The Debasement of Rural America

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INTRODUCTION

One thing is certain. When it comes to priorities in our nation's capital, transportation in general and rural transportation in particular are definitely in "de basement."

After 30 years of reporting and attempting to analyze Washington's wayward ways, I sometimes find myself wondering if realistic transportation policies and the funding needed to carry them out are a priority of the U.S. Department of Transportation.

If that sounds too cynical, let me ask you a question.

When was the last time a Secretary of Transportation went before Congress to fight for additional money for the federal-aid highway program? That taxes your memory, doesn't it?

On the other hand, we can all remember when they did exactly the opposite. The Secretary fought the Surface Transportation Assistance Act of 1978 every inch of the way.

And you can make book that he and his people are on Capital Hill now, or will be shortly, not only opposing any more highway money, but seeking transportation spending cuts of about a billion dollars next year as part of the budget-balancing effort.

Granted, that as a cabinet member, he's obliged to do the bidding of the Administration. And there are overriding considerations and concerns such as inflation. But if our Secretary of Transportation isn't going to champion the absolute economic necessity of good, adequately funded transportation systems, what are our chances of reversing the deterioration of that system? Not too good, I'm afraid.

We all know that Washington is most appreciative of the fact that, were it not for the American farmer and his $32 billion worth of annual agricultural exports, our balance of trade deficit would immediately become a disaster. But what has Washington done about a farm-to-market transportation network that R. L. Kohls, dean of Purdue's School of Agriculture, describes as being in "a nearly disastrous condition."? Up to now, very little.
It reminds me of the story about the southern Indiana farmer who hitched up his span of mules every week during the summer to take a load of produce into town. On one trip, he was much later than usual getting home. His wife met him at the head of the lane, with a lantern and said, "Silas, where in the world have you been?"

"Well, I'll tell you," Silas replied. "When I was leaving town, I met the preacher. He was walking out here to the parsonage, so I offered him a ride. And for the next two hours, these damned mules didn't understand a word I said!"

The question is, "Does Washington understand a word we say when we tell them that our rural roads, bridges, and few remaining rail branchlines are coming apart at the seams?" "What do we have to do to get their attention?"

Did I hear somebody say, "Get out the two-by-four?" One two-by-four that we're all getting clobbered with is inflation, so let's try that approach.

Last year, Americans spent nearly $208 billion for food. The rule-of-thumb in the past has been that transportation accounts for 8% of these total costs. Today, it's probably closer to 10%.

In other words, consumers are now paying $20 billion a year for farm-to-market food transport. If the needed investment is made to make this system 10% more efficient, and that would just be scratching the surface of the problem, we would be saving two billion wasted, non-productive dollars a year.

That would be a positive, logical decision to make in the long-term fight against inflation.

INDIANA'S EXPORTS

Why is all of this so important to Indiana? We mentioned the export of agricultural products. Hoosier farmers contributed about $1.5 billion to that $32 billion total last year, ranking sixth among all states, across-the-board, and fourth in the export of feed grains and soybeans.

The total cash value of Indiana's corn, soybean, and wheat crops in 1979 was nearly $2.78 billion, up 15% from 1978. The figures aren't in yet for hog, cattle, milk, and poultry production, but they probably had a combined value of at least $1.6 billion. Only two other states send more pigs to market than Indiana.

And last year Indiana was once again the nation's leading producer of popcorn which may or may not have anything to do with the fact that Hoosiers aren't the least bit hesitant about popping off such as I'm doing.

What it all adds up to is that Indiana's farmers funneled a whop-
ping $4.4 billion worth of vital food products to U.S and overseas markets in 1979. This, in turn, generated an estimated $8 billion in related "spin-off" agri-business activity.

There are a lot of other important products coming out of rural Indiana, — $700 million worth of minerals annually, including 26 million tons of coal, 22 million tons of sand and gravel, and 30 million tons of stone, and 170 million board feet of timber and lumber. The forest products industry is Indiana's sixth largest employer.

CONCERN OVER WASHINGTON'S TRANSPORTATION POLICIES

This is why we're so concerned about the transportation policies and programs emanating from Washington in recent years. What they boil down to is that the federal government and the railroads want to get out of the first leg of the rural transport network the secondary roads and financially non-viable branch rail lines. They are well on the way to doing exactly that.

Under a major realignment of the federal-aid highway network implemented five years ago, over 212,000 miles of rural secondary roads and some 400,000 bridges on these routes were amputated from the system. At the same time, 55,000 urban miles were added to the system.

Indiana lost 10,245 miles from its F-A secondary network and 738 miles from its rural primary system. Some 3,200 miles of urban streets were made eligible for federal aid, but that still gave us a net loss of 7,760 federal-aid miles. Only five other states fared worse under the realignment.

The argument, valid to a point, was that these 212,000 miles of light density, rural feeder roads served only local traffic. Therefore, their upkeep and improvement should be strictly a local and/or state responsibility. And it is true that the F-A secondary road network had grown helter-skelter, and probably needed some judicious pruning.

