vital matters with you.

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APPOINTMENTS

7/17/73

9:30 AM

Subj: Hi-Way Transit Legisla.

Joseph Bosco of Bombaur, Co-
burn, Simmons
and Turtle (local)

Louis Gambaccini, Port
Authority of NY
and NJ

July 12, 1973

PATH FARE INCREASE

The Board of Directors of the Port Authority Trans-Hudson (PATH) Corporation in June approved an increase in PATH fares from \$.30 to \$.50 per trip. Following this, in accordance with procedures of the Interstate Commerce Commission, a new PATH tariff was published and filed with the I.C.C. on July 12. This tariff establishes a PATH fare increase from \$.30 to \$.50 per trip effective August 13, 1973. As you know, this will follow the termination date of the Executive Order establishing a price freeze.

It is important to note that PATH is increasing its interstate fare for the first time in 12 years. Back in 1961, just one year prior to Port Authority acquisition of the bankrupt Hudson Tubes, the Hudson and Manhattan Corporation set the existing fare of 30 cents. The Port Authority, since its assumption of responsibility in 1962, has invested more than \$200,000,000 and has substantially completed the rehabilitation and modernization of the antiquated Hudson and Manhattan Railroad. Major projects of this modernization program involve the first fleet of air-conditioned rail rapid transit cars in the world, a new World Trade Center terminal in downtown Manhattan, the new PATH Journal Square Transportation Center in Jersey City and the modernization and rehabilitation of signal, power and utility systems.

The decision to hold fares at the \$.30 level during the long period of rehabilitation reflected in part the fact that PATH's service was affected by having to conduct a major rehabilitation and modernization program while operations necessarily continued.

Further efforts to improve service to the public are, of course, contemplated, including the recently legislated plan to provide a PATH extension to Newark International airport and beyond to Plainfield. This program also includes direct rail connections for the Erie Lackawanna Railway to service Manhattan as well as a rail link from New York to Kennedy International Airport. Also planned is the Port Authority take-over and improvement of Newark's Pennsylvania station, a key transportation center much in need of repair.

The new fare was approved following an extensive study of the fares of alternate systems and the relationship to the increasing PATH deficit. Despite the fact that the cost for carrying each PATH passenger even now exceeds fifty cents, the board approved a fare level of \$.50. Indicative of the ever increasing cost picture is the fact that PATH in 1963, its first full year of operation, reported a deficit of \$2,281,000 to the Interstate Commerce Commission. This deficit had grown to \$10,943,000 five years later as PATH assumed important new responsibilities as part of the State of New Jersey's master transportation program. The labor contract settlement of this June and the general trend of national labor settlements indicates that the \$20 million-plus deficit of 1972 would be much greater in 1973 without the added revenue from higher fares. In this connection, while PATH has had a steady increase of traffic since 1965 resulting from

the PATH modernization program and provision of more dependable service, operating expenses have grown at a much faster rate. Since 1961, wage costs for the average PATH employee have grown 149 per cent, and, with the most recent union contract settlement, these costs will rise even further.

In 1961, when the Hudson & Manhattan fare was increased to \$.30, Transport of New Jersey (then Public Service Coordinated Transport) had a basic single zone fare of \$.15, and the New York City Transit Authority charged a basic fare of \$.15. TNJ single zone bus fares have increased 167 per cent since that time, while the Transit Authority fares increased 133 per cent. In the same 12 year period, the national index of public transportation fares rose by 71.7 per cent, according to data compiled by the American Transit Association.

In implementing the planned increase, PATH will maintain the exact change fare collection procedure using any combination of nickels, dimes and quarters to total \$.50. This procedure has been shown over the years to be the only practical way to handle fare collection on a relatively short and densely traveled urban transit system such as PATH. Fares between Newark and Harrison will continue to be collected in the eastbound direction only.

We hope you will find this information helpful and that you will understand the facts which mandated an increase in the PATH fare at this time.

