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CHICAGO SKYWAY

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HEARINGS

BEFORE THE

SUBCOMMITTEE ON ROADS

OF THE

COMMITTEE ON PUBLIC WORKS

HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH CONGRESS

FIRST SESSION

ON

H.R. 6289 and related bills

JULY 23 AND 24, 1963

Printed for the use of the Committee on Public Works



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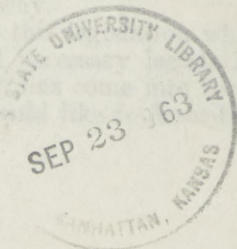
Mr. Chairman. Our distinguished colleague on the committee is going to make a statement this morning and present some distinguished guests that have been invited.

Mr. Kluczynski.

STATEMENT OF HON. JOHN C. KLUCZYNSKI, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. Kluczynski. Mr. Chairman and members of the committee, it is a privilege to appear as a witness this morning before my own committee in support of H.R. 6289, a bill which provides that the Chicago Skyway shall be operated as a freeway.

Might I say at the outset that I believe that the bill which you are considering today is a worthwhile and necessary measure. It will correct an inequitable situation which has come about as a result of certain circumstances which I would like to discuss with your committee.



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CHICAGO SKYWAY

TUESDAY, JULY 23, 1963

HOUSE OF REPRESENTATIVES,
COMMITTEE ON PUBLIC WORKS,
SUBCOMMITTEE ON ROADS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:15 a.m. in the committee room, 1304 Longworth House Office Building, Hon. George H. Fallon (chairman of the subcommittee) presiding.

Mr. FALLON. The committee will be in order.

Ladies and gentlemen, the Committee on Public Works, Subcommittee on Roads, is meeting this morning for the consideration of H.R. 6289, a bill to provide that the Chicago Skyway (Calumet toll bridge) shall be operated as a freeway.

Without objection, H.R. 6289 will be made a part of the record at this point in the proceedings.

Hearing no objection, it is so ordered.

(The bill follows:)

[H.R. 6289, 88th Cong., 1st sess.]

A BILL To provide that the Chicago Skyway (Calumet Skyway toll bridge) shall be operated as a freeway

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of Commerce is authorized to pay to the city of Chicago, Illinois, not to exceed \$87,000,000, on condition that the Chicago Skyway (Calumet Skyway toll bridge), a portion of Interstate Route Numbered 94, shall be operated free to the public, on and after the date such payment is made.

Mr. FALLON. Our distinguished colleague on the committee is going to make the first statement this morning and present some distinguished guests that we have from Illinois.

Mr. Kluczynski.

STATEMENT OF HON. JOHN C. KLUCZYNSKI, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. KLUCZYNSKI. Mr. Chairman and members of the committee, it is a privilege to appear as a witness this morning before my own committee in support of H.R. 6289, a bill which provides that the Chicago Skyway shall be operated as a freeway.

Might I say at the outset that I believe this legislation which you are considering today is worthwhile and necessary legislation. It will correct an inequitable situation which has come into being as a result of certain circumstances which I would like to describe to the committee.

The Calumet Skyway, which we are considering today, is a toll bridge located in the city of Chicago extending for some 7.5 miles. It links up the Indiana toll road. After long study this bridge was authorized by a city ordinance of the city of Chicago adopted December 4, 1954. The bridge was opened for operation a little over 3 years later on April 16, 1958.

It suffers today in its operation from the fact that the anticipated volume of traffic which had been assumed would use the Calumet Skyway has not come into being.

The Calumet Skyway is being bypassed by a series of freeways which have been built within the city of Chicago and the State of Indiana and which will eventually link up directly with the Indiana toll road.

At the time that the skyway was being considered and at a later date toward the end of the construction period in 1957, the city of Chicago and the builders of the skyway were under the distinct impression that this route would be the main route running through Chicago into the Indiana toll road for the use of the motorgoing public. Circumstances beyond the control of the city of Chicago have prevented this situation from developing.

I, therefore, appear before you today to urge the passage of this legislation. It is needed by the city of Chicago. It will correct an inequitable situation which was not the creation or the making of those who built this route. Other witnesses who will follow me will explain in detail what I have covered in a very general fashion. I am certain that these experts will be able to clearly and fully answer any and all questions.

Mr. Chairman and members of the committee, I thank you.

At this time, Mr. Chairman, I would ask unanimous consent that the statement of the dean of the Illinois delegation, Thomas J. O'Brien, be made a part of the record.

Mr. FALLON. Without objection, it is so ordered.

Mr. KLUCZYNSKI. Thank you.

(The statement follows:)

STATEMENT OF THE HON. THOMAS J. O'BRIEN OF ILLINOIS

Mr. Chairman and members of the Subcommittee on Roads, I appreciate the opportunity of testifying before you this morning in support of legislation in which I have a deep and abiding interest and which I know will be beneficial not only to the city of Chicago as such, but to the entire motor-going public of the United States.

I appear here in support of H.R. 6289, to provide that the Chicago Skyway (Calumet Skyway toll bridge) shall be operated as a freeway. Under the terms of this bill the skyway which has been in operation since April of 1958 will become a freeway. As a result of the freeing of the skyway, the Secretary of Commerce will be authorized to pay to the city of Chicago the sum of not to exceed \$87 million.

The details of this legislation will be explained to you by others with more technical knowledge of its background than I have. I appear here simply to urge its passage by this committee as soon as possible to alleviate an emergency situation in the city of Chicago, and, in my opinion, an inequitable one.

Mr. KLUCZYNSKI. Now it is my pleasure to introduce to you the mayor of the city of Chicago, Richard J. Daley.

Mr. FALLON. Mr. Mayor, on behalf of the committee, I would like to welcome you here this morning. We will be very pleased to hear your statement on the bill introduced by our colleague, Mr. Kluczynski.

STATEMENT OF MAYOR RICHARD J. DALEY, CITY OF CHICAGO, ILL.

Mayor DALEY. Thank you very much, Congressman John.

I wish to express my appreciation to the chairman and the members of this committee for this opportunity to be here on behalf of H.R. 6289.

Present with me today are public officials and engineers from the State and city who are experts and will testify in detail and will be happy to answer any questions that you may have.

The Calumet Skyway toll bridge—a $7\frac{3}{4}$ -mile expressway with two 3-lane roadways, each 36 feet in width separated by a raised median strip—is located in the southeast part of Chicago in one of the most highly concentrated industrial areas in the Nation. The skyway was conceived in 1954 to overcome an impossible traffic situation which was developing at this southeasterly gateway into Chicago.

The restriction to freely moving traffic in this area was due to the narrow corridor at the southern extremity of Lake Michigan. In this narrow strip—which extends in a crescent shape from south Chicago through the northern part of Indiana, including the cities of Hammond, East Chicago, Indiana Harbor and Gary—are located one of the Nation's busiest steel production centers, one of the country's largest refinery centers and a tremendous industrial complex.

Most of the eastern railroads serving Chicago must of necessity pass through the same area, as do the principal highways from the east.

Unfortunately, all east and west traffic through this area had to cross the Calumet River over one of four movable bridges. Each of these bridges is opened some 6,000 times during the navigation season, a figure that was destined to increase sharply with the opening of the St. Lawrence Seaway.

Furthermore, once the river was crossed, vehicles still had an obstacle race in the form of crowded streets and traffic lights and the heavy congestion caused by a great volume of trailer and truck traffic.

In early 1953, the State of Indiana announced that the Indiana toll road would terminate in the heart of this congested area at 106th and Indianapolis Boulevard. This toll road was scheduled for opening in 1956 which meant that all Chicago-bound traffic from the east traveling over the New Jersey Turnpike, the Ohio Turnpike, and the Indiana Toll Road would be channeled into this location. Consulting engineers for the Indiana Toll Road Commission estimated that over 4 million vehicles would pass through the western terminal toll gate each year and proceed on into Chicago at an average of over 11,000 a day.

All of our officials—the State—the county and the city—became deeply concerned as surveys had shown that this particular intersection was already one of the four worst bottlenecks on the south side. They met frequently with the Indiana Toll Road Commission in an effort to change the terminus, but were unsuccessful.

With this prospect of thousands of automobiles pouring into an already highly congested area, it became a matter of great urgency

that a traffic facility be constructed. The new facility also would provide the last link in a magnificent modern interstate highway connecting New York and Chicago. It would permit motorists traveling east, who start their journey in Chicago, to travel to New York City without encountering a single stream of cross traffic, traffic signal, or pedestrian, at speeds of 60 miles per hour and upward, stopping only to pay the toll on each separate facility.

Although the necessity for the skyway had been clearly established, no funds were available for its construction. At this time the highways funds of the State, the county, and the city were totally inadequate for this purpose. All of its available funds had already been committed for a 68-mile comprehensive expressway system which had been planned and agreed upon in 1939.

However, the State Municipal Toll Bridge Act of 1953 provided for the issuance and sale of revenue bonds for the construction of a toll bridge and its approaches. This developed to be a practicable method of financing.

It must be emphasized that the Federal Interstate Highway Act, from which the 90-10 percent interstate highway funds are available, was not passed by Congress until June 29, 1956.

In 1954 the city council authorized an investment banking firm to provide a feasible survey for financing the project. The consulting engineers reported that the skyway was eminently feasible and that the projected revenue would be sufficient to support the revenue bond issue.

Based on this anticipated revenue and on engineer's projections of traffic for the skyway, plus the urgent need, a revenue bond issue for \$101 million was sold for the construction of the toll bridge.

It was anticipated that Chicago's three expressways, Congress, northwest, and south, would feed traffic into the Calumet Skyway. However, the construction and improvement of parallel expressways with the use of Federal funds diverted the traffic from the toll road.

Further, projections of traffic volume which were based on experiences which had occurred elsewhere did not prevail on the skyway. As a consequence, the actual revenue from the skyway is substantially lower than the estimated or projected revenue.

Despite all efforts of promotion, increase in tolls and reduction of operating expenses, the revenues of the toll bridge have fallen far short of what is necessary. The skyway is now in default. The fact is that the public prefers to use freeways to paying a toll, even if it takes slightly longer.

If the road were to go into receivership the governmental agencies would be unable to provide for policing, safety, and maintenance with the result that there would be a rapid deterioration of this modern $7\frac{3}{4}$ -mile expressway.

As a freeway the State, county, and city can provide for additional ramps to serve more people; from the new interstate roads, and from the totally congested area.

However, the fact that revenues from the skyway are far short of meeting the financial requirements does not in any way reduce the tremendous service it gives to the public.

It is proposed in H.R. 6289 that the Federal Government provide a grant not to exceed \$87 million to purchase the \$101 million skyway. It is obvious that the bondholders will suffer a substantial loss if the road becomes a freeway.

It is also obvious that the Federal Government would be providing to the public through its Federal aid program a facility which meets the purpose of the Federal Aid Road Act.

In the section entitled "Federal Aid Systems" of the act, it is stated :

It shall be so located as to connect by routes, as direct as practicable, the principal metropolitan areas, cities, and industrial centers, to serve the national defense and, to the greatest extent possible, to connect at suitable border points with routes of continental importance in the Dominion of Canada and the Republic of Mexico.

Further, in the report of the Committee on Public Works of the House of Representatives, it is set forth :

* * * the language is intended to promote maximum integration of the system by including both free and toll portions of the system.

Certainly the skyway fully meets this objective. It is estimated by competent engineering sources that if the skyway, which is an integral part of Federal Interstate Highway 94, was made a free facility, it would double its use and serve the needs of interstate traffic, defense programs, and the metropolitan area.

This proposal to make the skyway a freeway has been endorsed by the Chicago Association of Commerce & Industry and other civic organizations.

Once again, I wish to thank the committee for this opportunity to speak on behalf of this proposal to make the skyway a freeway.

The witnesses to follow will present in detail all of the facts concerning the history of this project and the desirability of continuing it as a freeway for all of the people.

Thank you again, Mr. Chairman and gentlemen.

Mr. FALLON. Mr. Mayor, I thank you very much for your statement this morning.

Are there any questions on my right ?

Mr. BUCKLEY. No questions.

Mr. DAVIS. Mr. Chairman, may I ask you a question ? If this project is authorized, will the payment come out of the trust fund of the road program ?

Mr. FALLON. I assume that it would, since it would be in the Interstate System.

Mr. CRAMER. Will the chairman yield at that point ?

Mr. FALLON. Yes.

Mr. CRAMER. The bill as introduced, as I understand it, does not provide for the money to come out of the trust fund, and I assume, therefore, it would come out of general revenues.

Mr. BUCKLEY. General revenues.

Mr. FALLON. I assume, having been made a part of the Interstate System, it would therefore come out of the trust fund.

Mr. CRAMER. Perhaps we could suggest the Bureau of Public Roads or Commerce may come before us for clarification. I think it would come out of the general revenues as the bill is presently drafted.

Mr. FALLON. Are there any other questions on my right?

Mr. EDMONDSON. Mr. Chairman?

Mr. FALLON. Mr. Edmondson.

Mr. EDMONDSON. Mayor Daley, is the faith of the city of Chicago pledged in support of this obligation for the toll road?

Mayor DALEY. No; a revenue bond is not a pledge of faith and credit, but we are told that this will directly affect the credit of the city. But on default on revenue bonds, there is an inclination by the financial people of the country to reduce the credit standing of the municipality, or the State, or any government.

Mr. EDMONDSON. Has the toll road management agreed to the settlement figure of \$87 million with the city of Chicago?

Mayor DALEY. We have not made any agreement with anyone or had any discussion. We thought that, after all, this would be within the province of this committee and the Congress and we would work with them. There has been no discussion of what the settlement would be. We are hoping it will be all right if the city makes it.

Mr. EDMONDSON. The \$87 million represents what part of the total amount of cost?

Mayor DALEY. On the figure as to what part of the amount could be paid out of this, \$101 million actually was the cost of acquisition, construction, and all of the other costs. The figure of \$87 million, I am told, is a figure that was arrived at by the engineer experts and lawyers as the one we could conceivably present to the Congress based on the facts and figures of what they would pay if this were being done under 90-10.

Mr. EDMONDSON. May I ask a further question about your toll authority, your turnpike authority that constructed this road? Is this the only road they have constructed, or have they constructed others that are a part of an operating system? Does this stand on its own feet?

Mayor DALEY. This is the only one we have constructed. As a matter of fact, one was proposed 3 or 4 years ago. I would like to point out this was constructed prior to my administration, and I have opposed toll roads. I have stated that. They tried to put one on the Northwest Expressway, and we were able to make it a freeway. Otherwise, on the Northwest Expressway in Chicago, we would have had a toll road. I was of the opinion that the city of Chicago should not have toll roads, but we should be like many other people and have freeways that we could use.

We hope to turn this into a freeway because the vast area in South Chicago, and southeast of Chicago cannot get onto this to go north because, you see, it is a bridge, and they have to go to 106th either way to get on, and then 87th in the north. We hope to run ramps up, with the help of the State and commerce, and let all of those people in South Chicago's industrial area use that great freeway system.

Mr. EDMONDSON. I have used your splendid system of freeways in Chicago, but I have never used this particular skyway. You feel it is not getting the use it should get at this time because of the toll aspects of it, and it is out of place in the road system of the city of Chicago today?

Mayor DALEY. What has happened—the engineers will explain this in more detail—we thought the construction of the Southwest

Expressway would implement the skyway, but instead traffic is going out to Route 294 and going to the east. We have freeways all the way.

We feel this will be accentuated. As traffic users develop habits, there will be more and more people leave the skyway and ride the freeways. This has been happening all over the country—where there is a freeway running parallel to a toll road, the people will always use the freeway.

Mr. EDMONDSON. Thank you very much.

Mr. JONES. Mr. Chairman?

Mr. FALLON. Mr. Jones.

Mr. JONES. Mr. Mayor, what is your authority for the construction and operation of this toll bridge?

Mayor DALEY. It is set up under the State Toll Bridge Act; it is operated by the city department, and we have here the manager who operates it.

Mr. JONES. So you are operating under the statutory authority of the State of Illinois?

Mayor DALEY. We are operating under the statutory authority of the State, yes.

Mr. JONES. And therefore under the corporate authority of general obligation—

Mayor DALEY. Revenue bonds.

Mr. JONES. Revenue bonds, yes. That is the position. What is the deficit at the present time?

Mayor DALEY. We have paid nothing on the principal, we have paid the interest up until July 1, 1962.

Mr. JONES. When does the principal become liable?

Mayor DALEY. Next year.

Mr. JONES. Do you anticipate you will be able to pay anything on the principal from the present revenue?

Mayor DALEY. From the present revenue, it is indicative we would not have the interest which was due on the first of July until the last—

Mr. JONES. Do you have the authority to defer the payment of principal under the obligation bonds?

Mayor DALEY. No. Corporation counsel is here and will explain the legal end of it, but I am told we are in default.

Mr. JONES. Under the corporate authority there is no further authority of the city of Chicago to divert its general revenues to the payment of this obligation; is that right?

Mayor DALEY. That is right.

Mr. JONES. Therefore, the authority by which this toll bridge was constructed either has to come into revenue or the defaulting authorities will take over the bridge and become the operators?

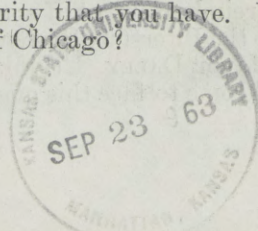
Mayor DALEY. That is right.

Mr. JONES. So the bond people do not want that.

Mayor DALEY. A serious question comes upon the operation of the bridge—how they could operate it. We have been operating and paying the operating expenses and the interest and the repairs and maintenance.

Mr. JONES. I am talking about the authority that you have. You have got the general authority of the city of Chicago?

Mayor DALEY. Right.



Mr. JONES. And you have the corporate authority under which the bonds were issued that are dependent upon the income the bridge would acquire?

Mayor DALEY. That is right.

Mr. JONES. So you are in the unfortunate situation that the general revenues cannot come to the rescue of the corporate authority?

Mayor DALEY. That is right.

Mr. JONES. That is all. Thank you, Mr. Chairman.

Mr. FALLON. Do you have any questions at this time, Mr. Ryan?

Mr. RYAN. On the sum of \$87 million, which is the price requested, or asked for that stretch of highway—how long is the stretch?

Mayor DALEY. Seven and one-half miles.

Mr. RYAN. On the 90-10 proportion, is the 10 percent already deducted?

Mayor DALEY. I believe it has been.

Mr. RYAN. In other words, the \$87 million would be reduced by another 10 percent?

Mayor DALEY. If you use that formula.

Mr. RYAN. And that would be approximately \$80 million.

Mayor DALEY. Right.

Mr. RYAN. Then the highway would be completed all the way through the heart of the town as an expressway?

Mayor DALEY. It meets with the Dan Ryan Expressway now.

Mr. RYAN. That is a free expressway, a freeway?

Mayor DALEY. That is correct, connects at 64th and goes north. We had anticipated when the south expressway was constructed much of the traffic would come on it from the Calumet expressway. But, as a matter of fact, it is the opposite—traffic has been reduced.

Mr. RYAN. I am rather interested because I am from Detroit and wondered if it is connected with the heart of Chicago.

Mayor DALEY. This is a direct route, Mr. Ryan.

Mr. RYAN. Thank you.

Mr. FALLON. Mr. Cramer.

Mr. CRAMER. Mayor Daley, I have a couple of questions I would like to have your answers to.

One is, I think, the basic question involved. There are on the Interstate System now 2,368 miles of toll roads, bridges, and tunnels. If the Federal Government saw fit to reimburse for toll facilities that have been incorporated into the Interstate System it would amount to approximately \$4½ billion. Of course, I do not think the Congress or this committee can consider this problem in a vacuum, so to speak, solely the Chicago problem, and not relate it to other problems that exist throughout the country. I am sure you are aware of the problem that we have.

Mayor DALEY. Yes.

Mr. CRAMER. In viewing this request for reimbursement based upon, as I gather it, primarily the fact that the Chicago Skyway is going broke, how do you justify in your own mind, or how would you justify to this committee reimbursement of the city of Chicago to the extent of \$87 million, knowing, if we did so, we may be setting a precedent for reimbursement of some \$4½ billion on other toll facilities injected into the Interstate System?