But at the same time, in addition to reclassifying 55,000 miles of urban streets as federal-aid routes, these same officials were decreeing that every local public transit system in the U.S. was a national responsibility and combined, would be eligible for billions of federal tax dollars.

The U.S. now has about 2.2 million farms with a total population of 220 million. That means that each farm, on the average, is providing food for 100 Americans, in addition to helping feed people in other counties. Now, which is more in the "national" interest: 11,000 miles of rural roads in Indiana serving at least that many farms which are putting food on the table for one million people, or a nine-mile $120 million federally-financed, mono-rail system to get people up and down the
hills from the University of West Virginia campus to downtown Morgantown?

These kinds of transportation priority decisions might have been a little less questionable if, in the meantime, the government had not been concurring with the abandonment of thousands upon thousands of miles of branchline operations by the railroads. Nor was there any coordinated study or analysis of the roads and bridges in these areas to determine if they had the load-carrying capability to handle this diverted heavy freight traffic.

What we have now, as a rapidly developing consequence of the government's rural transportation "non-policy," is the inevitable isolation of millions of acres of productive agricultural and mineral resources land.

The American farmer is the acknowledged productivity marvel of the modern world. Hugh Sidey was the latest to eulogize him in an October 22 Time magazine commentary, referring to "the greatest harvest in all history" with crops worth $62 billion, corn production alone that would fill two million jumbo hopper cars stretchng "13 times across the U.S.," our 320,000 combines that "if lined up wheel to wheel, could harvest the state of Iowa in one day." He quoted Agriculture Secretary Bob Bergland as describing this whole cornucopia as the real "American gold." A fitting tribute but as Secretary Bergland knows, this unparalleled success story has had a predictable byproduct.

DESTRUCTION OF THE AMERICAN FARMER

American farmers, amazingly mechanized for mass production, have so depleted their own ranks that they are in danger of self-destructing politically.

Thirty years ago, 10 million farmers were 15% of the nation's workforce and the rural caucus was a potent influence in Congress. Today, 3.3 million farmers are only 3.5% of the workforce, and like the Old Gray Mare, the congressional rural caucus ain't what it used to be.

We're an urban society, with over 70% of the people living on 10% of the land. Every domestic decision coming out of Washington, including those relating to transportation, reflects this political fact of life.

Jim Giltmier, who was on the Senate Agriculture and Forestry Committee staff, calls this the "metro-think syndrome." "Rural America is a food factory, a wood products factory, a coal and mineral factory," Giltmier says. "Without this rural factory, America is out of business. The bulk commodities of isolated rural America are what make metro America possible.
"Nonetheless," he warns, "we have mentally fenced off rural America from our transportation policy planning, largely because the metro problems are so huge."

Because, I might add, that's where the constituents are. Chicago's population alone outnumbers all of the farmers in the United States.

**ENCOURAGING DEVELOPMENTS**

Despite all this, there has been one encouraging development, creation by Congress in late 1978, of a special Rural Transportation Advisory Task Force. It is chaired by Agriculture Secretary Bergland and Secretary of Transportation Neil Goldschmidt, with 14 members representing farm, agri-business, transportation interests, universities, and public agencies.

Following a series of 12 public hearings held throughout the country last summer, including one in Indianapolis, the Task Force submitted its final report in January. It is a wide-ranging summary of the problems relating to all modes—highway, rail, waterway, and air—emphasizing that "improving the transportation system must begin with a comprehensive policy that integrates, as an essential element, agricultural transport policy."

It's probably unfair to try to capsulize the report since it does focus attention on many important areas. But the main thrust of the recommendations is, once again, that federal involvement should largely be concentrated on major elements of the transport network.

They propose "incentives" to encourage increased state funding for non-major roads, with federal-aid targeted on Interstate and primary highways, including rehabilitation of these routes. They don't explain what the incentives would be, but they do make the point that red tape "inherently associated" with federal aid is so costly and complex that small-scale rural road projects can be more effectively accomplished by state and local agencies.

And, significantly, the report calls for yet another reduction in federal-aid highway system mileage. They want the 1976 Railroad Revitalization and Regulatory Reform Act's loan program expanded to put more attention on upgrading principal "land bridge" railroad lines serving ports.

Although the Task Force acknowledged the concern of many farmers and shippers about continued wholesale abandonment of branch rail lines—suggesting among other things, that the Farmers Home Administration make rehabilitation of the more necessary lines eligible for its loan/grant money—they concluded that the government shouldn't attempt to force railroads to operate branch lines that are clearly unprofitable. The group suggested tax credits for railroads to
immediately acquire an additional 1,000 covered hopper cars and
general purpose boxcars.

They also went on record opposing nationalization, or government
ownership, of railroad rights-of-way. The argument has been advanced
by some that railroads are at a disadvantage because the route facilities
of competing modes—trucking, waterway and air freight—are tax sup­ported.

It's water over a century-old dam, but nonetheless interesting to
recall that railroads got federal and state land grants in the 1800's total­ing an incredible 145 million acres, six times the land area of the state of
Indiana. And presently they get an indirect $9 billion subsidy through
federal support of the Railroad Retirement Fund.