Louis J. Gambaccini
Remarks for Panel Discussion
Legislative Outlook for Transit

Main focus of panel has been on immediate industry problems -- 1973 legislation, current appropriations, etc.

This is entirely fitting. Unless these immediate issues -- like operating subsidies and the need to replenish capital grant authority -- are resolved, transit's future will be in serious jeopardy.

But, even in this climate of crisis, there is a need for taking a long-range view. Efforts to chart transit's course over the next 20 to 30 years are not just science fiction speculation as some would have it. A view of our role in the year 2000 -- even if in limited or imperfect detail -- can not only affect immediate decisions but can be of great significance in pulling together the legislative and administrative forces needed to set out to accomplish these goals.

A few examples of federal programs are instructive in this respect. We are all familiar with the Interstate Highway Program and have our own opinions about its impacts, negative and positive, on America's cities and its transportation resources. Clearly, one major reason for this program's dramatic momentum and achievement has been its focus on reaching a simply described and easily understood agreed-upon goal. Slippage and delay have stretched the highway program's construction period to nearly 30 years, suggesting that a transit focus on the year 2000 is not unreasonable.

Other Federal programs have also benefitted from agreed-upon goals. In periods of budgetary stringency and cross-currents of shifting priorities, it is unlikely that the manned space program would have survived

intact were it not for the national commitment to put men on the moon in the decade of the sixties. Currently, Congress and the President are struggling over (among other things), the future of the water pollution program. Again, the key element in maintaining Congressional pressure behind the program is adherence to clean-up goals on which the proposed funding schedule is based.

In contrast, one can point to the poverty program, now apparently lapsing into history as an organized effort. Among this program's many liabilities was its lack of focus on goals and heavy emphasis on the means by which the program was to be carried out. When the nation began to lose sight of goals in the continuing controversy over means -- "maximum feasible participation of the poor" and the like -- opponents of the program found it easy to withdraw its funding.

The lessons for transit are clear. Somehow, in the midst of our preoccupation with survival, we must devote time to long-range objectives and plans. Ultimately, some form of national program based on reasonable criteria as to whom we hope to serve, the general level of service we will offer and the range of financing options must be produced. Obviously, there are dangers involved in such an effort and these will be discussed in a moment, but without a national program there can't be a realizable national commitment.

There have been some initial efforts towards defining a national program. The landmark transit bill of 1970 pledged national support toward a 10-year, \$12 billion, program, based on the best estimates then available of the dimensions of the problem. In 1972, the Department of

Transportation issued a National Transportation Study, including both highways and transit for the first time. While the absurd magnitude of highway "needs" contained in that document was such as to discredit its validity for many observers, there was an attempt to quantify the transit program through the coordination of state-by-state submittals of estimates. The overall measure of needs priced out at \$60 billion and involved, among other features, the development of rail systems in at least 25 major metropolitan areas. Beyond these physical plans, some attention to the non-capital means of improving urban transport was indicated, but more is warranted. In addition, the transportation study, in its nation-wide analyses, began to lay an analytical foundation for measuring the tradeoffs between highway and transit investment in terms of national interests in safety, environmental impact, mobility and the like. I believe this entire study process to determine a national agenda must be carried forward in a responsible manner. The traditional highway needs process, with its gross formulas and inflexible output, is neither credible nor useful and should not be adopted for our purposes.

On the other extreme, we cannot allow the process to be dominated by the fertile imaginations of planners restrained only by their ability to mark off pet projects on a regional map. If the output of a national planning effort is to have the validity needed to make it a compelling demand in the legislative process, it must be based on sound criteria for service and careful analysis of the optimum means to provide this service. This implies a much greater commitment to present efforts at research into the successes and failures in urban transportation so that such analyses and decisions can be well founded. I would suggest

that funding these efforts to determine and define need should take a higher priority than expensive hardware programs to develop solutions for problems not yet delineated. With the output of such research, it will be possible to address critical questions in some sort of consistent framework around the nation.