Mayor DALEY. I think, Congressman, it will be inevitable the time will come to face this question if we continue to build freeways paral-

leling the toll roads. I do not think there is any doubt about it. Even though Chicago may be the first, our request is further complicated because we were virtually forced into this position with the action that took place with respect to the terminus of the Indiana toll road back in 1954 before we had the present Federal highway system. But where freeways are continuing to be built, whether in New York, Illinois, or any other State, paralleling the toll roads, we know from experience no one will use the toll roads, they will use the freeways. The toll road is a great medium of use for the Interstate System, but any place in the country I do not think a man or woman will use the toll road if the freeways are there.

Our problem, we point out again, is aggravated by the fact that the freeway does run parallel to the skyway. This came later when the Federal Government passed this law to provide 90-10, and the State and the city and the county have participated in these freeways.

Mr. CRAMER. Exactly. I am not oriented in this area and perhaps some of the other members of the committee are not either. Could you indicate on the map just what highways there are that you consider parallel and competitive to the Chicago Skyway and whether they are 90-10 or primary or local or what?

Mr. PIKARSKY. This is the Dan Ryan South Expressway.

Mr. CRAMER. That is a freeway?

Mayor DALEY. All of these are.

Mr. CRAMER. Are they primary or interstate?

Mr. PIKARSKY. Interstate. They have their designation "94."

This is the entrance to the skyway. Incidentally, one of the next members will go into detail on this from the State of Illinois. This is the skyway route going to the Indiana toll road. The parallel free system is the South Dan Ryan Expressway going to the Calumet Expressway, going into Kingery Expressway, to 90, and going to Detroit.

Mr. CRAMER. The orange color is free; is that correct?

Mr. PIKARSKY. That is right.

Mr. CRAMER. But the connecting link is toll?

Mr. PIKARSKY. This is toll.

Mr. CRAMER. Also Interstate 94 is toll?

Mr. PIKARSKY. Yes. This is the Indiana toll road right in here, and this is the Chicago Skyway.

Mr. CRAMER. Going south of the Chicago Skyway entrance, that is free, the orange?

Mr. PIKARSKY. Correct.

Mr. CRAMER. Then over to the right and down, what highway?

Mr. PIKARSKY. 57. This is free.

Mr. CRAMER. Then going to the east, to the right?

Mr. PIKARSKY. This is free. It is Interstate 94 and—

Mr. CRAMER. Right where you just were. That is toll, is it not?

Mr. PIKARSKY. No, this is free.

Mr. CRAMER. Up and down, north and south, is that toll or free?

Mr. PIKARSKY. This is the Kingery Expressway, free.

Mr. CRAMER. All right.

Mr. PIKARSKY. This is the Indiana toll road.

Mr. CRAMER. Let me finish with the mayor on this question.

How do you distinguish the Chicago problem from the problems in the rest of the country that would justify this committee in giving Chicago priority treatment as is suggested in this legislation?

MAYOR DALEY. We would never suggest, Congressman, priority. We do think we have the facts and the evidence and we present a case that has justification.

MR. CRAMER. What, in your mind, justifies the Government paying \$87 million to Chicago on this toll road?

MAYOR DALEY. First I think the people of Chicago would get great use out of a freeway instead of a toll road.

Secondly, many of our visitors are from all of the different States. We have a situation that you have freeways in the State of Michigan and freeways in the State of Indiana. Surely the people in the Chicago area are entitled to freeways, at least within the city, and our contention is that the people of Chicago should have the use of freeways when we know they are all over the country.

MR. CRAMER. Of course, that same argument applies to any toll road injected into the Interstate System. What is unique about the Chicago situation that you think justifies this legislation?

MAYOR DALEY. I thought I said, Congressman, first, we got into this problem before the Interstate System of contribution was adopted by the Congress. Had we waited 2 or 3 years, this would have been constructed on the 90-10 basis because it was part of the Interstate System. Certainly we were virtually forced, as a city, into it, because of the action of a neighboring State in ending its toll road at 106th and Indianapolis Boulevard in the center of the most congested area in the South Side of our city. This was the only thing we could do in order to relieve the congestion which was already there due to the fact that the toll road in Indiana was ending at 106th in the most congested area of Chicago at the present time.

The engineers told us—we tried to get the toll road to go over Kingery where you see it here, but it was impossible, and then the recommendation of the engineers was that we construct this skyway.

MR. JONES. Will the gentleman yield?

MR. CRAMER. Yes.

MR. JONES. Mayor, you authorized the construction of this project in 1954, 2 years in advance of the authorization of the Interstate System, or the implementation of the Interstate System?

MAYOR DALEY. That is right.

MR. JONES. You were forced at that time to take positive action to accommodate the great amount of vehicular traffic?

MAYOR DALEY. That is right.

MR. JONES. That the Federal Government had talked about for years and had not done anything about. Therefore, you had ample justification at the time, with the expectation that this bridge would be used during the course of its life on a revenue producing basis, to give the city of Chicago ample room for feeling that it would be used?

MAYOR DALEY. That is right.

MR. JONES. So it comes in a different category than those projects that have been constructed after the Interstate System had been implemented by an act of Congress in 1956?

MAYOR DALEY. That is right.

MR. JONES. So you were not capable at that time, in 1954, to anticipate what the Congress might do?

MAYOR DALEY. That is right.

MR. JONES. The next question I would like to ask—further justification of what you are stating here today is based upon the traffic pat-

tern, or the use of vehicular traffic in its relationship to the downtown areas of the city of Chicago?

Mayor DALEY. That is right.

Mr. JONES. So they are not using the pattern that you originally anticipated. Therefore, with the construction of the freeways, that disconcerted all of the plans that you had formulated in 1954 which gave rise to the construction of this bridge?

Mayor DALEY. That is right.

Mr. CRAMER. In order to get the exact figures on the record, Mr. Chairman, I would like to submit them at this time.

The exact mileage of both toll and free roads that were injected into the Interstate System without reimbursement is 11,125.3, at a total construction cost of \$6,290 million. The net reimbursable amount, after depreciation, which is the amount the Federal Government would pay, if it adopted a policy of reimbursement for toll roads and free roads, would be on a nationwide basis, \$4,369 million.

So I think the Congress has to be aware of the fact that, if this is acted upon favorably, a precedent is set, not for spending \$87 million in Chicago alone, but for a total of \$4,369 million, possibly, in the future.

When these competing free highways, about which you are concerned and which apparently make the Chicago Skyway traffic insufficient to pay off the bonds and interest were built, after the 1956 act was passed, did not the city of Chicago and did not the State of Illinois suggest or make recommendations to the Bureau of the Public Roads, even knowing that the Chicago Skyway was then in existence—it was then constructed, was it not, after 1956?

Mayor DALEY. That is right.

Mr. CRAMER. And knowing, obviously having projections as to what the effect of building free roads, where they are now in competition with the toll roads, would be, why did the city of Chicago agree to the building of those free roads parallel to, as you state, and in competition with, the toll road which was already in existence? That is not the Federal Government's responsibility now is it? You people decided where you wanted them.

Mayor DALEY. I do not think that is exactly true. The Bureau of Roads as well as the State—

Mr. JONES. Will the gentleman yield?

Mr. CRAMER. In just a moment.

Mayor DALEY (continuing). Agreed upon the determined route. Our situation was that in 1939 the engineers laid out the system of freeways there we now have in Chicago. In 1939, Congressman, long before 1954. But, as we pointed out in the statement, we had no money with which to complete them. We constructed Congress Street Expressway first, as you remember, and then Northwest as the traffic congestion demanded the attention of the engineers—there are men here who will explain it—and then South. But again it could have been. No one is infallible. Engineers make mistakes, we all make mistakes. The engineers and many people estimated that when the south route was constructed, connecting Congress Street and Northwest, this would aid tremendously the traffic on the Skyway, because it would then permit you to come from the extreme north, from O'Hare Airfield, down and then south and into the Skyway,

going to Indiana. It would permit you to come over Congress Street and down.

But, in the meantime, certain things had happened. The Illinois toll road was constructed, which is another competition. This was not in being at the time. People get off now, many of them, at the last point, the end of Indiana. But we surely would not have withheld the completion under 90-10 of the south route for the Skyway because this would not have been an intelligent thing to do for the people living in the neighboring States or any other place. The people in this State are entitled to freeways, and evidently when Indiana completes the system joining Michigan and Illinois you will have a complete freeway system all the way along.

Frankly, I do not think it would be, surely, within the province of the city, after the engineers had said since 1939 this is the highway system of freeways we must have in Chicago.

Mr. CRAMER. Did not the city of Chicago have in the bond issue the same clauses contained in practically all of them, that the city would not build, or permit to be built, free roads in competition that would jeopardize the financing of the toll road?

Mayor DALEY. I do not know of any put in. I want to make it perfectly clear I was not the mayor of Chicago then.

Mr. CRAMER. I am not suggesting you were.

Mayor DALEY. I am not blaming anyone that was there. As a matter of fact, if we put our minds back to 1954 when it was constructed there was nothing else the then mayor and the city council could do but exactly what they did, hoping they were doing something not only for the people of Chicago, but for the people using this toll road coming from the east, instead of being thrown on the streets of Chicago at 106th and then fighting their way into the central area of the city.

I frankly, looking back as we do on many questions and unfolding what was originally put together, naturally, probably if we had the knowledge then we have now, we would not have constructed the Skyway.

Mr. CRAMER. You were mayor, were you not, when the free roads were built in competition with the toll road?

Mayor DALEY. I have said very plainly I am opposed to toll roads, and had I been mayor I would not have permitted the toll road in Chicago. I see no justification having one State with all freeways and another State with toll roads. Then 90-10 Federal funds should not come into the problem. We are building roads today on a 90-10 obligation.

Mr. EDMONDSON. Will the gentlemen yield?

Mr. CRAMER. I hope to get this point clarified on the record, and then I will be delighted to yield.

You were mayor, were you not—or whether you were or not does not make much difference as far as the basic question is concerned. But the city agreed, and the State, to the program, and under the law they have the power and authority to recommend locations, and do so, and the Bureau of Public Roads comes in secondarily to review. They do not tell them where to put them under the law. So that the city of Chicago and State of Illinois had the power, and exercised it, to build the free roads in competition with the toll road to create the very situation which now exists. Is that not correct?

Mayor DALEY. That is right, but the breakdown of facts and circumstances is not that easy.

What decision would the city make in 1959 or 1960 when they know the requirement of a great expressway on the south side of our city, not only for the people in Chicago, but for the people all over the area known as, I suppose, Indiana, or possibly the suburbs of Chicago, coming from Michigan? Would we say because we have a 7½-mile skyway we should not build a freeway? Is there any equity in that position? I do not care what State it is. Surely if the Congress is dealing with all of the people, then the people should be dealt with equitably whether the people got the skyway 10 years ago, or are getting a 90-10 freeway today.

This is our position. All we are saying to the Congress is what you are doing today we would like to have a part in for what in retrospect we were forced to do to take care of the needs of the people, not only of our city, but of people of many States coming into our city.

Mr. EDMONDSON. Will the gentleman yield to me?

Mr. CRAMER. I now yield to the gentleman.

Mr. EDMONDSON. I thank the gentleman for yielding, because I think the mayor is contending for a principle many of us on the committee have contended for from the first. As a matter of fact, the entire Congress has expressly stated that it accepts the principle of reimbursement for toll road mileage, and the Congress of the United States believes there should be compensation to the States for toll road mileage.

The only qualification that exists in that declaration of purpose by the Congress is a qualification that at the time we made it we did not have the money to reimburse for it.

So, Mayor, you are fighting for a principle that I am satisfied most of the members of this committee agree upon. The only question we are confronted with is, do we have the funds available now to take care of it and still carry on our building program. That is the principal problem that we are concerned with.

Down in the State of Oklahoma we have some turnpike mileage I certainly would like to see converted over to freeway mileage as soon as it is possible to do it. I think under this program that we have we are going to have to get around to doing it one of these days, too.

Of course, the problem that you have here in Chicago may very well be unique right now in the fact you have a skyway that is in default and may not be able to operate. And in that event we could really have a problem along the Interstate System if this skyway is allowed to deteriorate and is not maintained up to interstate standards. I think that would be a problem of definite Federal cognizance if it came into existence.

Mr. CRAMER. On that point, I understand you said the city has authority to maintain, in fact is maintaining that facility.

Mayor DALEY. Except if it were placed in receivership we could not operate it.

Mr. CRAMER. What?

Mayor DALEY. In receivership we could not operate it. It is a serious legal question and corporation counsel is here.

Mr. CRAMER. We will ask him when he gets on the stand.

Mr. JONES. Will the gentleman yield?

Mr. CRAMER. In just a second. Let me clarify one point first.

The gentleman from Oklahoma has stated that Congress has stated its intention with regard to reimbursement. I take issue with him, and I think properly so, and I will read part of section 114 of the Federal-Aid Highway Act of 1956 which states what Congress intention is:

It is hereby declared to be the intent and policy of the Congress to determine whether or not—

It does not say should determine—

to determine whether or not the Federal Government should equitably reimburse any State for a portion of the highways which is on the Interstate System, whether toll or free, the construction of which has been completed subsequent to August 2, 1947, or which is either in actual use or under construction by contract, for completion, awarded not later than June 30, 1957.

Mr. ROBISON. Will the gentleman yield?

Mr. CRAMER. The gentleman from New York has a bill in for the purpose of specifically stating that reimbursement should be made, and I will yield to him.

But again I say, and in answer to the gentleman from Oklahoma, this decision has not been made by Congress. Congress has said it should be considered and determined whether or not such reimbursement should be made.

The gentleman from New York has a bill to provide for such reimbursement, but again I say you are talking about \$4.3 billion-plus in Federal cost.

Now I yield to the gentleman from New York.

Mr. ROBISON. I am sure the gentleman from Oklahoma, if he will bear with me, had good intentions, but he was slightly in error in saying that Congress had agreed upon the principle of reimbursement, because my understanding of the situation was that it was the House-passed bill in 1956, which bill did pass the House first, which declared that reimbursement was the intent and the policy of Congress. But when that bill reached the other body they changed it to merely say that the policy of Congress would be merely to determine whether or not reimbursement should be made and they directed a study. So, half of the Congress has, at least once, gone on record as favoring the principle of reimbursement.

The gentleman from Florida is correct that I do have a bill in and have had a bill in, as the chairman and the subcommittee chairman well know, which would reestablish that principle of reimbursement.

Mayor, my information is that the State of Illinois ranks next to New York as having the greatest stake in, not piecemeal reimbursement, but in overall reimbursement which would cost over \$4 billion, as the gentleman from Florida has said, the Illinois claim being, I think, \$422 million, and the New York State claim being \$799 million.

I would hope that these hearings, which have been brought on by the diligence of our friend and colleague from Illinois, could be opened up so as to cover the full and broader and continuing problem of reimbursement.

Mr. EDMONDSON. If the gentleman will yield, I have the exact language.

Mr. CRAMER. I just read the language into the record.

Mr. EDMONDSON. You read part of it; you did not read all of it. I think in the interest of a complete record the whole language has to be read.

Mr. CRAMER. I certainly did not intend to restrict the language. I will be glad to yield.

Mr. EDMONDSON. I certainly agree with the gentleman that I overstated the case with regard to what Congress did enact at that time, and it was overstated unintentionally. But the full language that was present in section 114 of the act that was passed, Public Law 627, did not only declare it to be the intent and policy of the Congress to determine whether or not the Federal Government should equitably reimburse any State for a portion of a highway which is on the Interstate System, whether toll or free—and there was a controversy as to whether it should be reimbursed for free mileage, which was more acute than the question of reimbursement on toll mileage—the construction of which is either in actual use or under construction by contract, for completion, awarded not later than June 30, 1957; but—

Provided, That such highway meets the standards required by this title for the Interstate System. The time, method, and amounts of such reimbursement, if any, shall be determined by the Congress following a study which the Secretary of Commerce is hereby authorized and directed to conduct, in co-operation with the State highway departments, and other agencies as may be required, to determine which highways in the Interstate System measure up to the standards required by this title, including all related factors of cost, depreciation, participation of Federal funds, and any other items relevant thereto.

So I would say, inferentially at least, there certainly was a strong suggestion that many of us voting for this program had in mind, when we supported it, that Congress was not only intending to provide some reimbursement in the future, but it was going immediately into the question of what it should be and what roads were entitled to reimbursement.

I will grant you that I did overstate the case, and I apologize to the committee for having done it a few minutes ago. But I certainly did not overstate the understanding that all of us who have had States with substantial turnpike mileage had with regard to what was going to be taking place in the future. We did go into a pretty extensive study thereafter, and data thereafter were compiled, and a report sent back to the Congress by the Secretary of Commerce as provided by this particular section.

Mr. CRAMER. I am in agreement with the gentleman. The report was January 7, 1958, as to what the costs would be, and all of these questions were raised. I think it was generally understood, however, that the primary responsibility of the Congress in the program is to complete the Interstate System by 1972 and take no action whatever that would hamper it.

Mr. EDMONDSON. I so agree.

Mr. CRAMER. Therefore, the consideration has been, I think, if reimbursement is to be made, it should be determined whether it should be made before 1972, and certainly it should not be made if there are not adequate trust funds to take care of both toll and free road reimbursements and free road construction completion by 1972. And that is the reason why no toll road reimbursements to date have been considered by this committee.

In order to get this in focus, I call to the attention of the committee also the further question of what free road construction should take place—

Mr. JONES. Will the gentleman yield?

Mr. CRAMER. I introduced House Joint Resolution 464 to make a study of the 1972-82 construction program, including the question of toll roads or free roads reimbursement, a general study of the total question. Obviously, this Chicago situation could and should be a part of that general study as to whether reimbursement should take place.

Mr. EDMONDSON. Will the gentleman yield?

Mr. CRAMER. Yes, and then I will yield to Mr. Jones.

Mr. EDMONDSON. I appreciate the gentleman yielding again. I want to make it very clear that I think most of us who have supported the idea of reimbursement have been in accord with the statement just made that the trust fund should not be violated and should not be injured by reimbursement. I think most of us have held up pushing reimbursement legislation for that reason. But it should be noted this bill is not seeking trust fund money, it is seeking an authorization for appropriation out of the general funds. So this bill does not violate that principle of keeping inviolate the trust fund which, I would agree with the gentleman upon the generally accepted principle this committee has supported.

Mr. CRAMER. It does not bother that concept, but it bothers the concept of the highway construction on the Interstate System being paid out of the trust fund, which is road money. So paying this out of the general funds violates that concept.

I yield to Mr. Jones.

Mr. JONES. Mayor Daley, are you familiar with the enactment of the Defense Highway Act passed in 1946 and the implementation by the act of 1956? If you recall, there was a selection of routes made with the State highway departments of various States, and the Department of Defense, and the Bureau of Public Roads, in which it made general designations and allocation of mileage to the States.

Now under that authority there were no definitive rules, either in the 1946 or the 1956 act. Therefore, the selections were made in general vicinities, in general areas, as to where the road would be located.

Now in 1956 you passed authorization for the construction of the toll bridge, not knowing at that time when Congress would implement the act of 1946.

Now the State of Illinois and the city of Chicago concurred in this interstate freeway within the municipal limits of the city of Chicago. You gave approval as well as the State of Illinois?

Mayor DALEY. Yes.

Mr. JONES. Is it not equally true that the Bureau of Public Roads, in approving that project, took into account there would not be a diversion of traffic and consequently the total system would not be hurt as the result of the construction of this interstate route?

Mayor DALEY. I would think so.

Mr. JONES. I would think so too. Let me give you an example.

The city of Reno had a route going into the city, and the State highway department originally asked for \$7 or \$8 million. The Bureau of Public Roads took issue with those findings as to the location of the

road and said that, as a result of the study of traffic patterns, the route should be moved into the downtown area which would cost approximately \$25 million. So they rejected the amount asked for by the State highway department in order to secure a more available system of highways entering to discharge the vehicles in the city of Reno.

Now that was a justifiable rationale to be employed in the use of the construction of highways, because, if you do not build a highway that is going to accommodate the traveling public, you might as well not build it.

Mayor DALEY. That is right.