The report emphasizes the need to modernize vital waterway
freight-handling facilities, such as the Locks and Dam 26 project on the
Mississippi River, stalled for a decade by opposition of the railroads and
environmental groups.

One other recommendation of note: They want Indiana, and the
handful of other states that haven't done so, to boost their truck weight
and size limits to 80,000 pounds and 65 feet.

Scant attention was given to development of intermodal terminals
to maximize inherent advantages of the different modes, probably
because short of conglomerate ownership or a massive injection of
public funds such cooperation between traditional competitors isn't a
realistic expectation.

It's too soon to predict whether the study will have any appreciable,
remedial impact on the rural transportation problem. The most critical
bottlenecks, are still local road access directly to the farms, and rail con­nections for smaller, isolated elevators. About 60% of Indiana's rural
communities are already without rail service. For all intents and pur­poses, the Task Force dropped these problems right back into the lap of
state and local governments and the producers, shippers, and carriers.

Congressman Jim Howard's ill-fated bill the Surface Transporta­tion Act of 1980, has some more immediate answers. For starters, it
would beef-up fiscal 1982 federal highway authorizations by $3.3
billion. It would increase the bridge repair and replacement program to
$1.5 billion and, for the first time, make inventoried needs of non-
federal system bridges a part of the allocation formula.

The bill would stabilize the Safer Off-System Roads program at
$200 million annually. More importantly, it would earmark $5.5 billion
in windfall profits tax revenue during the next five years for both on­and off-system highway improvements, including a new energy­impacted road upgrading program which southern Indiana's coal-haul
roads would qualify.
Unfortunately, this legislation has already been plowed under by the Administration's budget-balancing effort. But the irony is that if all other federal spending had been held at the same 5% annual growth of the federal-aid highway program during the past four years, Washington wouldn't be worrying about how to avoid another multibillion dollar budget deficit. They would be trying to figure out what to do with a $100 billion surplus. And wouldn't that be a pleasant change?

The unpleasant fact, however, is that we can expect less help from Washington next year for transportation, rural or otherwise.

**INDIANA'S HIGHWAY REVENUE BILL**

Indiana's new highway revenue bill is, without question, the best long-range, non-bonding highway funding legislation that has been enacted by any state.

I emphasize non-bonding because, unlike some 40 other states, including our four neighbors, Indiana doesn't borrow money to build and improve roads. This is a very important point. It's something you should remember when you're talking to people who say Indiana's gasoline tax is going to go out of sight, people who start comparing our tax with Ohio's 7-cent a gallon fuel tax. Ohio's highway program has come close to going on the rocks. They have cancelled their February, March, and April state highway lettings. Revenue from their 7-cent tax is down, and the interest on $650 million in outstanding bonds is eating them alive.

What's their solution? They're going to ask the voters to approve another $500 million bond issue. And the people may go along, because nobody will pay any more today.

Kentucky has nearly $1.5 billion in highway debts. They think big, down there in Bluegrass and Bourbon country. That figure is a little misleading, because about $600 million is being retired with the state's coal severance tax revenue. But that still leaves a tidy $900 million in toll and freeway bonds. Net collections on the state's turnpikes were only $13 million last year, about one-fourth of required toll bond payments.

The situation is similar in Illinois—a 7½-cent fuel tax, but nearly a billion dollars in outstanding transportation bonds, and another $600 million authorized.

Michigan is relatively conservative by comparison, only $290 million in highway debts and an 11-cent gasoline tax.

I think most of you would agree that Indiana's pay-as-you-ride method is a lot better than passing hundreds of millions of dollars in debts on to the next generation.

Only two other states, Washington and New Mexico, have a similar variable fuel tax, despite the obvious need for a mechanism to keep
revenue more in line with the actual cost of taking care of our roads and streets. Washington's tax has already capped out at 12 cents.

Granted, there isn't a lot of "up front" money in the new bill, probably about $85 million in fiscal 1981. But it's next to impossible to draft a good, inflation-factored, long-range bill that provides a large amount of immediate money. By the second year, additional revenue should be in the $190 million range. That's getting closer to Indiana's real road and street needs.

Nor is the taxpayer being gouged. If revenue reaches this level, the average motorist will have paid—over the next two years—about $30 in additional fuel tax.

The projection for fiscal 1982 is based on the assumption that half of Indiana's counties impose half the allowable rates under provisions for the optional auto surtax and truck wheel tax. The maximum potential revenue from these two sources, for all counties, is more than $50 million.

By fiscal 1983, it's likely that the state, counties, cities, and towns will be realizing about $280 million in new road and street money from the fuel tax, truck fee increases, and the optional county vehicle levies.

That has to be good news for the people responsible for administering these road and street programs. And certainly those legislators who voted for H.B. 1229 are to be congratulated. It is, I repeat, the best pay-as-you-go highway statute anywhere in the country and those who passed it showed both foresight and statesmanship.