Unless such national and consistent judgments are reached in these key policy issues, we stand the risk of letting de facto precedents established in response to local decisions become industry-wide precedents. For example, what is our long-run position on whom transit will serve? It's well and good to take credit for our potential service to the elderly and handicapped, but at some point the cost/benefit issue must be raised and guidelines of demarcation drawn between transportation programs and social responsibilities.

Similarly, the defensibility of our overall program will be greatly enhanced if a more definitive set of service standards for transit is ultimately developed. While there must be room for local options as to the mode which best fits local conditions and planning considerations, should there not be some underlying rationale as to the public's rights to mobility? In a related area, absolute standards are being set for environmental conditions, leading to draconian measures aimed at reducing mobility by automobile. Unless it is argued that travel is a non-essential activity, there should be substitute measures to provide for continuing the economic and social linkages that go to make up a metropolitan region.

Finally, some consistency in the area of financing is an important need. Further knowledge of the economic impact of good transit

service on the nation and on the communities should eventually permit policy decisions on the relative degree of federal, state and local support of transit capital investment and operating expense. Again, there must be room for variations to meet local conditions, but these can be contained within a national framework.

As indicated above, there are problems inherent in this approach, particularly in the short run. Care must be taken as to the speed with which any criteria designed to justify a long-range program are implemented for immediate decision making purposes. Many of us were involved in the effort to ease the present UMTA guidelines into operational use, and all of us are now attempting to live with these guidelines in developing capital grant applications. In this sometimes painful transition process, some of the gaps in our basic knowledge of the transit market and the means of evaluating projects became quite obvious. I think both UMTA and the industry have, to date, been sensitive to the problems of implementation, but the risk of premature stringency can always exist.

Another potential risk which some people have raised is the possibility that a national program, identifying those cities which meet standards for transit development, will limit the breadth of possible coalition for support of the program. While this might be a risk, it should be overcome by the strength of a solid long-term commitment similar to that enjoyed by the highway program. Not only the areas which will benefit but all those with interests in the program would find it a rallying-point for their efforts to keep up momentum and legislative support.

Thus, in conclusion, I would urge the members of IRT to keep pressure on UMTA and DOT for long-term program development. While this may not have the immediacy of our legislative efforts toward opening the trust fund and other high priority topics, I see the need for long-term commitments as a subject of growing importance. The transit program is no longer a small-time operation, and now that several cities are moving forward on new systems with others continuing work on extensions and expansion, a long-term funding plan becomes of increasing significance. It is something that's in our own interest to work for rather than letting the government do it alone. It's something, in my view, that will greatly facilitate the orderly development of transit and its legislative funding support over a long time frame. In short, it's the key to developing stability and removing the year-to-year crisis aura which has surrounded transit over recent years.

Commuter Fare Rise?

Mr. Ronan Goes to the Brink Again

William J. Ronan is not John Foster Dulles but it is still worth examining the neatness with which the art of brinkmanship is being practiced these days by Mr. Ronan. As chairman of New York's Metropolitan Transportation Authority, he is acquiring a reputation as the complete commuter cold warrior.

Last week he warned that an average 70 per cent rise in commuter railroad fares was inevitable in 1974 and 1975 unless \$93 million in public subsidies was forthcoming. This followed hard on a prediction that a 60-cent subway fare would be imposed next year if local and state monies were not pumped into mass transit.

Since 1969, when he became the \$70,000 chairman of the MTA—which controls the subway system, the Long Island Rail Road, and the Harlem, Hudson and New Haven divisions of the Penn Central—Mr. Ronan has redefined his tactics.

He customarily predicts the worst, simply, it appears, to get the attention of state and Federal agencies, then bargains from his posture of disaster to get enough money to keep fare increases—which after all are inevitable—to what he considers acceptable levels.