Mr. JONES. So here is a situation where not only did the city of Chicago make a mistake, and the State of Illinois, but the Bureau of Public Roads is equally at fault if there was a miscalculation as to this traffic.

Mayor DALEY. That is right.

Mr. CRAMER. I just have a couple of more questions, Mayor. I do not agree with the gentlemen. Obviously, the Bureau has to review, but the initial recommendation, of necessity, comes from the State.

Mr. JONES, I can cite example after example where the Bureau of Public Roads has turned down routings.

Mr. CRAMER. That is right.

Mr. JONES. For the simple reason it is too expensive or has failed to satisfy the traffic pattern.

Mr. CRAMER. The gentleman is correct, but I do not think that is the case here.

Mr. JONES. I would say that the fault would not lie with the city of Chicago or the State of Illinois for this miscalculation because the Bureau of Public Roads had an inventory and index as to all the traffic in that general area, and they should never have permitted this in the first instance if it was going to jeopardize the amount of \$87 million which Chicago provided.

Mr. CRAMER. I might say to the gentleman I am glad to see him become exercised, and properly so, that State, local, or Federal, all three responsibilities, constructed a free road, in effect, parallel to, or in the same traffic corridor, as a toll road.

Mr. JONES. I think this is to be distinguished from the discussion that you have had with the gentleman from Oklahoma. I do not think this comes in the general category of those questions which have been considered before this committee, because approval of this Interstate System would destroy the usefulness and potentiality of a bridge that had been constructed on the anticipation of revenues derived from the traffic.

Mr. CRAMER. I said I appreciated the gentleman's position because I was exercised when we had the Florida hearings, and it was the same issue but in reverse. You had in existence a free highway and the State was considering extending the Sunshine State Turnpike parallel to, or in the same traffic corridor, as the then existing interstate highway, and I raised numerous questions about it. I raised a question with the Bureau of Public Roads about it, and the Bureau of Public Roads turned it down and said we have no jurisdiction to control where the State builds a toll road. So the same principle and the same reluctance of the Bureau of Public Roads to become involved

in whatever the State wishes to do relating to toll roads exists here, obviously, as it existed in the State of Florida.

I am glad the gentleman expresses a concern about it because I have for some time.

As I understand, you answered the gentleman from Alabama that with respect to the money needed to pay the interest you expect to be in default.

MAYOR DALEY. We are in default as of July 1.

MR. CRAMER. According to the Wall Street Journal about \$3½ million. Is that correct?

MAYOR DALEY. I think the figure on the interest alone is about 2 million.

MR. CRAMER. You say the city does not have authority to make payments out of other funds of that amount. Is that true?

MAYOR DALEY. We have no funds out of which we could make the payment.

MR. CRAMER. Have you sought legislative authority to do so through the State legislature?

MAYOR DALEY. No, because we think this is a Federal responsibility.

MR. CRAMER. Then there has been no effort made by the city through the State legislature to get authority to provide funds to take care of this delinquent interest now or in the future?

MAYOR DALEY. No. But we have the director of public works of the State of Illinois here, and both the director and the Governor have supported this program in trying to devise ways and means of keeping the skyway in operation.

MR. CRAMER. That would seem—

MAYOR DALEY. The county board also. Also, very frankly, we think this matter should have the attention of the Federal Government when the same system is being used today throughout the country where expressways are constructed. We feel we have made a case. Maybe we have not. The person stating a case always feels he has the facts and justification on his side. Maybe we have not.

MR. CRAMER. I just wanted to establish it in the record that there is an alternative which has not been exhausted and is available to the city.

As I gather, the principal justification in comparing this situation in Chicago with other situations throughout the country, where those areas too would like to get Federal reimbursement for toll roads presently injected into the Interstate System, is that in Chicago the toll road is going broke. That is the principal justification. And let me point this out.

MAYOR DALEY. I think it is your right. If the toll road were paying, we would not be here.

MR. CRAMER. I understand that and appreciate your frankness about it.

But the same is true, I might say, according to the Wall Street Journal of June 27, 1963, of two other major toll highways which are failing to meet bond interest requirements. They are the West Virginia Turnpike, which earned only 66 percent of its interest needs, and the 1952 extension of the Pennsylvania Turnpike, which is not meeting its interest needs.

So, if that is the justification in taking over the Chicago toll road, I think Congress then would have a similar responsibility, if that

precedent is set, to take over the West Virginia Turnpike and possibly part of the Pennsylvania Turnpike, if, in fact, they continue not to earn the interest.

As a matter of fact, the Bureau of Public Roads has almost turned handstands to accommodate the West Virginia Turnpike by channeling all interstate traffic to the turnpike, changing routes completely throughout the State of West Virginia, forcing the traffic onto the West Virginia Turnpike, requiring the Federal Government to make available almost 200 miles more on the Interstate System to the State of West Virginia in order to try to bail out that turnpike.

But the Congress would be setting a precedent in this Chicago situation if it considers the bill favorably, and if that is the justification, that it is going broke, it seems Congress would have to consider similarly West Virginia and Pennsylvania.

MAYOR DALEY. I do not think it is as simple as that. I do not wish to be misunderstood. We are not here saying that Congress, just because we are in default, should do this if we have not presented justification for our request of the Congress.

Our justification is based on the fact that we are in this position—it is in our statement as well as having been repeated and reiterated time and time again—that this was something that was forced on the city of Chicago to accommodate the Interstate System coming from the east, and it was forced on us at that time because there had to be some decision made on what was going to be done with the traffic, whether we were going to let it come from 106th through the main central part of the city over the streets with all the congestion and traffic, with safety of human life involved, and the decision was made years before the Congress had decided on the 90-10 application of the construction of roadways.

This decision has also aggravated our case. We are not here just because of the default, we are here because while the freeway that has been constructed was intended, supposedly, to aid the skyway in meeting the financial obligation, as a matter of fact, the freeway has done just the reverse and has taken from the skyway any possibility of meeting its financial obligation. These are our reasons.

MR. CRAMER. I understand.

MAYOR DALEY. Furthermore, if one section of the city and one section of the country is entitled to freeways, which they are, we think this vast scene of manufacturing and the people who live in the south of Chicago should have a freeway out of this skyway.

MR. CRAMER. I understand that.

MAYOR DALEY. These are the reasons we like to advance as reasons for our request.

MR. CRAMER. I understand that, and that is why I asked the question as to whether the city and the State recommended these competing freeways be constructed, and your answer was yes.

That is all I have.

MR. FALLON. Mr. Baldwin.

MR. BALDWIN. Mayor Daley, you mentioned that the need for the skyway was forced by the Interstate System, and specifically the Indiana toll road. If I understand the order of events that occurred, the Indiana toll road was determined upon by the State of Indiana through its appropriate commission, and was authorized for con-

struction and was well underway, if not completed, before it was ever actually incorporated into the Federal-State Highway System. It is my recollection that at the time it was authorized to be constructed by the State of Indiana, it was designed to tie-in with the Ohio Turnpike and the Pennsylvania Turnpike, and at that time it was not on the Interstate System. The decision to incorporate it on the Interstate System came at some later date when the application was made by the State of Indiana and approved by the Bureau to bring it into the Interstate System so there would not be a competing freeway.

The only reason I go into that historical background is that this is my recollection of the order of events, and if that is accurate then the Interstate System did not force this condition, the decision of the State of Indiana to build this toll road forced it. That original decision at that time was not an Interstate decision, it was later incorporated into the Interstate System.

MAYOR DALEY. I would not know the facts, but I think some of the engineers would.

MR. BALDWIN. Could I ask a question about the date the Chicago Skyway was incorporated into the Interstate System? Do you have knowledge of that date?

MAYOR DALEY. Do you have that, Roger?

MR. NUSBAUM. No, sir, I do not have that information available.

MR. BALDWIN. I think somewhere in these hearings we should find out the date.

MAYOR DALEY. We will get it for you.

MR. BALDWIN. Could I ask this question? I notice the Chicago Skyway is a tollway, and the Tri-State Tollway is a tollway also. I presume that some traffic going from east to west, going in over the Indiana Toll Road, for example, or perhaps the Tri-State Tollway, would have the choice of going north through the skyway and then taking off west, maybe, on the Congress Street Expressway, or going on the lower route across the Tri-State Tollway. If the Chicago Skyway is made free, will the effect of that decrease the revenues on the Tri-State Tollway and therefore jeopardize the financial solvency of that route?

MAYOR DALEY. I would not be prepared to give you the answer to that because it is again conjecture, the kind of conjecture we made when the south route was completed, that the south route would actually implement the skyway and there would be more people use the skyway than would use it under ordinary circumstances coming out of Indiana. Now you see the reverse of this is true.

MR. BALDWIN. The reason I ask—

MAYOR DALEY. But we find that now—the State director is here to answer—since the freeway south there has been a decline on the toll road in Illinois. We are now at the point that anytime you have a freeway, the people will use the freeway instead of the toll road.

MR. BALDWIN. I think that is true, and this is my point.

You have mentioned the fact that a freeway near the Chicago Skyway has been the main cause for so seriously jeopardizing the solvency of the skyway, and this then raises the question—would the traffic going from east to west through Chicago if they then have a complete free routing going north by the Chicago Skyway and then taking off west on the Congress Street Expressway—would not that divert a

considerable amount of traffic to that route that might today be using the Tri-State Tollway, and therefore jeopardize the financial security of the Tri-State Tollway?

MAYOR DALEY. I do not contend the 7½ miles would not be a material factor in that question. I think the fact is you would have to have a study of origin and destination and find out how many come out of Indiana on the Indiana toll road and use the toll system. I think maybe some of the engineers have it, but I would not be able to answer it, Congressman.

MR. BALDWIN. There is one other question I have with regard to the financial figures. It is my understanding that \$101 million of bonds have been issued. Is that right?

MAYOR DALEY. That is right.

MR. BALDWIN. And that this bill provides for the sum of \$87 million of Federal funds to be authorized. If the purpose of this \$87 million is to purchase back the \$101 million of bonds that have been sold, where would the additional \$14 million come from to make that possible?

MAYOR DALEY. We hope to be able to convince the State, county, and city to participate, as we have in the great expressway program, in paying a portion of the additional money from each governmental agency. We do not know, to be honest. I am sure we will do it through the governmental agencies, State, county and city, working it out some way where we would have the additional \$14 million.

MR. BALDWIN. Following this up a step further, I understood from an earlier comment that the \$87 million was perhaps the actual construction cost. There was a question raised earlier as to whether the \$87 million was figured on the 90-10 basis, and I think some gentleman of your group said—

MAYOR DALEY. Said "No."

MR. BALDWIN. That is right. This was actually a hundred percent of the actual construction costs?

MAYOR DALEY. That is right.

MR. BALDWIN. So the additional \$14 million in bonds would have been for the payment of interest the first 2 or 3 years, and things of that kind, financing and so on?

MAYOR DALEY. That is right.

MR. BALDWIN. If the \$87 million is 100 percent of the actual construction cost, where is the 10 percent going to come from besides the other \$14 million?

MAYOR DALEY. This is another hypothetical question as to whether we are asking it under the Federal road system or out of the general fund. If the Congress decides it is to be paid under the general fund, then of course it would remain \$87 million. If it were to be paid out of the system used in the Federal grant, it would be 10 percent of the \$87 million.

MR. BALDWIN. Do I understand, then, it is the proposal of the city of Chicago that the Federal Government pay a hundred percent for this particular road?

MAYOR DALEY. Not the total cost. There is still \$14 million in the construction of the road.

MR. BALDWIN. If I understand it correctly, the \$14 million was not actual highway construction costs, it was the payment of interest for the first 2 or 3 years.

Mayor DALEY. The payment for the cost of construction of the highway, which you pay in anyway. I think we have a sheet, Congressman, that Mr. Loser will probably explain to the committee. I think it is broken down in detail.

Mr. BALDWIN. The cost of constructing and financing the toll road is not the same as the cost of constructing a free highway because the cost of financing the bond issue, that is, paying some firm to actually handle the financing of it, and the cost of paying the interest or amortization for either 2 or 3 or 4 years between the time the bonds are floated and the completion of the highway when the revenues are due, are different and beyond the cost of constructing a free road.

Mayor DALEY. Do you have a copy of this sheet? This is from the city comptroller. I think this will explain and answer your question.

Mr. KLUCZYNSKI. We will have the deputy comptroller here, who has all the figures, he will explain everything, and will be open for questioning.

Mr. BALDWIN. Thank you, Mr. Kluczynski. I want to say, Mr. Mayor, Congressman Kluczynski is a very responsible and respected member of this committee, and he has rendered great service to his country on this committee.

I am just anxious to get the facts on this financing. If I understand it then, the \$87 million that is proposed in this bill would provide for a 100-percent reimbursement of the actual cost of construction of the road.

Mayor DALEY. Mr. Loser, can you answer that?

This is our deputy comptroller.

Mr. KLUCZYNSKI. Mr. Loser will testify later.

Mr. LOSER. Mr. Chairman, honorable members of this committee, ladies and gentlemen, I will attempt to answer this question.

We have a financial report covering the operation of the skyway since its inception. That report will show that the total cost to the city of Chicago, including interest paid during the construction period and amortization of part of our discount was \$100,700,000.

Interest and amortization of bond discount was \$14 million, leaving a balance of \$86,700,000. And that was the basis on which the \$87 million was estimated.

We deduct the cost of toll equipment and other equipment—\$1,400,000, giving a balance of \$85,300,000.

On the 90 percent basis, the city share of the cost would be 10 percent, or \$8,530,000, leaving a balance, which would represent the Federal share on a 90-10 basis, of \$76,770,000.

These are the actual costs as incurred during the construction period 1955-1956-1957. The toll equipment was erected in 1958 and the bridge opened to traffic April 16, 1958.

Mr. BALDWIN. My question is: Is the city of Chicago advocating a bill to authorize a 90 percent Federal payment as you say, \$76,770,000, or is the city of Chicago advocating a 100 percent Federal payment, which is the bill before us, \$87 million?

Mr. LOSER. \$76,770,000.

Mr. BALDWIN. So you would want the bill amended to the lower sum?

Mr. LOSER. That is correct.

Mr. BALDWIN. Thank you.

Mr. FALLON. Mr. Robinson.

Mr. ROBINSON. Mayor, I certainly want to welcome you here this morning, because your considerable influence, plus Mr. Kluczynski's persistent knocking on the door, has at least accomplished something which I have wanted this committee to do for a long time, and that is to open the door a little bit and focus our attention on the vexing and persistent problem of highway reimbursement, brought about as the result of the construction of the Interstate System.

I want to say to you, sir, that I am wholly sympathetic to your problem, but I do not know if I can support what seems to me now to amount to only partial reimbursement, treating some people differently from all others who have a stake in the same overall problem.

Now I want to suggest this to you, as I may not have a chance to see you again, and probably will not: If this bill should fail of enactment—I have no way of knowing whether it will or not, but if it should—I would hope, sir, you would lend your considerable influence to taking the leadership in your State to see if you cannot, in cooperation with the other States who have the biggest stake in this overall problem, come to Congress, come to this committee, with a suggestion for the method and manner of overall reimbursement, including your own skyway.

This, it seems to me, has been one of the things which this committee has never really had from anybody, the Bureau of Public Roads or the States; that is, any specific plan as to how reimbursement should be provided. I think, eventually, it will be provided along the lines of freeing all of the toll roads or toll turnpikes that are now a part of the Interstate System, as you propose to do here, so that the Interstate System would eventually go back to its original concept as a free system across the Nation.

I hope if this bill does not pass, Mr. Mayor, you would take the leadership in your State and work with the other States that have a very large and proper interest in broad legislation of this sort.

Mayor DALEY. I would hope, Congressman, you would support this bill and maybe that would open the door to the problem that you are talking about. If we once get our foot in the door—

Mr. ROBINSON. If I support your bill, will you support my bill?

Mr. KLUCZYNSKI. Mr. Chairman, I am just wondering if we can meet this afternoon.

Mr. FALLON. I am just going to help you out. Do the members want to sit?

Mr. KLUCZYNSKI. I would like to get permission for the committee to sit this afternoon because I would like to complete the testimony of the proponents.

Mr. FALLON. I know all of your people are from out of town, so we will meet this afternoon if it can be arranged.

Mr. KLUCZYNSKI. I hope one of the members will ask permission to sit during debate.

Mr. FALLON. John, will you delegate one of the members?

Mr. KLUCZYNSKI. I will ask Ken Gray.

Mr. GRAY. I will do it.

Mr. KLUCZYNSKI. Mr. Chairman, we have some very important witnesses who have the facts on the skyway. The Chicago Skyway, as you know, is a unique situation. It is a hardship case. And we here,

as members of the Public Works Committee of the House, have discussed reimbursement and have ever since we voted for the Interstate System. Certainly there is going to be some reimbursement to the States someday.

Mr. Robison, I know your situation, and the chairman of the full committee talks about reimbursement for New York. This may be a precedent, but, gentlemen, we are entitled to this. This is a hardship case, and we have the men who will present the facts. Ask all the questions you will, and I think we can explain it to you, and you will understand it.

We were forced to build the Chicago Skyway. We needed this and we had to get the traffic from Indiana and Michigan taken care of. They terminated the Indiana toll road right at 106th and Indianapolis Boulevard, one of the busiest intersections on the South Side of Chicago. We had to do something to alleviate all of that congestion.

Before calling the next witness, Mr. Chairman, we have a neighboring Congressman here, Ray Madden, who has not a prepared statement, but he has heard of the meeting this morning, and will just take a few minutes.

Mr. OLSEN. Mr. Chairman, I want to make one statement before the mayor leaves to give him a little encouragement from out in the country.

Mr. KLUCZYNSKI. Mr. Olsen of Montana.

Mr. OLSEN. A State like Montana could not have gotten out of the mud if it was not for the Federal aid system. From my vantage point, I see the great cities of America today even pay the lion's share of taxes and do not get their share of the benefits.

I think these tollways, all of them, ought to be reimbursed, ought to be made freeways in the same Federal aid system we have had the benefit of out in the country, in Montana, and I hope your bill passes, and I hope Mr. Robison brings a bill in and I hope his bill passes too.

Mr. KLUCZYNSKI. Mr. Robison, I will vote for this legislation as well.

Mr. ROBISON. Thank you.

Mr. FALLON. I want, on behalf of the subcommittee, to thank Mayor Daley for coming here this morning.

Mayor DALEY. Thank you.

Mr. FALLON. Mr. Madden.

STATEMENT OF HON. RAY J. MADDEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA

Mr. MADDEN. Mr. Chairman, an hour ago I did not know this meeting was on. I am not representing anybody outside of myself and the First Congressional District of Indiana.

It just scares me to think that something would happen to that 7½ miles there, because it is located in the center of the most intense critical traffic situation in the United States.

I have made this statement before: Up until about 15 years ago—I do not know whether this has changed or not—traffic running through my district, through the Calumet region of Indiana into Chicago and going east and west, is the second most critical traffic situation in the United States. I think the first is the Boston Post Road from New York to Boston.

Let me say this: When my good friend Congressman Cramer was mentioning about West Virginia and so on and so forth, there is no question about this little strip there being compared with any other area that I know of as far as toll roads are concerned.

In my district I have seen three and four times a day a change of shifts. There are three major steel mills in my district, and every oil company in the United States has a refinery in my district. Some of them stretch into South Chicago. We have over 200 major industries in my district. I have seen workmen coming out of these mills and refineries at change of shifts and just bumper to bumper for 4 and 5 miles, and sometimes it takes them 2 hours to get home. I have seen that condition in my district.

So when you compare that little strip of land with some toll road down in West Virginia or Colorado or someplace else, there is no comparison at all. That little strip there is a link, and if something were to happen to it, as Mayor Daley stated, if that would deteriorate and go down, it is a national problem, the traffic in this particular area, in the Chicago area.

There are 6 million and more people in that area. When I came to Congress in 1942, January 1943, we had 340,000 people in my district, and today we have 600,000. And people in my district work in Chicago and people in Chicago work out in the mills in my district. It is the procession of traffic back and forth.

I say this is a national problem. It is not a local problem, that little strip there, for this reason: The people from New York and Pennsylvania and West Virginia and Florida and the people from the West travel into Chicago, and they travel down to go east, and they have to come through my district, and they have the skyway and the toll roads. In another 10 years we will need more highways through that district.

I am going to submit a statement here, Mr. Chairman. As I say, I did not intend to say anything on this, but it would be an absolute catastrophe in my area if something would happen to that skyway.

And our traffic is a national problem. It is not a local problem. There is no congestion in New York City or Boston or Florida or anywhere in the country that compares with that particular spot right in there, because all of the traffic from the north, from the west, comes down through my district, and all of the traffic west goes through there.

So it is a national problem, Mr. Chairman, and I do hope that you give this situation consideration and do not try to compare it with what is going to happen in the future on other toll roads. This is not comparable in any degree whatsoever with what may happen to some other toll road that goes awry financially. This here is a link, and if something happened to it it would cause inestimable additional traffic hazards going in and out of Chicago, and it would hit my district particularly.

Thank you.

Mr. FALLON. Thank you very much.

Mr. KLUCZYNSKI. Mr. Chairman, the next witness will be Mr. Nusbäum, the deputy chief highway engineer of the Illinois Division of Highways.

STATEMENT OF ROGER F. NUSBAUM, DEPUTY CHIEF HIGHWAY ENGINEER, ILLINOIS DIVISION OF HIGHWAYS, CHICAGO, ILL.

Mr. NUSBAUM. Chairman Fallon and distinguished members of the committee, with your permission, I will briefly report what I have prepared on behalf of the Illinois Division of Highways, which represents the views of the division of highways on this matter, and further request this report be made a part of the record of this hearing.

The report covers the facts concerning the Chicago Skyway relative to its purchase with Federal assistance.

It is broken down into parts, the first part dealing with the relationship of the Chicago Skyway to the Interstate and Defense Highway System.

1. Relationship of Chicago Skyway to the Interstate and Defense highway system: The Chicago Skyway is an important integral part of Interstate Route 94 which starts at Billings, Mont., and ends at Port Huron, Mich. It is the most northerly east-west transcontinental route in the Interstate and Defense Highway System. In addition, the skyway provides the only direct interstate highway link between the concentrated industrial area of northwestern Indiana (Gary, Hammond, East Chicago, and Whiting) and Metropolitan Chicago.

The next section of the report deals with the chronology of events leading to the decision to construct the skyway.

In December of 1954, when the city of Chicago committed itself to construct the skyway with bond financing, no other means of financing was available.

At that time, the Nation's top highway planners had recognized the pressing need for the Interstate Highway System. However, the enabling Federal legislation was not enacted until mid-1956. In December of 1954 Chicago was confronted with the fact that an access-controlled highway was under construction from the Eastern States to the Chicago corporate limits at the Indiana State line.

It was considered imperative to start immediate construction on the skyway so as to avoid intolerable traffic congestion in the southeast section of the city. It would not have been in the public interest to delay construction in speculation of the passage of legislation to provide the necessary financing.

Next is the chronology of events related to the financing and construction of the skyway.

The skyway was conceived, planned, and committed by the sale of bonds 18 months prior to the enactment of the 1956 Federal-Aid Highway Act which provided for the construction of the Interstate and Defense Highway System.

April 1954—City council authorized feasibility study.

December 1954—City council authorized sale of bonds.

December 22, 1954—Contract executed with bankers for purchase of bonds.

May 1955—Engineering contracts awarded.

April 1956—First actual construction started.

April 16, 1958—Skyway opened to traffic.

Next is the summary of cost of constructing skyway.

This was touched upon by Mr. Loser previously. We will go into these figures in detail later in the hearing.

Basically, the summary shows the amount of the bond issue is \$101 million.

The estimated interest to be earned during the period of construction and how these moneys would be expended is shown. It also includes a tabulation of the actual expenditures that were made.

The next section of this report covers "Impact of Completion of 'Free' Interstate Routes in the Chicago Area on Skyway Traffic and Revenues." Mr. Pikarsky will point out some of these routes as I refer to them on the report.

The Congress Expressway (Federal Aid Interstate Route 90) was opened to traffic in its entirety on October 12, 1960. The Northwest Expressway (Federal Aid Interstate Route 94) was opened to traffic in its entirety on November 5, 1960. The Dan Ryan Expressway (Federal Aid Interstate Routes 90 and 94) was opened to traffic in its entirety on December 15, 1962. The impact of the completion of these three "free" expressways on the skyway, the Illinois Tollway, and the Indiana Toll Road is demonstrated in the captions on the attached map on page 6.

It may be noted from captions on the map that approximately one out of every five vehicles using the Tristate Tollway in southern Cook County was diverted by the opening of the free interstate expressways.

The Indiana tollway suffered a loss of approximately 25 percent of the traffic which formerly used the tollway for trips between the 141st Street exit in Hammond, Ind., and the Illinois State line. It was expected that the opening of the Dan Ryan Expressway, with its direct connection to the skyway at 67th Street, would result in a material increase in the usage and revenue of the skyway. Instead, the Chicago Skyway, which could least afford a loss, also suffered a substantial reduction in traffic and revenue.

6. A traffic analysis made by the Chicago area transportation study staff indicates that if the skyway were to be made toll free with additional ramps, the present average daily usage would increase from 138,000 vehicle-miles per day to 250,000 vehicle-miles per day, an increase of 81 percent. The analysis indicates that in 1968 the average daily usage would approximate 423,000 vehicle-miles per day, an increase of 206 percent over present usage as a toll facility.

The final section of the report lists seven basic reasons why Federal Government should assist in the purchase of skyway:

- (1) It is a short but important link in Route 94 of the Interstate and Defense Highway System.

- (2) If the commitment to construct the skyway had been delayed 18 months, the Federal Government would have reimbursed the State for 90 percent of the cost under the terms of the 1956 Federal-Aid Highway Act and the route would have been toll free.

- (3) The commitment to construct the skyway could not be delayed.

- (4) The city of Chicago proceeded with the construction of the skyway in good faith in realization that it was an urgently needed highway link for interstate traffic.

- (5) The completion of competing free interstate routes, financed by the Federal Government, have made it impossible for the skyway to earn sufficient revenue to retire its debt.

(6) If the skyway were not in existence today, the Federal Government would require its construction and finance 90 percent of the cost.

(7) The skyway was constructed under provisions of the State statutes permitting the construction of toll bridges. The skyway is classified as a "toll bridge" over the Calumet River. These statutes restrict the entrance and exit facilities to force all traffic to cross the Calumet River. In effect, this limits the skyway to the use of interstate traffic desiring to travel to and from Indiana. As a free route, additional expressway service could be made available to thousands of residents of the South Chicago industrial district.

Mr. FALLON. Thank you very much, Mr. Nusbaum. Are there any questions on my right?

Mr. BALDWIN. Mr. Nusbaum, you are a member of the Illinois Division of Highways, and I assume that you would have the answer to the question of what was the date that this Chicago Skyway was actually incorporated in the Interstate System?

Mr. NUSBAUM. I do not have that date with me. However, if we convene this afternoon, I will call our office and have that information available.

Mr. BALDWIN. Thank you.

A second question: You mentioned if the Chicago Skyway were made toll free, your estimate shows, the daily usage would increase from 138,000 vehicle-miles a day to 250,000 vehicle-miles per day, an increase of 81 percent. Do your studies show what percentage of that increase will come from the Tri-state Tollway?

Mr. NUSBAUM. No, sir. However, it is my opinion that a very small amount would come from the Tristate tollway. Because, with the opening of the Dan Ryan Expressway, the Illinois tollway suffered a loss in its southern section of approximately one out of five vehicles; we believe that the effect has already been felt from the construction of the Dan Ryan, and that the difference in choice would be between people who are now using the free Route 90 or the Calumet Expressway to be diverted over onto the skyway.

Mr. BALDWIN. I am a little curious. Your estimates are quite specific that you feel the increase would be 81 percent if this were made free. But I got the impression you do not have exact estimates as to where this 81 percent increase will come from. It has got to come from some other route.

Mr. NUSBAUM. I might explain how we arrived at these calculations. In Chicago we have had a Chicago area transportation study which uses electronic computer methods of determining traffic flow based on origin and destination and are fed into the computer. Through the programing method of this computer we are able to ask the computer questions as to, under a certain set of conditions, how would the traffic flow, how much of it would go here, how much of it would go here. These results were supplied to us by the computer that is used in the Chicago area transportation study. It would be very difficult to tell exactly what routes each of these cars was previously using.

Mr. BALDWIN. Thank you.

Mr. FALLON. Mr. Robison.

Mr. ROBISON. Just a couple of questions.

On page 4 of your statement you set forth a number of basic reasons, as you call them, why the Federal Government should assist in freeing your skyway.

The second one of those says:

* * * If the commitment to construct the Skyway had been delayed 18 months, the Federal Government would have reimbursed the State for 90 percent of the cost under the terms of the 1956 Federal-Aid Highway Act and the route would have been toll free.

This is a hundred percent true, and I think it also applies, in the same fashion, to almost all of the other portions of the Interstate System which were constructed prior to the date of authorization of the Interstate Highway System, including our New York State mileage.

I do not know if you know, but Illinois has probably been penalized for this progressive action on your part, as New York State has been penalized, by virtue of the fact that the allocation of the rest of our interstate moneys is given to us, as it is to all other States, on the basis of a formula which takes into consideration the amount of interstate mileage already completed within the State. In New York, for instance, by virtue of the fact that our thruway is incorporated in the Interstate System, our allocation is reduced approximately by one-half. I assume it is also so in Illinois, and in general, because you have a good many miles incorporated in the Interstate System, and I assume your allocation has been reduced by virtue of that fact. Is that correct?

Mr. NUSBAUM. That is correct.

Mr. ROBISON. I am also interested in No. 4, the last reason on page 4, in which you refer to competing free interstate routes. If I understand you, the Dan Ryan Expressway was not really expected to be a competing route; it was supposed to help. Is that right?

Mr. NUSBAUM. That is so. The routes which were referred to as competing routes, we had not, the city had not, nor had the Bureau of Public Roads, anticipated they would be competing routes. It developed they were competing routes after they were built and in existence.

Mr. ROBISON. Did they make a study to try to determine in advance that these would not "compete," but would assist the skyway? Do you know?

Mr. NUSBAUM. I do not.

Mr. ROBISON. I assume they must have.

Mr. NUSBAUM. I am certain that was included in the study of traffic that would use the skyway prior to construction on the skyway.

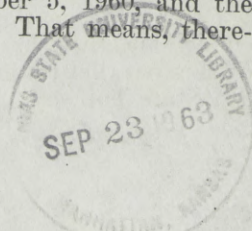
Mr. BALDWIN. Will the gentleman yield?

Mr. ROBISON. Yes.

Mr. BALDWIN. Mr. Nusbaum, when was the skyway opened to traffic?

Mr. NUSBAUM. April 16, 1958.

Mr. BALDWIN. Your statement mentioned that the three freeways which have caused all of these difficulties were opened—the Congress Street Expressway was opened to traffic on October 12, 1960, the Northwest Expressway was opened on November 5, 1960, and the Dan Ryan Expressway on December 15, 1962. That means, there-



fore, that the Chicago Skyway was open almost 2 years before any of these three freeways which you have mentioned as causing the difficulty.

How did the Chicago Skyway do in those 2 years prior to the time it had these three competing expressways?

Mr. NUSBAUM. I am not able to answer that question. However, the manager of the skyway will testify following me, Mr. McDonough.

Mr. BALDWIN. Is it not true that the Chicago Skyway, as I understood it from the mayor's testimony by implication, since its opening has never actually received revenues commensurate to the bond amortization requirements?

Mr. NUSBAUM. This is my understanding. I should like to point out that in the design and construction of the skyway, it was known and anticipated it would connect with the Dan Ryan Expressway, which was to become the major point of egress to the skyway from the Chicago downtown area or the metropolitan area itself. During the early years of operation, in fact prior to December 15, 1962, the Dan Ryan Expressway was not in existence. It was hoped that when the Dan Ryan Expressway was completed and connected to this that the skyway revenues would be greatly increased and we were in error on this matter. We were all in error. And this did not develop to be the case.

Mr. BALDWIN. The only thing I wanted to bring out is that part of the testimony which has been given so far has been that the Federal Government has apparently contributed, or been a major factor in making the Chicago Skyway financially not solvent by its participation financially in the construction of these three freeways. But since the facts apparently show the Chicago Skyway was not financially solvent in the 2 years before any one of these three freeways was built, then it seems to me it is not exactly in order to say that the Federal Government's efforts in assisting financially these three freeways has caused this financial problem. It must be something deeper than that if the financial problem existed even before any of these three freeways was actually opened to traffic.

Mr. NUSBAUM. I am not certain that I sorted your question out of what you said, Congressman, but I think what you have said, if I understood correctly, is that all of the woes of the skyway are not due to the Dan Ryan Freeway.

Mr. BALDWIN. That is right.

Mr. NUSBAUM. I think you are definitely right in that statement. But it was the last one of them, the straw that broke the camel's back.

Mr. CRAMER. Mr. Chairman, I have one or two questions of Mr. Nusbaum.

In your statement, on page 4, you state that if this were a toll-free facility, meaning the Chicago Skyway, the present average daily usage would increase from 138,000 vehicle-miles per day to 250,000 vehicle-miles per day, an increase of 81 percent. And further:

The analysis indicated that in 1980 the average daily usage would approximate 423,000 vehicle-miles per day, an increase of 206 percent over present usage as a toll facility.

I think the gentleman from California has brought into this discussion and these hearings a very important question, how the freeing of this parallel route, making it a freeway, would affect the existing Tri-State Tollway. Do you have a breakdown of these figures as to

how many of those vehicle-miles are expected to be taken off of the Tri-State Tollway and attracted to the Chicago Skyway if it is a freeway? What portion of that comes off this other toll road? By freeing one toll road are we creating an equally serious problem relating to another toll road? If so, you may be in asking for the freeing of that toll road because it cannot finance itself.

Mr. NUSBAUM. Congressman, I do not have the breakdown of the percent of traffic that would be diverted from the Tri-State Tollway. However, it is my opinion that the diversion would be very minimal. The overall effect on the revenues of the Illinois Tollway system of the opening of the Dan Ryan Expressway, I am advised by the chief engineer of the Illinois Tollway Commission, is approximately 4 percent.

Mr. CRAMER. How much?

Mr. NUSBAUM. Four percent. This is comparing June of 1962 with June of 1963. It is my opinion that the effect of the Dan Ryan opening has a major effect on the Tri-State Tollway, and that the freeing of the Chicago Skyway would merely rebalance traffic between that now using the free Route 90, Calumet Expressway, into Chicago, and divert that traffic around to the skyway.

Mr. CRAMER. What is the toll on the Tri-State Tollway as compared to the Chicago Skyway?

Mr. NUSBAUM. The toll on the Tri-State Tollway is 30 cents at each barrier. They have barriers at various distances all along the route. I am not able to say what it is per mile, but I understand it is somewhere in the neighborhood of 2 or 2½ cents per mile. On the Chicago Skyway the toll is also 30 cents, and it is 30 cents for the 7¾-mile trip.

Mr. CRAMER. There are other toll routes on the Interstate System presently in existence in Illinois, are there not, other than the Chicago Skyway?

Mr. NUSBAUM. On the Interstate System?

Mr. CRAMER. Right.

Mr. NUSBAUM. Yes, sir. The Tri-State Tollway is known as Interstate Route 294, and a portion of Route 90 also follows the Illinois Tollway system to Rockford.

Mr. CRAMER. How many miles of toll roads are on the Interstate System in Illinois?

Mr. NUSBAUM. I cannot say exactly, Congressman. I would estimate around 170.

Mr. CRAMER. How do you differentiate between the Chicago Skyway reimbursement and reimbursement for the balance of the mileage on the toll roads on the Interstate System? Why is this a unique situation?

Mr. NUSBAUM. I certainly would feel that each problem of this nature should be considered on its own merit. We do feel that this is unique in that Chicago is confronted with the situation of having these toll roads extended from the east right to its doorstep. It was certainly in the public interest that something be done, and in good faith the city proceeded with the construction of this skyway. It has now reached the point where it is obvious it will not pay off, and it is strictly a hardship case.

I know in buying rights-of-way for highways we try to buy in progressional order down the page, but sometimes we have hardship

cases where we have to step in and buy the property out of order so the people can make other financial arrangements.

Mr. CRAMER. That leads me to this question: Is it your opinion, and is that the presentation you are making to the committee, that the test as to whether reimbursement should be made, at least at this time, let's say, should be the toll road facility is having financial trouble, not only in Chicago but in West Virginia and other places?

Mr. NUSBAUM. As Mayor Daley said before I sat down here, if the tollway were not in financial trouble we would not be here.

Mr. CRAMER. I know, but the Congress has to make a basic policy decision, which is one that you see has been kicking around for some time and probably will be for years to come until the time the decision is made, as to in what instances, and if at all, toll roads should be reimbursed. I am asking you, as a policy question, what is your opinion? You are a highway authority. What is your opinion as to when and under what circumstances, if any, the Federal Government should reimburse for toll road facilities on the Interstate System?

Mr. NUSBAUM. My opinion would be that where a clear showing can be made that the effect of the construction of the Interstate System has imperiled the ability of the tollway to remain financially sound that consideration should be given to the Federal Government stepping in and providing some nature of aid.

Mr. CRAMER. You could argue that the building of the Dan Ryan Expressway, which was 90 percent Federal money, helped finance the Chicago Skyway. The Federal Government has already contributed quite substantially to the adequate financing of the skyway, would you not say, by providing 90 percent funds for the Dan Ryan and Congress Street Expressways?

Mr. NUSBAUM. I do not believe that those can be considered in their direct relation to the Calumet Skyway, Chicago Skyway. They are a part of our Interstate System in Chicago, which our people are certainly entitled to. We are entitled to an interstate highway network in the Chicago area the same as any other city.

Mr. CRAMER. Is it your position, as a well-qualified highway administrator, that the State of Illinois is going to be satisfied with respect to reimbursement, if the Federal Government reimburses only the skyway? Or are you going to be seeking reimbursement for the total 170 miles on the Interstate System that is toll road?

Mr. NUSBAUM. I cannot express an opinion on that, Congressman. Possibly the director of our department might when he testifies later.

Mr. CRAMER. I understand that some consideration is being given to the injection of an additional toll road into the Interstate System, Interstate 80, by the State of Illinois. Do you have any information on that? It is south of Chicago.

Mr. NUSBAUM. No, sir; I have no knowledge that would be helpful here.

Mr. CRAMER. Who is going to be a witness that would have that information?

Mr. NUSBAUM. The director of the department of public works and buildings.

Mr. CRAMER. I have one other question. You are, in effect, presenting to this Congress the position that, No. 1, this toll road is in financial trouble and should be bailed out.

No. 2, the reason it is in trouble is because the Federal Government participated in projects that are competing with it and, therefore, the Federal Government should have the responsibility to pay part of its cost. Whose responsibility was it that put those three roads where they are now in competition with the toll roads? It is not the Federal Government's responsibility; it is the State and local community, is it not? You made the decision.

Mr. NUSBAUM. Congressman, I do not think any of the three agencies can point a finger at the other. We are all in this together. The local government, the State government, and the Federal Government all concurred that this was a sound plan, and it developed that it was not. But I think the Federal Government is a partner in this and that they made the same mistake we did right along with us. We hope they are 90-percent partners in this case.

Mr. CRAMER. That is very interesting, because the States have up to this date, and the Bureau has concurred, taken the position that what the State does on a toll road is the State's business. Until the last few months, anyway, that has been the case. That is what they told me in Florida—what the State of Florida does on a toll road is Florida's business, and the Bureau of Public Roads does not have any power to review what the State does when it selects toll roads. Until very recent months, that has been the position.

We had a similar argument, as I am sure my good friend Mr. Kluczynski, in the Buffalo area, where a couple of 1- or 2-mile section's of toll road were placed on the Interstate System. Should the State have permitted it, and if it did and was wrong, should the Bureau say anything about it? Did the Bureau have the power to stop it? The Bureau said no, that it is a State responsibility.