Often the tactic works. In the matter of the subway fares, Mr. Ronan's predictions helped draw from Gov. Rockefeller a response that the Governor intended in the forthcoming session of the Legislature to revive his once-rejected Transit Bond referendum. In 1971 this was defeated because its proposed \$2.5 billion authorization seemed to critics to be geared more to highways than to mass transportation. Mr. Rockefeller says that his now proposal will either be evenly divided, or will favor the masses. If passed in this fashion the Governor, in an election year will be the savior of the subway fare and Mr. Ronan the architect of that salvation.

But commuter railroads are something else again.

Often their combined fiscal travail

seems beyond rescue by even the most massive of subsidies. Mr. Ronan last week estimated that the deficits of the Long Island Railroad which handles approximately 260,000 daily passengers in its commuter operation will increase from \$45 million this year, to \$63.5 million in 1974 and to \$75.2 million in 1975. The Penn Central's suburban service deficit, he said, will climb from \$23 million this year to \$28.8 million next year and to \$35.3 million in 1975. Similar deficit increases are predicted by the Penn Central's Harlem, Hudson and New Haven divisions (about 135,000 daily commuters) and by New Jersey's commuter lines, the Erie Lackawanna, (30,000 daily commuters), the Jersey Central Railroad, the Penn Reading and the Penn Central (a combined 18,000 daily commuters). The above lines thus shuttle approximately 443,000 passengers to the city every day.

A spokesman for New Jersey Transportation Commissioner John C. Kohl said last week that the state already is subsidizing these lines by \$15 million a year, in addition to purchasing rolling stock and other equipment and then leasing it to the railroads. The monies come from transportation bonds, which must be renewed each year by legislative action.

Governor William T. Cahill of New Jersey and Governor Thomas J. Meskill of Connecticut, who preside over states which send thousands of commuters into metropolitan area business districts by rail each day have indicated that Federal subsidies either from the Federal highway trust fund, or from direct withdrawals from revenue-sharing monies, were needed to keep commuter lines running. And Mr. Ronan has written to President Nixon asking Federal support for direct operating subsidies for mass transit.

Other means by which huge deficits could be cut into include, Dr. Ronan said, higher gasoline taxes or increased sales taxes with the increases earmarked strictly for mass transit. What Mr. Ronan wants, he said, is to "stop talking about transit deficits. We don't talk about a Police Department deficit, but we need the subways as much as the police department." The same applied to suburban railroads servicing the New York region, he said.

To buttress his contention, Mr. Ronan presented a list of representative suburban communities, with their current commuter rates and their increases should a 70 per cent increase have to be imposed. These ranged from increases of from \$58.35 to \$99.30 in Huntington, from \$42.00

to \$71.40 in Scarsdale and from \$63.00 to \$107.10 in Brewster. In a town like Montclair, N. J., a 70 per cent increase would raise the fare from \$25.00 to \$42.50.

Undoubtedly, transportation officials in the tri-state area say, the increase would not be as astronomical as these but nevertheless they would rise strikingly. Labor costs continue to rise and there exists—other than subsidies—nothing to pay for them with except fares. It is suggested that realistically, for example, the subway fare will increase to 40 cents on Jan. 1, rather than to 60 cents. But there are indications that this figure includes a Transport Workers Union wage settlement. If the labor agreement exceeds the expected figure, then a 50-cent fare is not an unreasonable prospect.

The subway fare used to be a subject not spoken of by public figures.

MONTHLY COMMUTATION FARES

To N.Y.C. From	1968 Rate	Present Rate	With 70 Increase
Sparsdale	\$41.00	\$42.00	\$71.40
White Plains	42.50	44.00	74.80
Rye	37.10	47.00	79.90
Great Neck	37.65	50.75	86.30
Hicksville	43.55	54.85	93.25
Huntington	43.95	58.35	99.30
Babylon	50.30	60.10	102.20
Brewster	48.00	63.00	107.40
Port Jefferson	51.30	66.50	112.35
Brookhaven	60.00	73.00	132.60

Zvi Lowenthal

—except in election years when it was promised that the fare would not be raised — but New Yorkers have become inured to sporadic increases geared to labor settlements. Commuter railroads have been in a far more startling spiral, from which commuters and employers have fled. An estimated 260,000 jobs have been lost in New York in three years and scores of New York-based firms have moved to New Jersey and Connecticut where highways are many and parking is plentiful. Loss of commuter railroad traffic and income has been a natural consequence.