But now you are asking the Congress to take a position in reverse, and that is, if the State built a toll road and then subsequently agreed to and recommended the location of free roads, which under the law is the State and the local community's prerogative, the Federal Government should come in and correct the mistake first made, perhaps, by the State exclusively in building the toll road where it did, and then constructing a competing parallel free road. Does that make sense?

Mr. NUSBAUM. Congressman, the original act that established the Interstate System—I am not talking about the enabling act, this is back before those days. You gentlemen could tell me when it may have been. That established the location of routes where it defined it between certain cities. Actually, for these routes that terminate in Chicago, they are going to have to come into the hub of Chicago. So when we talk about whether a facility should be located parallel with one street for a quarter of a mile, it was just inherent in this thing that there would be competition, which is something that certainly was not anticipated by the highway planners at either the local, State, or Federal level.

Mr. CRAMER. How could your agency anticipate that a competing free system, or free highway, to be built in the same traffic corridor, would have no effect on toll road revenues? How can you possibly avoid a contrary conclusion?

Mr. NUSBAUM. We believed certainly that the completion of the Dan Ryan would introduce traffic on the Chicago Skyway that was not there previously. In this regard it is a positive or good effect. But

at the same time, the completion of the portion to the south, which permitted bypassing the skyway, was a detriment or a negative effect.

It was our failure to measure the magnitude of the two that resulted in this problem.

MR. CRAMER. That was the State failure?

MR. NUSBAUM. It was the joint failure of the Federal Government, State government, and the local government.

MR. CRAMER. That is all the questions I have, Mr. Chairman.

MR. FALLON. Are there any more questions by the committee?

MR. CRAMER. I have just one more question, if I may, Mr. Chairman, as to the cost of construction of the Chicago Skyway, which you are asking the Federal Government to reimburse. I understand it was built under the Bridge Act, under which the local communities only have power to build toll bridges; is that right?

MR. NUSBAUM. This is my understanding—that this was built under the State statute that permits the construction of a bridge, a toll bridge.

MR. CRAMER. That is a mighty long bridge; it is $7\frac{1}{2}$ miles. It may be the longest bridge in the world. Is it one of the longest bridges?

MR. KLUCZYNSKI. I imagine the bridge is about a mile long.

MR. CRAMER. And the bridge built under the Bridge Act is $7\frac{1}{2}$ miles.

MR. NUSBAUM. These are approaches to the bridge. The bridge is not $7\frac{1}{2}$ miles, but the total length of the approaches on either side makes the total length $7\frac{3}{4}$ miles.

MR. CRAMER. The city only had authority to build bridges, under the toll authority given to the communities by the State; is that right?

MR. NUSBAUM. This is my understanding. The corporation counsel of the city is going to testify following me, and, as this is a legal point, I believe he is better qualified to answer than I am.

MR. CRAMER. The point I am getting at is obvious, and perhaps he can help clarify it. But it is obvious, if the city intentionally provided for more bridge structure than was needed to satisfy the need of the area and thus substantially increased the cost unnecessarily in order just to conform to the limited authority they had for building bridges, that is something the Congress and the Bureau of Public Roads would have to take into consideration if it were inclined to reimbursement. In other words, if you had more of a bridge structure than needed, is it your opinion that all the bridge structure in existence, the length of it, 4.6 miles, is needed?

MR. NUSBAUM. Very definitely. I mean this traffic in the east end was tied into the Indiana toll road, which was a part of the Interstate System. The hourly traffic volumes were 11,000 vehicles per hour projected to terminate at this point, and we certainly could not build a bridge and empty 11,000 vehicles per hour during the rush periods into local residential streets that were incapable of handling this volume. For that reason it was necessary to go a little further on the west side to tie into some major artery capable of accommodating the volume.

MR. CRAMER. As an elevated highway?

MR. NUSBAUM. Whether elevated or grade made no difference. The point was it had to terminate at some point capable of absorbing tremendous volumes of traffic.

MR. CRAMER. I understand that. My only question is Did it need to be that long a bridge compared to a ground-level structure.

Mr. NUSBAUM. Sir, the bridge is not that long. Portions of this bridge are built on embankments.

Mr. CRAMER. I understand 4.6 miles is the bridge and total length of the bridge and highway comprising the skyway is 7.5. Is not that correct?

Mr. NUSBAUM. I could not say.

Mr. CRAMER. I have one other question. In your statement on page 3, under construction and equipment, which is the basis for the Federal reimbursement, you have the figure \$67,644,000. Does that include any of the toll facilities or the toll plazas or the increased width to accommodate the toll plaza and so forth?

Mr. NUSBAUM. May I consult Mr. Loser who is the Deputy Comptroller. He supplied these figures for me.

Mr. CRAMER. Is he going to testify?

Mr. KLUCZYNSKI. Right.

Mr. CRAMER. That is all right. I will ask him.

Mr. FALLON. Are there more questions?

Thank you very much. The committee will recess until 2 o'clock.

Mr. KLUCZYNSKI. Before you recess, Mr. Chairman, I would like to ask unanimous consent that Congressman William T. Murphy of Illinois be allowed to place his statement in the record.

Mr. FALLON. Without objection, it is so ordered.

(The statement follows:)

STATEMENT OF HON. WILLIAM T. MURPHY OF ILLINOIS

Mr. Chairman, thank you for this opportunity to testify before the Subcommittee on Roads of the House Committee on Public Works, relative to H.R. 6289, which provides that the Chicago Skyway (Calumet Skyway toll bridge) shall be operated as a freeway.

Under this legislation, the skyway will be operated as a freeway and the Secretary of Commerce will be authorized to pay to the city of Chicago the sum and not to exceed \$87 million.

I was a member of the Chicago City Council in 1958 when the Calumet Skyway went into operation. This highway was an extension of the toll roads of Pennsylvania, Ohio, and Indiana and is the major entry into the city of Chicago. It is probably one of the most important highway facilities in the United States having a direct link with the Chicago Loop. The skyway has a feeder originating in the Third Congressional District which I represent at its connection with the Dan Ryan Highway at 66th Street and State Street.

I appeared today as a former engineering attorney of Cook County with experience relative to the layout of highway systems. With this knowledge, I understand the extreme importance of this facility in the circulation of traffic in the Chicago area affecting continental United States.

Mr. FALLON. The committee will recess until 2 o'clock this afternoon.

(The subcommittee reconvened at 2 p.m., Hon. George H. Fallon presiding.)

Mr. FALLON. The Subcommittee on Public Roads of the Committee on Public Works met this morning for consideration of H.R. 6289, a bill to provide that the Chicago Skyway (Calumet Skyway toll bridge) shall be operated as a freeway.

When the committee recessed at 12:20 today, we had finished hearing Mayor Richard Daley, Mayor of the city of Chicago, Congressman Ray J. Madden of Indiana, and Mr. Roger F. Nusbaum.

The Chair recognizes Mr. John Kluczynski.

Mr. KLUCZYNSKI. Thank you, Mr. Chairman.

We have about four more witnesses to be heard this afternoon. Most of them would like to go home, if possible, but they will stay over until tomorrow if we do not finish today.

As the first witness this afternoon, I would like to call Mr. James McDonough, the manager of the Chicago Skyway.

**STATEMENT OF JAMES J. McDONOUGH, MANAGER, CHICAGO
SKYWAY, CHICAGO, ILL.**

Mr. FALLON. Mr. McDonough, on behalf of the committee, we would like to welcome you here this afternoon.

Do you have an oral statement or a prepared statement?

Mr. McDONOUGH. Mr. Chairman, distinguished members, I have a prepared statement which I would like to read from concerning the operation of the skyway.

The 7¾-mile Chicago Skyway toll bridge, (formerly the Calumet Skyway) was opened to traffic on April 16, 1958, and extended from a connection with the Indiana toll road at the State line to 66th and State Streets in Chicago. The following facts are listed to show what factors have affected skyway traffic and what has been done to increase traffic and revenue on this toll facility:

1. On January 20, 1959, only 9 months after the skyway opened, it was announced by the Indiana Toll Road Commission that passenger car rates would be increased from 60 percent to 66.7 percent on the western end of their road between Gary-East and Westpoing. While only 16.7 miles, this section carries nearly 50 percent of their entire traffic volume. Figures show that the skyway was seriously affected by this increase in tolls on the Indiana toll road from which the skyway derives between 65 and 70 percent of its total volume.

2. In early 1959, the Illinois toll road was completed in its entirety and offered motorists an attractive new expressway around Chicago.

3. In December 1959 a 30-mile section of Interstate 94 was officially opened to traffic. This route was extended in December 1960 from Detroit to a point southwest of Benton Harbor, Mich. On November 22, 1961, this was further extended to Bridgman, Mich., and finally, in July 1962, it was extended to its present terminus at New Buffalo, Mich. The opening of this free expressway decreased Indiana toll road traffic over 9 percent in 1961 and further in 1962 (reference, city comptroller figures).

4. A second increase in Indiana toll road rates took place on April 1, 1962. This resulted in an increase from \$2 to \$2.80 for the entire 156 miles.

5. On December 15, 1962, the Dan Ryan (south) Expressway was opened to traffic to complete the link between the skyway and the Chicago Expressway system. It was felt this would be the vital connection to increase our volume of traffic. However, the opposite has been true and is reflected in our first 6 months of operation this year. (See city comptroller figures.) Despite the shorter distance of the skyway the motorist was attracted by the toll-free Dan Ryan connection to the Calumet and Kingery Expressways.

In an effort to increase our net earnings, which were below expectations, the following steps were taken to increase traffic and reduce operating expenses on the skyway.

1. In 1958, the city of Chicago assumed the entire payroll cost of policing the bridge, estimated at \$137,000 on an annual basis.

2. On July 1, 1959, a charge account system was introduced and in 1960 a volume discount rate was added for skyway commercial traffic to promote usage. There were 84 active accounts in December, 1960 and this has increased to 127 currently. Nearly 35 percent of our total truck volume is now charges.

3. Signing improvements in the State of Indiana and the city of Chicago have been continuous to the present date. Trail blazer signs are now located on nearly every highway and street in Indiana and Chicago. Large directional signs were also erected along main arteries such as the Dan Ryan Expressway, the Outer Drive, Michigan Avenue, Stony Island, and State Street. This has been supplemented by outdoor billboards along the Dan Ryan, Indiana toll road, and U.S. Routes 12, 20, and 41.

4. When the skyway opened toll collection equipment was leased on a 3-year contract at an annual rental of \$100,000. In 1960, skyway personnel designed and built entirely new toll equipment which was installed at a total cost of \$81,000. This equipment is still in operation at a saving of \$100,000 per year to the skyway.

5. Advertising and promotion were increased. We expanded our efforts in recent years to radio, newspaper, and magazine advertising in addition to distribution of colored skyway maps, participation in travel and vacation shows, radio and TV interviews, and special event publicity. The skyway has also employed the services of a public relations firm in an effort to explore every means of acquainting the public with our facility. Motor clubs and travel agencies throughout the country were contacted through letters and personal solicitation to request routing of their members over the skyway.

6. On January 15, 1962, the Chicago Skyway increased passenger car rates from 25 cents to 30 cents. This resulted in a revenue increase of \$274,083.18 (11.6 percent) despite a decrease in traffic of 291,762 vehicles (3.8 percent). There was no change in truck rates.

This report has attempted to show the events which have affected the skyway operation since its opening in 1958. It is unreasonable to assume that conditions will improve the future outlook of the skyway as a toll facility. A vital connection between the Indiana and Illinois toll roads via the Kingery Expressway is to be completed by November 1964. This will become part of Interstate 80 and 90 and will offer motorists a toll-free connection to the Dan Ryan Expressway or the Illinois toll road. The effects of this freeway competition have already been illustrated by the opening of Interstate 94 and the Dan Ryan Expressway.

Thank you very much, gentlemen.

Mr. FALLON. Mr. McDonough, on behalf of the committee, I want to thank you for coming here and testifying before this committee in behalf of the legislation before us.

Mr. Jones.

Mr. JONES. Mr. McDonough, do you not consider the city of Chicago a little bit different than most cities in the country in that you are one of the capital cities of the Midwest? Its people, by virtue of its trade and commerce, seek ingress and egress of the metropolitan area. They have to use automobiles so that they can come to the city of Chicago and there they can trade and they can traffic, with their

mobility to leave the city. Do you not think probably the city of Chicago is one of the most important cities of the country?

Mr. McDONOUGH. I am not sure I understand the question in itself. I do understand your statement.

Mr. JONES. Do you not think that makes it unique within itself?

Mr. McDONOUGH. I imagine it would contribute in part. I don't feel that that is a very important aspect of it. But I do imagine it is true. Perhaps I don't quite understand your question.

Mr. JONES. I thought the city of Chicago was a great metropolitan area, with great trade and commerce. People will want to come from all over the country to get into your city, to buy, to sell, and to do all the things that a great trading center would have.

Mr. McDONOUGH. We do carry a substantial volume of traffic. It isn't that people don't come into the city. I think we are also trying to promote, and one of the problems we have had on the skyway, that the local person hasn't had the opportunity to use it. We have always had transcommunity movement. In the summer months, our traffic is two times as great.

Mr. JONES. If you do not understand what I am talking about, do you not think Chicago is one of the largest cities of the country, that people have to go to trade?

Mr. McDONOUGH. Yes, sir.

Mr. JONES. Do you not think they ought to have roads to get in and out to trade with your people?

Mr. McDONOUGH. Yes, sir.

Mr. JONES. What is so objectionable about that? Do you not understand what I am talking about?

Mr. McDONOUGH. I do, sir, but I do not perhaps understand what you want from me by way of an answer. I agree with your statements.

Mr. JONES. I am not trying to put the answer in your mouth. I am just talking to you about the people from Alabama that want to come up and trade. If you have a market center in your city, they would like to come on freeways to get in there and trade with your people in Chicago. You do not have any objection to that, do you?

Mr. McDONOUGH. No, sir; I would be glad to have them.

Mr. JONES. Now, do you understand what I am talking about?

Mr. McDONOUGH. I understand, yes, sir. I believe I get your purpose of bringing up the question. I wasn't sure I was giving the right answer or the proper answer.

Mr. JONES. I am not trying to produce your answer. I am just talking about the rest of the people who want to come to Chicago to trade, to have conventions, to have everything that your great city has to offer. You do not have any objection to the Federal Government assisting you to pay all those roads up there, do you?

Mr. McDONOUGH. None whatsoever.

Mr. JONES. You sent a fellow up here to Congress from Illinois, back in 1946. He was elected and came up here and said because of the great importance of Chicago it was necessary for him to make a speech on the floor of the House of Representatives to provide the navigation of the Mississippi River for people to come to Chicago to trade. You are not opposed to that, are you?

Mr. McDONOUGH. No, sir. I am not opposed to anything that brings people to Chicago.

Mr. JONES. That is all I am asking you. Do you not think this is unique in the fact that you are such a metropolitan area that people will have to come there and visit in your community, buy your goods, from throughout the Midwest, and that that makes it a rather unique city as compared to what it might be in my hometown of Scottsboro, Ala.?

Mr. McDONOUGH. I definitely think there is a difference.

Mr. JONES. Well, you are hard to get by.

Mr. KLUCZYNSKI. Mr. McDonough, I want you to know that Bob Jones is one of our great men from the South, from Huntsville, Ala., the headquarters of NASA and one of our greatest supporters of the city of Chicago. We have had him out there several times and he is very much interested in the city of Chicago. I have served with him on this committee for a number of years.

Mr. JONES. I think you have a different city here than the city of New York or Los Angeles. The great and large metropolitan areas are going to have to have all the facilities they can accumulate to accommodate the traffic. I sense the city of Chicago within its system and its relationship to the entire country. The city of Chicago is of great value to the trade, commerce, and well-being of our entire country. For that reason, I am not willing to sit up here and think about it being so circumscribed; it will not be a total value to the national interest to exclude it from extraordinary consideration.

Mr. KLUCZYNSKI. I want to thank Bob Jones. He is chairman of the Public Buildings and Grounds Committee. Bob Jones loves Chicago and that is what he was trying to tell this witness.

Mr. McDonough, we are very happy to have you here before this august body this morning. Your dad has been a very good friend of mine for a long time, and I am very happy to have you here as the manager of the skyway. You are doing a marvelous job.

Mr. McDONOUGH. Thank you.

Mr. KLUCZYNSKI. You came up with a wonderful statement. All Bob Jones wanted you to say was "You are right, Mr. Jones," and, of course, you didn't want to stick your neck out. We are happy to have you here. Keep up the good job. Your statement will be of great help to this committee.

Mr. ROBISON. Mr. Chairman.

Mr. FALLON. Mr. Robison.

Mr. ROBISON. The gentleman from Alabama does not want to leave the impression, I hope, that he does not love the city of New York, too.

Mr. JONES. Not at all.

Mr. FALLON. Mr. Baldwin.

Mr. BALDWIN. Mr. McDonough, I would like to get some facts at least for the record with regard to the bond issue. As I understand, \$101 million of bonds were issued and were all sold; is that correct?

Mr. McDONOUGH. I can answer the question. I would prefer that I refer this to the city comptroller. In answer to your question, no, the bonds were sold in two separate issues. There was an \$88 million issue and a \$13 million issue was sold later.

Mr. BALDWIN. But both issues were fully sold?

Mr. McDONOUGH. Yes, sir.

Mr. BALDWIN. Can you tell me the price at which these bonds sold, the initial price?

Mr. McDONOUGH. No, I would refer that to the city comptroller. He will follow me directly.

Mr. BALDWIN. He will be able to answer questions about the price of the bonds and things of that kind?

Mr. McDONOUGH. Yes, sir.

Mr. BALDWIN. I have some questions also about the current price of the bonds. Would you be able to answer that?

Mr. McDONOUGH. Once again, I can answer it. I haven't checked the figures as of today. But I would prefer again to leave this to the city comptroller, if I may.

Mr. BALDWIN. I also have some questions about the construction costs. I know that the testimony that was given by Mr. Nusbaum included in his statement a breakdown for construction costs showing \$67,644,588 construction and equipment. Would you know whether a portion of those construction costs would include toll plaza facilities? The reason I ask this question is under the Federal Interstate Highway Act, where we do reimburse States for the construction of Federal interstate highways, the items reimbursable have to meet the standards set by the Federal Bureau of Public Roads, and toll plazas, for example, would not be within those requirements. What I am asking is: Is a portion of this \$67,644,588 for construction and equipment—including construction, for example, of toll plazas?

Mr. McDONOUGH. I hate to refer all of these questions to Mr. Loser, but I do know he has a breakdown on which he has decreased or taken off the toll cost of the construction of the toll plaza and has arrived at a total amount that would show the deduction.

Mr. BALDWIN. So he would have all this information on the breakdown of construction costs?

Mr. McDONOUGH. Yes, sir.

Mr. JONES. Will the gentleman yield?

Mr. BALDWIN. Yes.

Mr. JONES. Is the purpose of the gentleman to show the depreciated value of the properties plus the creditable items that would go into the Interstate System?

Mr. BALDWIN. The purpose of the last question was to find the items that would meet the definition of the Federal Interstate Highway Act, the reimbursable items for the 90-10 percent Federal reimbursement for interstate highways.

Mr. JONES. I know the gentleman's questions are pertinent and should be answered.

Mr. KLUCZYNSKI. The next witness has the financial statement and all the information that the gentleman is requesting. He is the city comptroller.

Mr. BALDWIN. Thank you.

Mr. FALLON. Are there any other questions of Mr. McDonough?

If not, thank you very much, Mr. McDonough.

Mr. McDONOUGH. Thank you very much.

Mr. FALLON. Mr. Kluczynski.

Mr. KLUCZYNSKI. Mr. Chairman, we now have as our next witness the first deputy comptroller of the city of Chicago, Mr. Otto Loser.

STATEMENT OF OTTO LOSER, FIRST DEPUTY COMPTROLLER OF THE CITY OF CHICAGO

Mr. FALLON. I would like to welcome you here this afternoon on behalf of the committee, Mr. Loser. You can proceed with your testimony in any manner in which you desire.

Mr. LOSER. Thank you.

Mr. Chairman, members of the committee, gentlemen.

Mr. JONES. Before the gentleman starts, Mr. Chairman, I have to leave and I would like to inquire before I take my leave on one point.

What is the cost of the debt service to this project?

Mr. LOSER. The total annual debt service?

Mr. JONES. I mean the debt service, negotiation and sale of bonds, and the service of the debt after construction.

Mr. LOSER. The total cost expended by the city of Chicago was \$100,700,000, including interest paid bondholders during the construction period. The interest and amortization of bond discount was \$14 million, leaving a balance of \$86,700,000. Less the cost of toll equipment and vehicles, included in the balance, \$1,400,000, leaving \$85,300,000 as the cost of the facility.

Mr. JONES. In other words, the difference between that and the bill takes into account the debt service, the sale of bonds, the apportionment of costs of sale of the bonds, and all the other activities that are in the principle cost of the project?

Mr. LOSER. That is correct. On a 90-percent basis, the city's share of the cost would be 10 percent, or \$8,530,000, leaving a balance of \$76,770,000. These costs are as incurred during the construction period from 1955, 1956, and 1957. The toll bridge opened in April 1958.

The city of Chicago (Calumet Skyway toll bridge) revenue bonds in the face amount of \$88 million were authorized by ordinance adopted by the City Council of Chicago on December 9, 1954. These bonds bear interest at 3 $\frac{3}{8}$ percent per annum and are due January 1, 1995. A supplemental revenue bond ordinance adopted March 14, 1957, authorized the sale of an additional \$13 million of bonds, bearing 4 $\frac{3}{8}$ percent interest and maturing January 1, 1995, making a total of \$101 million. These were not general obligation bonds. They are revenue bonds and are supported by the revenue of the facility.

The sales of these bonds were authorized to provide funds for the construction of the Chicago Calumet Skyway toll bridge.

The question arose as to the price received by the city for these bonds. The city sold these bonds at a discount of approximately \$2 $\frac{1}{2}$ million. However, the underwriters resold these bonds to the public at 100 cents on the dollar, and to the best of our knowledge approximately 70 percent of the bonds are still held by the original purchasers.

The bridge was constructed at a cost of \$100,725,119 as follows:

Land and right of way-----	\$12,611,818
Appraisals, title searches and recording-----	246,349
Total excluding legal services-----	12,858,167
Construction-----	67,644,588
Engineering-----	4,925,338
Legal-----	914,596
Other-----	413,514
Interest and amortized bond discount-----	17,547,902
Unamortized bond discount, June 30, 1963-----	1,890,791
Total discount-----	19,438,693
Total-----	106,195,396
Less—Interest earned on investment of bond proceeds-----	5,470,277
Total-----	100,725,119
Reconciliation with exhibit B:	
Toll bridge property-----	98,834,328
Bond discount in process of amortization-----	1,890,791
As above-----	100,725,119

No reserve for depreciation has been provided as a sinking fund was expected to retire the bonds before the expiration of the useful life of the bridge. During the period from March 1955 through June 1963 construction cost indices for Chicago increased from 736 to approximately 955 as shown in the Engineering News-Record, an official publication used by the engineering and construction industries, an increase of 29.75 percent. Depreciation from April 16, 1958, to June 30, 1963, estimating an average life of 50 years with a normal maintenance policy, would aggregate 10 percent.

Mr. ROBISON. Why do you use the June 1963 data with respect to the increases in construction cost indices?

Mr. LOSER. The reason I use this is in connection with our balance sheet. We have to substantiate to our outside auditors the fact that the appreciation reasonably offsets depreciation.

The following is a summary of cost indices for Chicago as taken from the Engineering News-Record:

	March	June	September	December
1955-----	736	741	752	762
1956-----	769	788	792	790
1957-----	789	831	838	836
1958-----	835	838	857	869
1959-----	866	875	923	918
1960-----	919	919	917	911
1961-----	905	948	947	946
1962-----	952	953	954	950
1963-----	952	955	-----	-----

These ratios are based on 1913 construction costs, representing 100.

Prior to the authorization for the construction of the toll bridge, in 1954, a city ordinance was passed authorizing the investment bankers to have prepared a feasibility study. This study was made by Cover-

dale & Colpitts, engineers, and showed the following prospective traffic and toll revenues:

Calendar year	Engineers' vehicles	Estimated toll revenues	Actual		Percent actual to engineers' estimates	
			Vehicles	Toll revenues	Vehicles	Revenue
1958.....	¹ 12,948,000	¹ \$4,176,000	² 5,572,551	² \$1,631,861		
1959.....	15,345,000	4,935,000	6,727,199	2,031,324	43.8	41.2
1960.....	15,959,000	5,132,000	7,265,199	2,208,448	45.5	43.0
1961.....	16,597,000	5,338,000	7,658,080	2,349,962	46.1	44.0
1962.....	17,261,000	5,551,000	7,366,324	2,624,877	42.7	47.3
1963.....	17,779,000	5,718,000	³ 8,173,352	³ \$14,662		
1964.....	18,312,000	5,889,000				
1967.....	27,000,000	8,683,000				

¹ 10 months from Mar. 1, 1958.

² 8½ months from Apr. 16, 1958. The toll bridge was opened to traffic on Apr. 16, 1958.

³ 6 months ended June 30, 1963.

Mr. ROBISON. If these figures are accurate, and I assume they are, for the year 1959, which is prior to the completion of the so-called competing freeways, the engineers' estimates both for vehicles and revenues for the skyway were off for 1959 by as much as 60 percent, or approximately 60 percent.

Mr. LOSER. That is correct.

From the foregoing tabulation, it is evident that the traffic and tolls have not approached the engineers' estimates in spite of the city's promotional efforts.

Projecting the Chicago Calumet Skyway toll bridge vehicular traffic from an 8½- to a 12-month basis, the 1958 traffic volume was at the rate of 7,055,995 per annum. In the following summary, a comparison is made of traffic for 1959 through 1962 on the skyway toll bridge with the 1958 projected annual volume and with vehicle registrations on a national basis as well as State of Illinois and State of Indiana registrations.

We use 1958 as a base year because the skyway was opened in that year.

Chicago Calumet Skyway toll bridge

Year	Number of vehicles	Percent of increase (+) or decrease (-) over year 1958	Increase in vehicle registrations over year 1958		
			National	Illinois	Indiana
1958.....	7,055,995				
1959.....	6,727,199	-4.66	4.66	3.04	3.51
1960.....	7,265,189	+2.96	7.37	5.49	6.39
1961.....	7,658,086	+8.53	9.88	7.48	8.37
1962.....	7,366,324	+4.40	14.21	9.92	13.97

The increase in vehicles using the highways has outstripped the increase in traffic using the Calumet Skyway toll bridge.

It is reasonable to believe that traffic increases on the Indiana toll road and Chicago Calumet Skyway should increase at least as rapidly as auto registrations; in fact, it should increase at a higher rate as the

public becomes aware of the safety and other advantages of traveling via toll facilities.

The effect of competing federally financed express freeways on toll roads can be illustrated by the Indiana toll road which has been competing with freeway 1-94 in Michigan. The following figures have been compiled from monthly reports issued by the Indiana Toll Road Authority and show the number of vehicles exiting from "West Point" of that road.

I have taken this in 6-month periods because of the considerable variation in traffic between the first 6 months and the last 6 months of the year.

	6 months ended June 30		6 months ended Dec. 31	
	Vehicles	Percent of increase (+) or decrease (-) over 1958	Vehicles	Percent of increase (+) or decrease (-) over 1958
1958.....	1,426,733	-----	2,100,509	-----
1959.....	1,433,568	+0.48	1,902,932	-9.41
1960.....	1,406,812	-1.40	1,947,923	-7.26
1961.....	1,339,671	-6.10	1,829,032	-12.92
1962.....	1,315,993	-7.76	1,761,182	-16.15
1963.....	1,319,489	-7.52	-----	-----

¹ 1st section of I-94—30 miles out of Detroit opened December 1959.

The section Detroit to Benton Harbor, Mich., was opened to traffic in fall 1960, Benton Harbor to Bridgman (15 miles), November 22, 1961, and Bridgman to New Buffalo (12 miles) early in 1962.

I quote these dates to show the varying effects on the traffic as I-94 expanded.

The decreases in traffic shown above present quite a contrast to the substantial increases in motor vehicle registrations and can only be explained by traffic diverting to the freeway I-94.

Mr. ROBISON. You evidently have done a good job on your presentation, sir. You are pretty nearly an expert witness on this problem. But, do you have an opinion as to why the Skyway traffic was actually so far below the engineers' estimates for 1959, and perhaps 1960, prior to the full impact of the freeway?

Mr. LOSER. Well, it takes about 2 years before the public really becomes accustomed to a toll road of any kind, and the people of Chicago, for some unknown reason, and also the people in that vicinity of Indiana, prefer to save the amount of the toll even though it takes slightly longer to arrive at their work.

Mr. ROBISON. Would it also be a partial answer that this Chicago Skyway, prior to opening the Dan Ryan Expressway, anyhow, just ended in the congested area of the city?

Mr. LOSER. That is partially true, you are right, particularly coming eastbound and westbound, eastbound from State Street and Westbound into Indiana Avenue. It is a highly congested neighborhood and the traffic is very heavy.

Tests made by the city of Chicago Traffic Division and by the toll bridge management indicate that between 65 percent and 70 percent

of the northwest bound traffic on the toll bridge is generated by the Indiana toll road; hence any decrease in the traffic on the Indiana toll road is reflected in toll bridge revenues. The remainder of the northwest bound traffic over the skyway toll bridge comes off of 106th Street and Indianapolis Boulevard in Indiana, which includes U.S. Highways 12, 20, and 41. (Traffic over the Indiana East-West Toll Bridge destined for points west may exit at 106th and Indianapolis Boulevard or continue over the Chicago Calumet toll bridge to reach Chicago).

The following summary shows the combined traffic coming westward through West Point to Indiana toll road and the westbound traffic entering the Chicago Calumet Skyway toll bridge at the State line (northwest bound).

I would like to inject this thought. In Indiana, the West Point is the furthest west end of the Indiana toll road, but just about three-quarters to a mile beyond West Point they have opened up an entrance ramp and exit ramp to accommodate people living in Hammond, Ind. So the figures shown in the following table include those two points.

Again I have broken this down according to six months.

	Westbound on Indiana toll road		Northwest bound on Chicago Calumet Skyway toll bridge	
	6 months to June 30	6 months to Dec. 31	6 months to June 30	6 months to Dec. 31
1958.....	1,426,733	2,100,509	(¹)	2,036,640
1959.....	1,433,568	1,992,476	1,498,208	1,890,725
1960.....	1,537,442	2,104,606	1,585,103	2,021,386
1961.....	1,490,768	2,000,117	1,650,850	2,027,153
1962.....	1,438,039	-----	1,607,869	-----

¹ The Chicago Calumet Skyway toll bridge opened Apr. 16, 1958.

I might say that the differential is due to a substantial number of vehicles coming off of Indiana Boulevard which do not use the Indiana Toll Road.

The opening of the Dan Ryan Expressway through Chicago, with a direct connection to the toll bridge, was expected to increase traffic utilizing the bridge. During 6½ months of operation, it appears to have had the opposite effect.

The following exhibits are attached:

Exhibit A. Tentative balance sheet at June 30, 1963.

Exhibit B. Statement of revenues and expenses for the period from inception of operations April 16, 1958, to June 30, 1963.

Exhibit C. Schedule showing traffic and toll revenues by months for the calendar years 1961, 1962, and 6 months ended June 30, 1963.

Exhibit D. Statement of project net revenue for 6 months ended December 31, 1963, and year ended December 31, 1963.

The toll bridge has never earned its debt service requirements. A summary of net revenue before debt service charges by years and comparison with interest requirements on outstanding bonds is set out below. Details appear on exhibit B.

Toll bridge

Period	Net revenue	Interest on bonds
1958 (Apr. 16 to Dec. 31).....	\$1,050,546	\$2,506,909
1959.....	1,373,669	3,538,750
1960.....	1,511,263	3,538,750
1961.....	1,659,561	3,538,750
1962.....	1,973,155	3,538,750
1963 (6 months).....	814,662	1,768,870
Total.....	8,382,856	18,430,779

Interest on outstanding bonds from April 16, 1958, opening of the toll bridge for operation, to December 31, 1962, was paid from the following sources:

Interest payments for period ended Dec. 31, 1962

From construction fund (proceeds from the sale of Chicago Calumet toll bridge bonds and interest income from the investment of such money).....	\$7,105,045
Advance from city share of State motor fuel tax collections (borrowed).....	2,000,000
Other funds.....	63,366
Revenue from operation of the bridge.....	7,493,498
	16,661,909
Unpaid interest for the 6 months ended June 30, 1963.....	1,768,870
Total.....	18,430,779

Minimum payments to the bond sinking fund are required, if available from net revenues, each year, beginning in 1961, in amounts ranging from \$78,000 for 1961, \$225,000 for 1962, \$352,000 for 1963, to \$5,340,000 for 1993 and \$15,090,000 for 1994.

There is a slight difference in the interest in the first half of the year due to a 1½-cent drop in the coupon rates.

(The attachments referred to follow:)

CITY OF CHICAGO CALUMET SKYWAY TOLL BRIDGE (CHICAGO SKYWAY)

Tentative balance sheet, June 30, 1963

ASSETS		
Toll bridge property (notes 2 and 3):		
Land and right-of-way, at cost.....	\$12,611,817.71	
Construction and equipment, at cost.....	67,644,588.48	
Engineering, legal, and miscellaneous costs.....	6,500,296.91	
Bond interest and amortized discount (note 3).....	\$17,547,901.91	
Less interest earned on investment of bond proceeds.....	5,470,276.68	
	<u>12,077,625.23</u>	
Construction fund: Held by depositary for account of city treasurer, cash.....		\$98,834,328.33
Revenue fund:		4,000.00
Held by depositary for account of city treasurer, cash.....	873,311.04	
Working funds.....	25,200.00	
Accounts receivable, less reserve for doubtful accounts.....	23,805.84	
Prepaid insurance.....	<u>28,500.66</u>	
		950,817.54
Bond discount in process of amortization.....		<u>1,890,791.00</u>
Total.....		<u>101,679,936.87</u>
LIABILITIES		
Toll bridge revenue bonds, due Jan. 1, 1995 (note 4):		
Authorized, issued and outstanding:		
3½ percent bonds.....	\$88,000,000.00	
4½ percent bonds.....	<u>13,000,000.00</u>	
		\$101,000,000.00
Payables, revenue fund:		
Voucher warrants.....	24,709.09	
Accrued expenses.....	<u>36,749.96</u>	
		61,459.05
Bond interest payable: Accrued interest payable July 1, 1963.....		1,763,870.00
Special advance (note 3).....		<u>2,000,000.00</u>
Accumulated net revenue (deficit):		
Revenue account:		
Balance at beginning of period.....	74,696.54	
Add, net decrease for the 6 months ended June 30, 1963 (per accompanying statement).....	<u>(954,208.05)</u>	
		(879,511.51)
Amortized bond discount applicable to accumulated net revenue.....	(270,880.67)	
Bond interest paid from special fund (note 3).....	<u>(2,000,000.00)</u>	
		(3,150,392.18)
Total.....		<u>101,679,936.87</u>

NOTE.—The accompanying notes are an integral part of this balance sheet.

Maintenance of automobiles and gasoline.....	825	2,973	9,290	4,173	5,507	5,149	6,901	4,919	5,906	3,014
Travel.....	1,051	1,143	1,165	1,119	925	874	606	968	824	1,817
Collection expense.....	1,000	3,088	3,264	3,190	3,058	2,940	3,538	3,429	4,640	3,885
Stationery and office supplies.....	2,357	4,224	3,948	2,296	3,183	1,800	4,557	2,946	4,463	10,100
Maintenance and repair materials and services.....	8,929	34,147	33,170	35,328	31,014	16,985	30,421	22,871	12,764	21,187
Insurance.....	17,315	41,387	27,646	32,369	23,545	35,363	27,809	31,543	30,822	30,889
Rental of toll collection equipment.....	22,492	52,943	43,584	41,132	41,584	22,313	151	1,345	383	625
Membership and meetings.....	500	1,017	3,856	1,000	3,747	1,049	4,016	3,941	3,826	3,703
Trustee fees.....	3,737	3,866	3,866	3,992	672	99	1,373	---	---	374
Machinery and equipment.....	---	---	---	844	---	7,298	---	---	---	---
Vehicles.....	---	---	---	5,993	1,374	20	2,714	41	5,277	1,080
Uncollectable accounts.....	---	---	---	13	---	---	---	---	12	5
Miscellaneous.....	---	---	---	---	---	---	---	---	---	---
Total.....	224,060	358,695	337,161	363,050	347,980	347,429	358,632	330,777	330,467	347,225
Net revenue before debt service on revenue bonds.....	228,834	564,501	809,168	633,375	877,888	692,705	966,856	865,703	1,107,452	814,662
Interest on revenue bonds.....	1,737,029	1,708,870	1,769,880	1,708,870	1,709,880	1,708,870	1,769,880	1,708,870	1,769,880	1,768,870
Percent of interest earned during 6-month period.....	31.05	31.91	45.71	35.80	49.60	39.16	54.62	48.94	62.57	46.05
Percent of annual interest earned during the year.....	---	---	38.81	---	42.70	---	46.89	---	55.75	---
Traffic:	---	---	---	---	---	---	---	---	---	---
Passenger cars.....	1,439,967	2,508,778	3,379,964	2,708,868	3,641,755	2,891,847	3,826,138	2,759,974	3,579,096	2,696,797
Trucks and buses.....	146,012	360,177	393,280	418,401	436,165	435,697	504,404	516,002	510,652	476,555
Total.....	1,585,979	2,968,955	3,773,244	3,187,269	4,077,920	3,327,544	4,330,542	3,276,576	4,089,748	3,173,352

¹ Interest for 2½ months to June 30, 1958.

CHICAGO SKYWAY

EXHIBIT C

Schedule showing traffic and toll revenues by months for the calendar years 1961, 1962, and 6 months ended June 30, 1963

	Number of vehicles			Toll revenue		
	Passenger cars	Trucks and buses	Total	Passenger cars ¹	Trucks and buses	Total
1961—January	401,502	66,251	467,753	\$100,375	\$47,628	\$148,003
February	365,110	63,264	428,374	91,278	44,897	136,175
March	442,231	73,502	515,733	110,558	53,395	163,953
April	477,272	71,354	548,626	119,318	50,778	170,096
May	569,908	77,728	647,636	142,477	54,863	197,340
June	635,824	83,598	719,422	158,956	59,354	218,310
July	816,416	75,490	891,906	204,104	52,827	256,931
August	804,815	86,739	891,554	201,204	61,287	262,491
September	645,281	84,404	729,685	161,320	60,198	221,518
October	592,455	89,528	681,983	148,113	63,999	212,112
November	519,055	86,241	605,296	129,764	61,655	191,419
December	448,116	82,002	530,118	112,029	59,585	171,614
Subtotal	6,717,985	940,101	7,658,086	1,679,496	670,466	2,349,962
1962—January	341,735	86,527	428,262	94,212	63,905	158,117
February	334,721	81,430	416,151	100,344	58,693	159,037
March	431,513	92,057	523,570	129,351	66,904	196,255
April	497,707	82,034	579,741	149,163	57,700	206,863
May	528,602	88,171	616,773	158,394	62,828	221,222
June	625,696	86,383	712,079	187,370	61,088	248,458
July	758,882	79,973	838,855	227,227	55,832	283,059
August	782,725	91,146	873,871	234,374	64,147	298,521
September	603,854	85,676	689,530	180,852	60,785	241,637
October	522,591	90,964	613,555	156,595	64,962	221,557
November	479,524	84,012	563,536	143,742	60,353	204,095
December	431,520	78,881	510,401	129,352	56,704	186,056
Subtotal	6,339,070	1,027,254	7,366,324	1,890,976	733,901	2,624,877
1963—January	323,488	77,158	400,646	96,971	56,754	153,725
February	322,370	75,334	397,704	96,626	54,687	151,313
March	406,509	80,304	486,813	121,844	58,906	180,750
April	487,892	79,060	566,952	146,180	56,785	202,965
May	512,146	82,847	594,993	153,401	60,977	214,378
June	644,392	81,852	726,244	192,810	60,006	252,816
Total	2,696,797	476,555	3,173,352	807,832	348,115	1,155,947

¹ Passenger vehicle toll rates were increased from \$0.25 to \$0.30 effective Jan. 15, 1962.