Already a shutdown of the Penn Central's tri-state network is threatened for this year, and the Nixon Administration has proposed a drastic pruning of unprofitable passenger and freight operations on the other five commuter railroads in the New York area. John W. Ingram, the Federal

Railroad Administrator said just two weeks ago "when the Penn Central runs out of money, they're going to stop running, and cash forecasts indicate that they'll run out of money by the end of the year."

The Penn Central, Erie-Lackawanna, Jersey Central, Penn Reading, Lehigh Valley and Boston & Maine railroads, all which carry either passengers and/or freight into New York have a total of 106,000 employees, passenger revenues of \$194 million and chalk up 2.7 billion passenger miles each year. The Penn Central has the greatest amount in each category, and if it were to close down, there would be, in the opinion of Martin D. Zell, New York's Assistant Transportation Commissioner, "a panic and an adverse economic impact."

The Penn Central's trustees say they need \$600 million in Federal funds through 1976 to survive.

There have been "conferences" on how to find this Federal money, and, once having found it, how to persuade the Federal government to let it loose. There have been proposals that commuter transportation in the tri-state area should be given over to the Port Authority of New York and New Jersey. (The Port Authority already operates the PATH tubes which carry 49,000 daily commuters between Hoboken and New York.) But always there have been fare increases, initially small increases, lately larger increases.

Only in the last few months has anybody gone and said flatly that no subsidies will mean almost double the commuters' fares; that no subsidies will mean no trains and almost 20,000 miles of empty, rusty tracks. Mr. Ronan is either an alarmist or a realist. There are those who say he is a little of both. —FRED FERRETTI

A Fare Increase on the L.I.R.R. Is Considered a Certainty in '74

By FRANK J. PRIAL

A fare increase next year for Long Island Rail Road riders seemed virtually certain yesterday in the wake of Wednesday's tentative agreement between the railroad and its 12 non-operating unions.

The settlement will cost the line more than \$15-million, and this will be only partly offset by job attrition, which was agreed to by the unions. Dr. William J. Ronan, chief negotiator for the railroads promised there would be no fare increase during 1973, but refused to comment on 1974.

The agreement on a 30-month contract was reached after 19 months of negotiations and a seven-week strike late last year. A 90-day cooling-off period arranged by Secretary of Labor Peter Brennan ends at one minute after midnight tonight.

The contract, which still must be ratified by around 5,000 workers, calls for a 26 per cent pay increase. The railroad had offered 12 per cent before the strike.

The settlement calls for a 6 per cent pay increase, retroactive to Jan. 1, 1972; a 10 per cent increase retroactive to Jan. 1, 1973, and a 10 per cent increase beginning next Jan. 1. There is also a new night differential of 2 per cent, retroactive to Jan. 1, 1972; 2 per cent retroactive to last January and another 2 per cent beginning next Jan. 1.

The unions fought down a management proposal for a work-rule change permitting members of one union to perform minor jobs within the province of another union. But they did agree to a work-force reduction through attrition. The number of jobs to be cut was said to be 250 to 500.

The negotiators were aided by a panel of three mediators appointed by the Secretary of Labor, the railroad and unions. The chairman of the panel, appointed by Secretary Brennan, was Frederick C. Fischer.

CHICAGO TRANSIT AUTHORITY

FOR IMMEDIATE RELEASE:

Chicago Transit Board today (Thursday, July 5) authorized the first stage in a series of service cutbacks to bring the CTA cash flow into balance, according to Board Chairman Milton Pikarsky. Upon implementation, these initial cutbacks will suspend approximately five per cent of CTA bus and rapid transit services.