EXHIBIT D

Statement of projected revenues available for debt service for the calendar year 1963, and comparison with 1962 actual

	June 30, 1963, actual	6 months ended Dec. 31		Year ended Dec. 31	
		Actual, 1962	Estimated, 1963	1962 actual	1963 esti- mated
Revenue:					
Tolls.....	\$1,155,948	\$1,434,925	\$1,435,052	\$2,624,877	\$2,591,000
Other.....	5,939	11,994	8,061	18,522	14,000
Total.....	1,161,887	1,446,919	1,443,113	2,643,399	2,605,000
Operating and maintenance expense:					
Payroll:					
Administration.....	26,927	26,598	24,482	52,755	51,409
Operation.....	116,245	121,721	116,375	235,537	232,620
Maintenance.....	71,961	72,182	67,839	145,110	139,800
Professional and consulting services.....	11,552	7,786	7,248	20,293	18,800
Advertising.....	24,707	24,602	10,293	38,938	35,000
Heat, light, and power.....	18,018	16,520	21,982	34,388	40,000
Telephone.....	1,046	1,131	1,254	2,293	2,300
Maintenance of automobiles and gasoline.....	3,014	5,906	6,686	10,825	9,700
Travel.....	1,817	824	973	1,792	2,790
Collection expense.....	3,885	4,640	4,115	8,069	8,000
Stationery and office supplies.....	10,100	4,463	400	7,409	10,500
Maintenance and repair materials and services.....	21,187	12,764	16,563	35,635	37,750
Painting of bridge.....			100,000		100,000
Insurance.....	30,889	30,822	32,111	62,365	63,000
Membership and meetings.....	625	363	75	1,738	700
Trustee fees.....	3,793	3,826	5,307	7,767	9,100
Machinery and equipment.....	374				374
Vehicles.....					
Uncollectible accounts.....	1,080	5,277	3,920	5,277	5,000
Miscellaneous.....	5	12	4,995	53	5,000
Total.....	347,225	339,467	424,618	670,244	771,843
Net revenue before debt service.....	814,662	1,107,452	1,018,495	1,973,155	1,833,157
Interest on bonds (see note).....				3,538,750	3,538,750

NOTE.—This excludes interest at 5 percent per annum from July 1, 1963, to date of payment. This is at the rate of \$88,444 for a 6-month period. We are not attempting here to predict a specific date on which we anticipate the interest will be paid as this payment depends entirely upon earnings.

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 1963

1. Authorization

The Calumet Skyway toll bridge was authorized by ordinance adopted December 9, 1954. The bridge was opened for operation on April 16, 1958, and was declared complete as of January 2, 1963, by the consulting engineers.

2. Depreciation

No provision for depreciation of the toll bridge property is required by the ordinance since, to the extent of available net revenues, the sinking fund was expected to provide for retirement of the bonds before expiration of the useful life of the bridge. Costs of replacements are charged to operation and maintenance expense or to the reserve maintenance account (if provided from net revenues on the basis of amounts recommended by the consulting engineer) in accordance with the provisions of the ordinance.

The consulting engineer has advised that the creation of a reserve maintenance fund is not contemplated prior to 1963. No reserve has been provided in the statements as at June 30, 1963.

3. Bond interest and special advance

Amounts sufficient to pay bond interest to April 15, 1959 (being 1 year after the date the toll bridge was opened for operation) were deposited in the interest fund from bond proceeds in prior years. Additional amounts have since been transferred from the construction fund to meet bond interest payments as they became due. From April 15, 1959 (1 year after beginning of operations), to December 31, 1962, transfers aggregating \$3,571,996 were made from the construction fund to the interest fund to provide additional amounts necessary for payments of bond interest. These amounts have been charged to the toll bridge property account, as were other payments of interest from bond proceeds in prior periods, pursuant to provisions of the ordinance.

In December 1961, a special ordinance enacted by the city council authorized an advance of \$2 million to the skyway from motor fuel tax funds, allotted by the State of Illinois to the city of Chicago, to meet interest and sinking fund requirements on the skyway revenue bonds. The special ordinance stipulates that whenever the city council determines that there are funds available, not otherwise appropriated, it may, from time to time, provide, by ordinance, for reimbursement of such sum to the city's motor fuel tax account. In the opinion of the city corporation counsel, the city had the authority to authorize such advance and to use such funds to pay interest and sinking fund requirements on the skyway bonds.

Pursuant to the special ordinance, a withdrawal of \$590,000 from the authorized advance of \$2 million, mentioned above, was requested and received in December 1961, and \$1,410,000 was received in 1962 from the State of Illinois for the expressed purpose of meeting current requirements for bond interest on the skyway revenue bonds. The entire \$2 million has been applied to interest payments January 1, 1962, July 1, 1962, and January 1, 1963.

4. Sinking fund and bond redemption

Minimum payments to the bond sinking fund are required, if available from accumulated net revenues, under provisions of the ordinance, each year beginning in 1961, in amounts ranging from \$78,000 for 1961, \$225,000 for 1962, and \$352,000 for 1963, to \$5,340,000 for 1993 and in the final amount of \$15,090,000 for 1994. The total of the required sinking fund payments is equivalent to the total amount of bonds issued. No payments to the sinking fund have been made to and including June 30, 1963.

Money in the sinking fund account is to be applied to the purchase of bonds, either after invitation for tenders or in the open market. Bonds so purchased are to be purchased at the lowest prices reasonably obtainable, not exceeding their principal amount and any premium at which the same are next redeemable, plus accrued interest to the date of purchase.

On each interest date when there is \$50,000 or more in the sinking fund, bonds are to be called and redeemed so as to exhaust, as nearly as possible, all money in the sinking fund.

The bonds are redeemable at the option of the city, either (a) as a whole on January 1, 1965, or on any date thereafter on 30 days' notice, or (b) in part by lot from, time to time, through use of money in the sinking fund, on any interest

payment date on 30 days' notice, at the percentages of principal set forth below, together with interest accrued at date of redemption :

Period (both years inclusive)	As a whole	In part
	Percent	Percent
1963 to 1964.....	104	103½
1965 to 1968.....	103½	103
1969 to 1972.....	103	102½
1973 to 1976.....	102½	102
1977 to 1980.....	102	101½
1981 to 1984.....	101½	101
1985 to 1988.....	101	100½
1989 to 1994.....	101	100½

5. Charges from other city departments

Costs incurred by other city departments, as appropriated by the city council, are chargeable to operation and maintenance of the toll bridge, under the provisions of the ordinance. In the opinion of the city corporation counsel, omission of charges for such costs incurred by other city departments in any one year does not preclude the city's right to appropriate like charges to the toll bridge in the future.

6. Contingent liabilities

Suits for approximately \$500,000 are pending against the city of Chicago arising out of alleged damage to the value of property abutting the ramps leading to and from the skyway. Based upon experience in settling similar suits in the past, in the opinion of the city corporation counsel these suits can be disposed of through court action for less than \$50,000. Any settlements of these suits will be charged against operating revenues of the skyway.

Mr. KLUCZYNSKI. Mr. Loser, I noticed on page 5 just before the balance sheet, it is signed by Alvin H. Weber, the city comptroller, and originated by first the deputy comptroller, Otto H. Loser, is that correct?

Mr. LOSER. Yes.

Mr. KLUCZYNSKI. Are you a certified public accountant?

Mr. LOSER. A certified public accountant with a reciprocal certificate in Illinois.

Mr. KLUCZYNSKI. There is no doubt, then, that these figures are correct?

Mr. LOSER. That is correct.

Mr. KLUCZYNSKI. I want to congratulate you on one of the finest statements that this committee has ever heard.

Mr. LOSER. Thank you.

Mr. KLUCZYNSKI. My congratulations go to you and to the mayor.

Mr. LOSER. I am indebted very much to his honor, Mayor Daley and to Alvin Weber.

Gentlemen, there is a statement of cost attached which details the cost of the facilities, and a summary of cost after eliminating the toll collection and other equipment. The ultimate evaluation will be determined by the Department of Commerce.

Thank you very much.

Mr. OLSEN (presiding). Mr. Baldwin.

Mr. BALDWIN. Mr. Loser, there has been testimony that the bonds were sold by whatever the brokerage house was that had responsibility for them at 100 cents on the dollar. If I understood one of your enclosures relative to the procedure that would be used if these bonds were to be called, that is if this road was to be made a free road, I notice

on page 2 of your notes to the financial statements that it lists a schedule showing the bond redemption prices. If I understand this correctly, in the year 1963-64 under the contract with the buyers of the bonds there can be redemption in part by lot at 103½ percent, that the earliest date under the contract there can be redemption of the bonds in full is 1965, and the redemption rate would be 104 percent, higher than par. This is what the bond contract provides as I understand it.

Mr. LOSER. That is correct.

Mr. BALDWIN. Then that means if these funds that you desire to raise, obtaining a portion from the Federal Government at the rate of 90 percent of construction costs, and obtaining the rest from whatever source in your city might be available, then you would have to pay this, you might say, premium under the contract for the right to redeem these bonds, is that correct?

Mr. LOSER. I think, though, that on the basis of the present market value and after talking to some of the principal owners, we are quite satisfied that they would be willing to settle for less than par.

Mr. BALDWIN. I realize the bonds are at a discount at the present time, but as far as today is concerned, any bondholder, if he is approached and you said, "We want to buy your bonds back," the only contractual agreement that you could force upon him is this contractual agreement saying that he must receive a premium that amounts to 104 percent of par for him to sell those bonds back to you, is not that correct?

Mr. LOSER. That is the contract, that is correct.

Mr. BALDWIN. Could I ask what the bonds are now selling for on the market?

Mr. LOSER. Approximately 56. It is pretty hard to say the exact figure, but it is between 56 and 58, about a 56 bid and 58 asked. The 4⅜ percent are selling approximately at 10 points higher.

Mr. BALDWIN. There has been testimony about 70 percent of the bonds being held by the original purchasers.

Mr. LOSER. That is correct.

Mr. BALDWIN. What about the case of bonds that may have been sold recently at this discount in the market, at 56 or 58? This means, in effect, that through the Federal Government entering the picture, those people who happened to have bought these bonds at their present discounted rate are actually going to get almost double their investment, if they are going to go from 56 percent to 104, if the Federal Government comes into this picture. We are going to enable some people who have bought some of these bonds at the discounted rate to make quite a windfall, are we not?

Mr. LOSER. We are satisfied that if the Federal Government comes into this picture, we will be able to effect a settlement, an equitable settlement, with all bondholders within the purview of the amount that the Federal Government is willing to pay plus the amount that the city, State, and county will make up, but it will not be at a premium.

Mr. BALDWIN. When you say an equitable settlement, suppose you negotiate an agreement by which you are to reimburse all bondholders at 85 percent of par, just picking a figure out of the air. That might be equitable to those who bought originally in view of the fact that the same bonds they are still holding are selling in the market for 56. But what about the man who happens to have bought a bond

in the market at 56 and this agreement is that they will all be reimbursed at 85 percent? That would still be quite a windfall for him, would it not?

Mr. LOSER. That is right. But there is no indication as to the volume. The only basis on which we have to estimate the volume is the bluebook of securities issued by the principal security dealers, and they have have at no time indicated a substantial volume of these bonds on the shelf were for sale.

Mr. KLUCZYNSKI. Will the gentleman yield?

Mr. BALDWIN. Yes.

Mr. KLUCZYNSKI. On that point, you talk about a windfall. On May 15 the Chicago Daily News printed an article stating that no one would make a killing on skyway bonds. I would like to present this as part of the record, Mr. Chairman.

Mr. OLSEN. At this point, without objection, that may be done.

(The material referred to follows:)

[From the Chicago Daily News, May 15, 1963]

DALEY VOWS NOBODY WILL MAKE A KILLING ON SKYWAY BONDS—WILL PREVENT
UNDUE PROFIT IF UNITED STATES TAKES PART IN PURCHASE

(By Jay McMullen)

Mayor Richard J. Daley pledged Wednesday that nobody will make a financial killing through bond speculation in the event the Federal Government takes part in the purchase of the Chicago Skyway.

Although details have not been worked out, the mayor said, steps will be taken to prevent undue profit to any bondholders.

Under a bill introduced in Congress by Representative John C. Kluczynski (Democrat, of Chicago), the Federal Government would be authorized to spend \$87 million toward bringing the skyway into the Federal Highway System as a toll-free highway.

This means the city would have to come up with \$14 million in additional funds to retire all of the \$101 million in skyway revenue bonds.

Kluczynski introduced the bill at the request of Daley who conceded Tuesday that the skyway as a toll road is a flop. However, he insisted that as a highway it is a valuable asset to Chicago.

Mr. BALDWIN. If these bonds are available for public sale today at 56 percent, and I assume there are bonds being sold periodically at this value, there are going to be people who are going to make a very substantial profit if the Federal Government comes into this picture and provides the funds by which reimbursement is going to be made en masse on these bonds at any figure substantially above that; is that not true?

Mr. LOSER. You may have a few people who have bought them at low prices who are holding them for an ultimate profit. However, you also have to take this into consideration, that somebody bought those bonds at 100 and they sold them and took a substantial loss.

Mr. BALDWIN. And they are out of the picture if they sold them. Their loss will not be reimbursed?

Mr. LOSER. That is correct. But you have the same thing, too, of any corporate security that you may sell. It is an open market. The price is determined by supply and demand. The same thing is true of any municipal bond that may be sold. So you are going to have somebody making a profit on the bond at most any time that you call a bond. However, the ultimate amount that can be distributed equitably to all is the amount that the Federal Government will pay us,

plus the amount that the city, the State, and the county are able to contribute to this overall pot.

Mr. BALDWIN. If these bonds in the market now are being priced at 56 percent, would not the Federal Government make a better deal if we made a standing offer in the market to buy at 60 percent?

Mr. LOSER. Possibly so to the extent of a few bonds, but the question is how many would you be able to obtain at that figure. Just as soon as you go into the market and create a demand, just that quickly you are going to force the price up.

Mr. BALDWIN. I will yield.

Mr. ROBISON. Mr. Kluczynski's bill is silent regarding this portion of our problem. It merely authorizes the Secretary of Commerce to pay the city of Chicago not to exceed \$87 million for the skyway. I suppose what we are doing here is creating some legislative history for background. I just wonder if we have not already discovered that there is some question concerning the accuracy, if that is the proper word, of the \$87 million.

Mr. LOSER. The \$87 million was the figure determined by taking the \$101 million and deducting from that the \$14 million interest and amortization. I think you gentlemen have a copy of this mimeographed sheet showing that we start out with a cost of \$100,700,000 and end up on a 90-percent basis with a balance of \$76,707,000. Assuming that the Federal Government pays the \$76 million, we are not able to pay par with that amount of money.

Mr. ROBISON. Well, whatever it is, the more accurate figure, if we were going to consider any figure, would be closer to \$76 million.

Mr. LOSER. I think this was just a figure for discussion purposes.

Mr. ROBISON. If we should pass a bill authorizing the Secretary to pay as much as \$76 million, would not we encourage thereby speculation in these bonds?

Mr. LOSER. No, because about 70 percent of these bonds are held by insurance companies, the original owners, an unknown percentage is held by the trust companies, the large banks, in trust for their investors and trusts.

Personally, I have received correspondence showing varying amounts held by people who are on pension, because they are asking what is going to happen to these bonds, that they bought them when the first issue came out and since they are on a pension they have depended upon the income from these bonds to sustain them.

Mr. ROBISON. One more question and I will yield back to the gentleman from California.

Mr. Kluczynski's bill was introduced on May 14, 1963, and I assume with some publicity surrounding it. Has there been some flurry of activity in the transaction in these bonds since May 14?

Mr. LOSER. Not too much because of the fact that we sent out notices we would not pay the June 30 interest.

Mr. ROBISON. Thank you.

Mr. BALDWIN. Mr. Loser, one other question. I notice in your mimeographed schedule that arrived at this \$76,770,000 as the 90-percent figure which you feel would be the proper Federal share of the construction costs, that in arriving at that figure you have listed toll equipment, vehicles at cost, \$1,400,000 and have deducted that from a larger figure to arrive at the net cost, presumably, of construction, rights-of-way and engineering for the actual roadway.

I notice in your statement you have as one of your enclosures a statement headed "Analysis of Property Account," and you have itemized and listed a number of things that apply to the toll plaza, like mechanical work, toll plaza, \$456,094, electrical work, telephone system, toll booths, toll collection equipment, air conditioning, and various other items. Are all these items that pertain in any way to the toll plaza included in this \$1,400,000.

Mr. LOSER. That is correct.

Mr. BALDWIN. So the figure remaining, \$85,300,000, would that be the figure that actually would be the construction cost of the actual roadway, including the acquisition of the right-of-way and the engineering for it, which would, under the Federal Interstate Highway Act, be properly considered for 90 percent reimbursement?

Mr. LOSER. That is right. To the best of my knowledge, that is correct.

Mr. ROBISON. Will the gentleman yield?

Mr. BALDWIN. Yes.

Mr. ROBISON. These are revenue bonds issued by whom?

Mr. LOSER. Revenue bonds issued by the city of Chicago. But they do not bear the full faith and credit and are not subject to property taxes.

Mr. ROBISON. Have you tried to look ahead to see what your situation is going to be as an alternative to this legislation? What is the alternative?

Mr. LOSER. The alternative that we are faced with is simply one of meeting first the maintenance costs out of the revenue of the bridge, because maintenance will, of necessity, be first. However, there are certain expenses that the city of Chicago has assumed that we would not be able to continue to assume. For example, at the inception of the bridge, it was thought that the full cost of operating the bridge should be borne by the facility. However, after a few months of operation, when the toll did not come up to the engineers' statements, we assumed as part of the city expenses the cost of policing the bridge. The cost is estimated at \$137,000 a year, to the best of our ability to determine it. This is \$137,000 assumed by the city of Chicago on the theory that policing property within the city limits is an obligation of the city. Consequently, we assumed that.

In addition, we have, at various and sundry times, assumed some bills covering maintenance when the maintenance was done with our own equipment.

Mr. ROBISON. The city did advance at one time \$2 million out of the State motor fuel tax fund?

Mr. LOSER. That is a loan.

Mr. ROBISON. You cannot do that again?

Mr. LOSER. We can't do it again because we could never get it through the State or through the city council.

Mr. ROBISON. Does that require State enabling legislation?

Mr. LOSER. It is State approval. Every expenditure out of the State motor fuel tax fund requires State approval.

Mr. ROBISON. Then you would stop maintenance? That would be first?

Mr. LOSER. That would be the first. That, of course, would leave a lesser amount for the payment of interest. In the meantime, we have not been able to put anything into the sinking fund so we are in default

so far as all sinking fund payments are concerned. We are in default to the extent of our July 1 interest default.

Mr. ROBISON. As a result of that default, could the bondholders throw the bridge of skyway into receivership?

Mr. LOSER. Not as yet.

Mr. ROBISON. But they could?

Mr. LOSER. Yes.

Mr. BALDWIN. Mr. Loser, you mentioned this morning when a question was asked about the difference between the \$87 million which appears in the bill as introduced by the gentleman from Chicago, Mr. Kluczynski, and the \$100 million sale cost of the bond, that the difference between those, \$14 million, would have to be raised from other sources, State, county, and city.

Mr. LOSER. That is correct. We hope to raise them.

Mr. BALDWIN. In addition to that, if I understand your testimony that you recognize the Federal Government having an interstate reimbursement ratio of 90 percent to 10, in any case it would not be proper for the city to ask the Federal Government for more than 90 percent of this \$85,300,000 that you have listed in your schedule. Then that leaves the sum of \$8,530,000 as the 10 percent of the construction cost and right-of-way and engineering cost that would also have to be put up from some other source. What source would that be, where that \$8,530,000 would come from?