"The failure of the State Legislature to provide a six-county Regional Transit Authority has forced me to instruct the CTA staff to prepare a phased emergency plan to effect revenue savings," Chairman Pikarsky said.

"Revenues will fail to meet expenses by an estimated \$25 million during the six months ended December 31. Because the staff has advised me that 35 per cent of CTA services would have to be cut to reach a break-even point, the Board is faced with an impossible task. Such a reduction would result in the collapse of CTA.

"The Board does not wish to authorize suspensions of service such as it is doing today. The dismemberment of a mass transit system such as CTA will have its negative impacts. As riders turn to alternative means of transportation, traffic congestion and air pollution can go no other direction than to increase. Without the benefit of a total public transit system the energy crisis will certainly worsen. And as the underprivileged lose their ability to work or the opportunity to continue their education, societal costs to the community and the state as a whole will soar.

"It is unthinkable that responsible public officials could permit this crisis to evolve. Their failure to create a Regional Transit Authority or even provide interim funding for transit operations has not only threatened CTA's continuation as a viable transit service, but also the survival of every commuter railroad and suburban bus service. To expect such public services to support themselves from the fare box alone is tantamount to collapse of the transit network, the central city, and ultimately the state itself.

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"CTA's financial problems are much like those of a housewife faced with rising costs and a fixed budget--cutbacks are the only alternative," Pikarsky added.

"If CTA was forced to reduce services to offset the \$25 million deficit, service on at least 80 bus lines would be affected, with at least 50 routes being suspended completely. Of seven rapid transit routes, five would undergo major changes. As a result, a work force reduction of 4,000 employees would be necessary. Such extreme action must never come to pass.

"In its determination of routes for suspension I have directed the staff to give priority to maintaining the ability of CTA riders to use alternate CTA transportation, although this might involve walking an additional quarter mile to another bus route or making additional transfers between bus and rapid transit services.

"The first stage of service cuts approved today affects 40 bus routes and two rapid transit routes. Additionally, 23 rapid transit stations and 12 auxiliary entrances to stations on six rapid transit routes will be closed.

"The cuts in stage one will be implemented in three waves. Bus service suspensions will take effect initially on August 5, rapid transit cutbacks on September 2, and a second wave of bus service suspensions will be made on September 9. Estimated total savings to CTA from the first stage reductions are less than \$4 million from the time of suspension to year end. These service cuts will result in a reduction of the CTA labor force approximating five per cent, or 400 to 500 employees.

"As the Board authorizes these initial reductions of service I reiterate that it is incumbent that a special session of the legislature be convened to provide emergency funding, to enact an adequate RTA or to authorize taxing powers for the CTA," Chairman Pikarsky added.

"CTA is a creature of the state and it, therefore, must rely upon the State Legislature for financial assistance."

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NEWS RELEASE

IMMEDIATE RELEASE

Thursday, June 14, 1973

The transit authority staff today informed the board of directors that rising costs and the board's fare stabilization policy may increase a projected fiscal 1974 Metrobus operating deficit.

Shortly before the Washington Metropolitan Area Transit Authority (WMATA) acquired the four privately-owned bus companies last February, WMATA predicted a \$6 million fiscal 1974 operating deficit.

The figure was revised upward to \$11 million, Comptroller Schuyler Lowe reported, because six months of actual bus operations revealed that fuel and labor costs would rise, and selected fare reductions including a senior citizen discount and a region-wide free transfer program would cut revenue substantially.

Lowe informed the board of the transit authority's financial status and five-year revenue predictions prior to the July 11 sale of \$150 million in federally-guaranteed revenue bonds. Under the bond guarantee legislation, the transit authority must affirm its capacity to assure revenues needed to meet the principal and interest requirements on the bonds prior to going to the market. The area jurisdictions making up the WMATA compact so far have pledged to make up any deficits. No combined rail-bus public transit system in North America operates at a profit.

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