Mr. LOSER. That, of course, would have to be determined between the State and the city and the county, and by agreement with the principal bondholders as to what the ultimate price would be that we would redeem these bonds at.

Mr. BALDWIN. But as of the present time, if I understand the gist of your testimony, there is no firm commitment from any other source as to where that sum would come from, or if there would be a source?

Mr. LOSER. That is correct, because it depends largely upon whether the Federal Government comes to our aid. This is a hardship case and we are hopeful that the Federal Government will come to our aid. But until they do, until the Department of Commerce determines the figure, we cannot get together with the State and the county in any effort to make good the deficit.

Mr. BALDWIN. Thank you.

Mr. ROBISON. Is there an organization of bondholders at the present time?

Mr. LOSER. There is an organization of bondholders from the insurance companies, the holders of approximately 70 percent of the bonds. The committee actually holds 60 percent, but we know of three other insurance companies that own approximately \$10 million who are not members of this committee, but who earlier had expressed a willingness to be part of the committee.

Mr. ROBISON. What do you mean by "the committee"?

Mr. LOSER. The bondholders' committee.

Mr. OLSEN. Mr. Loser, what the city of Chicago is asking, then, is only what Federal participation has had in other interstate highways?

Mr. LOSER. That is correct.

Mr. OLSEN. And that is 90 percent of construction costs?

Mr. LOSER. That is right.

Mr. OLSEN. And that is the figure, of course, that your testimony supports, and on which you would settle with the Secretary of Commerce?

Mr. LOSER. That is correct.

Mr. OLSEN. If this bridge should go into receivership, we might find ourselves someday in the position of having to buy it back from the bondholders?

Mr. LOSER. Gentlemen, there is a terrific potential in Chicago. There is a terrific potential in the southern end of Indiana adjacent to Chicago, or I should say the west end of Indiana. There are two new steel mills going up. Bethlehem Steel has purchased property with the idea of building a large plant, and the National Steel Co. has a plant already under construction. The plans for Chicago in the future are very, very great, and there is no question that Chicago is going to be one of the greatest cities in this country.

Mr. OLSEN. We certainly appreciate your testimony, Mr. Loser. It has been very enlightening, very detailed, and we thank you very much.

Mr. ROBISON. Mr. Chairman, I have one question, which perhaps should go to Mr. Kluczynski.

Are we going to hear, if the chairman knows, from the committee of bondholders? There has been some speculation that they would be willing at least to consider a negotiated settlement of some sort. I think it would be pertinent to these hearings, particularly with reference to the amount in the bill, whether or not this is true, and whether or not the bondholders would be receptive to a negotiated settlement.

Mr. KLUCZYNSKI. I have not heard, Mr. Robison. If they want to be heard, of course, we can always find a day for them. But we want to complete the hearings tomorrow because we have the report from the Commerce Department tomorrow and also the American Automobile Association. We wanted to complete this part of the hearings this afternoon because most of these people from Chicago want to get back and take care of their business back home.

Mr. OLSEN. If there are no more questions, you may be excused.

Mr. LOSER. Thank you.

Mr. KLUCZYNSKI. Mr. Chairman, I ask unanimous consent to place in the record the breakdown analysis of the property account.

Mr. OLSEN. Without objection, this will be made part of the record at this point.

(The information referred to follows:)

*City of Chicago Calumet Skyway toll bridge, analysis of property account,
June 30, 1963*

[Cents omitted]

Land and right-of-way, at cost:

Land and right-of-way-----	\$12, 611, 818
Appraisals -----	177, 966
Title searches and recording fees-----	68, 353

Total, excluding legal-----	<u>12, 858, 167</u>
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*City of Chicago Calumet Skyway toll bridge, analysis of property account,
June 30, 1963—Continued*

[Cents omitted]

Construction and equipment, at cost:

Paving	\$13,895,613
Fabrication and erection of structural steel	23,839,428
Embankment	7,125,649
Drainage	3,117,087
Steel	4,574,399
Erection of steel	1,667,710
Guard rails	643,926
Fencing	101,570
Structural and roadway excavation	655,798
Piling	3,356,070
Reinforcing steel	3,194,039
Replacement and relocation of sidewalks along local streets due to construction of the bridge, approaches and exits	196,838
Landscaping	113,271
Signs and markers	149,306
Alterations to street lights, sewers and water system	731,848
Roadway lighting and electrical work	1,632,411
Service building, principally maintenance headquarters for stor- ing maintenance vehicles and storage of salt, etc. A small space serves as bridge office	833,324
Canopies and tunnels	234,781
Mechanical work, toll plaza	456,094
Electrical work, toll plaza	173,877
Telephone system, toll plaza	4,200
Toll booths	82,690
Toll collection equipment	420,823
Communications system	27,279
Air conditioning—toll plaza	10,000
Furniture and fixtures	31,052
Vehicles	16,764
Demolition during construction	73,445
Erection, moving and demolition of barricades during con- struction	698
Field office	3,500
Wrecking of houses and other buildings	373,354
Proceeds from sale of scrap	25,929
Reimbursement from State of Indiana	66,327
Total	<u>67,644,588</u>

Engineering, legal, etc. costs:

Engineering	4,925,838
Legal, including settlement of suits	914,596
Miscellaneous not otherwise classified	88,680
Property protection during construction period	78,674
Insurance during construction period	163,569
Expenses re sale of bonds	27,409
Surety bonds and trustee fees	11,634
Accounting expenses (maintaining records during the construc- tion period, processing of contractors' bills and settlement vouchers, preparation and mailing of checks, and purchasing department expenses covering taking of bids, issuance of pur- chase contracts and purchase orders)	40,000
Auditing—fees paid public accountants for auditing the records and cash accounts during the construction period	13,650
Rentals received during construction period	10,102
Total	<u>6,253,948</u>

*City of Chicago Calumet Skyway Toll Bridge analysis of property account,
June 30, 1963—Continued*

[Cents omitted]

Financial:

Interest and amortization of bond discount-----	\$17, 547, 902
Unamortized bond discount-----	1, 890, 791
Total -----	19, 438, 693
Less interest earned on investment of bond proceeds-----	5, 470, 277
Net -----	13, 968, 416
Total -----	100, 725, 119
Reconciliation with balance sheet at June 30, 1963-----	98, 834, 328
Toll bridge property account ¹ -----	1, 890, 791
Total, as above-----	100, 725, 119

¹ Unamortized bond discount.

Mr. KLUCZYNSKI. I also have a letter from the Association of Commerce and Industry and a resolution passed by the Association of Commerce and Industry.

I ask unanimous consent to make that a part of the record.

Mr. OLSEN. Without objection, it is so ordered.

(The information referred to follows:)

CHICAGO ASSOCIATION OF COMMERCE AND INDUSTRY,
Chicago, Ill., July 12, 1963.

Mr. ALVIN L. WEBER,
City Comptroller, Department of Finance,
City Hall, Chicago, Ill.

DEAR MR. WEBER: Some time ago Mayor Daley asked Mr. Edward Logelin, our president, if the association would consider supporting H.R. 6289, 88th Congress, by Congressman Kluczynski, to provide for the operation of the Chicago Skyway as a freeway and make payment therefor to the city of Chicago.

There is enclosed a copy of a resolution that was adopted by our board of directors today.

You may be assured of our desire to cooperate with you and the mayor's office in every way possible in securing enactment of this legislation.

With kindest personal regards.

Sincerely yours,

PRESTON PEDEN.

RESOLUTION ADOPTED BY THE BOARD OF DIRECTORS, CHICAGO ASSOCIATION OF
COMMERCE AND INDUSTRY, JULY 12, 1963

Resolved, that the Chicago Association of Commerce and Industry endorse and support H.R. 6289, 88th Congress, to provide that the Chicago Skyway be operated as a freeway, and authorize the Secretary of Commerce to pay to the city of Chicago an amount not to exceed \$87 million on condition that the Skyway, a portion of Interstate No. 94, shall be operated free to the public after such payment is made

Mr. KLUCZYNSKI. Mr. Chairman, I am happy to present Mr. John C. Melaniphy, the corporation counsel for the city of Chicago, Ill.

STATEMENT OF JOHN C. MELANIPHY, CORPORATION COUNSEL,
CITY OF CHICAGO, ILL.

Mr. OLSEN. Mr. Melaniphy, we are glad to have you with us.

Mr. MELANIPHY. Thank you, Mr. Chairman and members of the committee. I have a short statement to make.

The revenue bonds issued to acquire the right-of-way and construct the Calumet Skyway in the sum of \$101 million are in default as of July 1, 1963, for failure (1) to meet the interest requirements and (2) to meet the sinking fund requirements.

It may be suggested that there are over \$60 million in bonds held by original purchasers from the banks and bond houses which had the contract to purchase the bonds from the city of Chicago. These original purchasers have continued to hold the bonds so purchased. There are other bonds purchased on the open market at a lesser figure than that paid by original purchasers.

It is perfectly evident that there will never be sufficient revenue in the operation of the skyway to meet the principal and interest requirements.

Upon default, proceedings may possibly be instituted for the appointment of a receiver to take possession of, operate, and maintain the bridge, charge and collect tolls, and segregate and apply the money received in accordance with the ordinance relating thereto. The appointment of a receiver to be in possession not only during the balance of the terms of the bonds (1995) or for a longer period of time would not bring about sufficient funds to properly maintain the skyway and amortize the bond issue. This could result in substantial deterioration of the highway to a point where ultimately it could not serve its purpose as part of the interstate highways system.

Under a receivership the local contributions of policing, advertising, and other attributes of a good operation will not be available. In the event of an appointment of a receiver, part of this interstate highway would be under the jurisdiction of a court of equity. Certainly if such proceedings can be avoided it would appear to be to the best interests of the public on a national as well as local scale.

Under section 9.02 of the bond ordinance of December 9, 1954, of the city of Chicago, the city council may at any time call a meeting of the holder of bonds.

However, knowing their plight the bondholders should be amenable to the acceptance of reasonable offers by the city should H.R. 6289 be enacted. By it—

The Secretary of Commerce is authorized—

And I emphasize the word "authorized," since it is not mandatory—to pay to the city of Chicago, Ill., not to exceed \$87 million, on condition that the Chicago Skyway, a portion of Interstate Route No. 94, shall be operated free to the public, on and after the date such payment is made.

It will be up to the city, in connection with any rules of procedure and suggestions issued by the Secretary of Commerce, to offer a plan of payment to the holders of bonds called into session by the city council.

In view of the fact that the funds to be made available under the proposed legislation are not funds derived as revenues from the sky-

way, the future of which is so uncertain in a status of default, the bondholders in the first instance are not in a dictating position.

This committee has heard testimony conclusively establishing that revenue from the skyway operation will never be sufficient to pay the interest on the bonds let alone amortize the principal of the bonds.

The equities to the opening up the skyway as a freeway justifies a grant that offers some equity to the holders of the bonds in order to get the bonds canceled. We are confident that if this grant is made available to the city, that the city can through negotiations obtain the necessary consents to the cancellation of all of the bonds. Under the statutes of the State of Illinois (ch. 24, art. 27A-2(6) Ill. Rev. Stat. 1955) the city has the power to "accept grants from the United States and to enter into contracts with the United States in connection therewith."

I had originally intended to bring before the committee the matter of how we go about to settle this question of bonds and the prices which were paid on the market. Having in mind that this is not revenue money, we certainly in the city of Chicago, with the cooperation of the Secretary of Commerce, would be in a position to dictate a plan, and it would seem to me that there should be two classes of bondholders, those who are the original holders and still are the holders and represent investment trusts and investment and insurance companies, and those who have bought on the market since that time. The market has fluctuated since that time. But it would seem to me that with the cooperation of the Secretary of Commerce, if the money was made available, there would be two classes, those who are still the original holders and those who have purchased on the open market, and that some equitable arrangement would be made insofar as these two classes are concerned, so that no speculator would make any money in connection with this transaction.

Mr. BALDWIN. Mr. Chairman?

Mr. OLSEN. Mr. Baldwin.

Mr. BALDWIN. On that particular point, let us take a specific case of somebody that might have gone into the market today and bought some bonds at 56 percent of par. You have mentioned the possibility of handling the redemption of these bonds in two classes, one being the original holders who presumably would be reimbursed on a percentage basis of their original investment, and, two, those who have bought the bonds on the open market at varying prices.

Suppose the man who bought the bond today at 56 percent was offered maybe 100 percent of his purchase price, which would be 56 percent of par, and he said, "I am not even interested in that. I bought this bond for speculation, hoping that the price would eventually go back up." If I understand the bond contract, you do not have any right under the bond contract to call in that bond except at the price specified in the bond contract, which says if you call in the bonds in part beginning with 1963, you will have to pay, as I recall, 103.5 percent. So if you have just one holder who says "I don't care what you offer me in the way of discount, I am not interested," how can you foreclose his bond except under the contract terms?

Mr. MELANIPHY. You can't, Congressman. But when you are talking about the redemption, you are talking about redemption princi-

pally through revenue, and that is the only way under our law that they can be paid off, insofar as the contract provisions are concerned. But here the bonds are in default and the money which would be available is not revenue money. So it puts the city of Chicago, in cooperation with the Secretary of Commerce, who would also be interested, in a position to dicker with these people and buy their bonds by consent. I agree that you have to get their consent to get their bond. But it is the experience that we will have in the future, and they knowing that they are never going to get their \$56 or \$70 or whatever it is, plus their interest, out of this bond issue because it is an impossibility under the present situation.

Mr. BALDWIN. I can understand the ones that originally invested in these bonds at par would be very interested in getting out in some way that would be anywhere near par. But the man who bought in at 56 percent, the revenue even today is very near that figure. It is not much below 56 percent, maybe it is around 50 percent. Even though 95 percent of your bondholders may jump at the chance to make a negotiated—

Mr. MELANIPHY. I am sure they will.

Mr. BALDWIN (continuing). How can you force 5 or 2 or 1 percent or just two people?

Mr. MELANIPHY. You can't force them.

Mr. BALDWIN. If you cannot force them, just knowing human nature, you are going to have a few people who will say, "Look, I bought this for speculation. I am not going to go for anything except the contract redemption rate which is 103.5 percent."

Mr. MELANIPHY. Those are the bridges we will have to cross if the money is made available.

It seems to me in a situation like this you do get reasonable settlements.

Mr. BALDWIN. You will from most people, but not all.

Mr. MELANIPHY. We haven't had anything like this, of course, but we have been pretty successful in our negotiations with people in connection with the taking of their properties and in connection with 5,500 acres at O'Hare Field which we acquired. We only had two cases in court.

Mr. BALDWIN. But you have the power of condemnation on that.

Mr. MELANIPHY. That is correct, sir.

Mr. BALDWIN. But you only have the contract here that guarantees this right to them.

Mr. MELANIPHY. That is right, but we did not have to use the power of condemnation.

Mr. BALDWIN. But you had it behind your backs as a club?

Mr. MELANIPHY. But they have nothing behind their backs except looking to a court of equity to operate a highway for the next 45 years and never getting out of it. Your cost of maintenance is still there and if your highway is not maintained then it is no use to the interstate way. It has to be maintained.

Mr. BALDWIN. I understand all of your arguments there logically.

Mr. MELANIPHY. I have confidence, Congressman, in our ability to negotiate the situation out in cooperation with the Secretary of Commerce.

Mr. OLSEN. Mr. Robinson.

Mr. ROBINSON. Mr. Counsel, you know that the Federal Government does not have \$87 million. We do not even have \$76 million, or even \$10 million in the Treasury, at least not without recourse to deficit financing. We will have to borrow, too. If under the bill we should authorize the Secretary to pay up to, let us say, \$76 million, you have had enough experience in settling lawsuits, I think, to know that this would create a problem for you in dickering, as you say, in negotiating a lower settlement.

Mr. MELANIPHY. We would have to have some time.

Mr. ROBINSON. It seems to me that, in consideration of our responsibility to all the taxpayers in the country, it might be better to put in this bill, if it is to pass at all, an amount that would be closer to the maximum that you think you would need to negotiate a settlement. That is, rather than the maximum amount to pay 100 cents on the dollar.

Mr. MELANIPHY. I don't anticipate that that would happen. I have in mind that each class would take a loss, so we might be able to save more than what we anticipate. But the principal thing, it seems to me, so far as the Federal Government is concerned, is the necessity of keeping this highway open and maintained because it does occupy a crucial position insofar as our Indiana and Illinois roads, and roads east, are concerned.

Mr. ROBINSON. I agree that it does.

Mr. OLSEN. In any event, what you are asking from the Federal Government is 90 percent of construction costs. It is not going to cost us any more than 90 percent of construction costs?

Mr. MELANIPHY. That is correct.

One of the Congressmen this morning asked some question about the length of this toll bridge. The height of the toll bridge is determined by the U.S. Government. This is a fixed bridge over a navigable stream, and the height of the bridge was determined by the Corps of Engineers. It is high. I think it is 210 feet above the water level. To the east you have the approach, of course, to the Indiana tollway, and to the west you have the approach east to the Dan Ryan Skyway and exits also on Michigan Avenue and Indiana Avenue.

The question of the validity of this situation met the test of the court, so the question of whether or not there should be 4 or 7 miles is not in point any more, because it has already been established by the court in our condemnation proceedings that the city of Chicago had the authority and that the limits of the approaches were reasonable. I just wanted to clear that point. Of course, the matter did come up in discussion in your committee meeting.

Mr. OLSEN. That was an engineering fact determined by engineers.

Mr. MELANIPHY. That is correct, sir.

Mr. OLSEN. Are there any more questions?

Mr. Baldwin.

Mr. BALDWIN. You mentioned that you felt the city would be able to negotiate an agreement with the bondholders at some kind of a discount from their original investment. Suppose Congress were to pass this bill authorizing the Federal Government to make a 90-percent contribution of construction costs, and suppose you then went to the bond holders and negotiated an agreement whereby they would be paid at 90 percent of their investment, on the basis that otherwise they will

get 56 percent or less on the open market and eventually the bonds would be in default completely. If the Federal Government put up 90 percent of construction costs and then you went and knocked down the so-called redemption price to the bondholders, the Federal Government might end up putting up all the money necessary to redeem the bonds, without the local government putting up anything.

Mr. MELANIPHY. That is what I anticipated.

Mr. BALDWIN. That is very interesting.

Mr. MELANIPHY. I think one of the witnesses made an error this morning or this afternoon, when he stated that the city, county, and State were going to come up with \$14 million. I do not understand it that way. What the State, county, and city would do, if this is made a freeway, will be to construct additional exits and entrances so that the local people can use this freeway for some 5, or 6 or 7 miles which would be a great advantage to that locality.

Mr. BALDWIN. When you mentioned this is what you anticipated, do I understand correctly, then, that if the Federal Government passes the bill authorizing the Federal contribution of \$76,770,000, you anticipate and hope that you will be able to negotiate the agreement to buy up all the bonds at that price or less?

Mr. MELANIPHY. Within that limit. Make less. That would be in cooperation with the Secretary of Commerce. He would have some ideas, too, which would be helpful to us.

Mr. BALDWIN. So, then, the State of Illinois and the city of Chicago are coming off free, not putting up a dime, and the Federal Government puts up the whole works?

Mr. MELANIPHY. That is right. They would put up what they would put up if construction was going to start today.

Mr. OLSEN. You have already put up your 10 percent in the 90-10 ratio?

Mr. MELANIPHY. Well, we have the project there.

Mr. OLSEN. That is the way I keep seeing this, that users and taxpayers in the vicinity of Chicago have put up more than 10 percent, as a matter of fact, and here they are asking for 90 percent which is what all the rest of our States and communities get when they construct interstate today.

Mr. BALDWIN. What 10 percent has the city of Chicago put up for this skyway as of today, the city of Chicago? The bondholders put it up.

Mr. MELANIPHY. Mr. Loser testified to the policing of some \$100,000. One of the gentlemen testified to advertising, we have advertised considerably in connection with television and radio, and putting up signs, which have been an expense, I believe, to the city of Chicago. I am only a lawyer. I could not give you an itemized account of what expenditures were made by an engineering department.

Mr. BALDWIN. But those are all incidental expenses. So far as construction costs, though, the city of Chicago did not put up any of the construction costs?

Mr. MELANIPHY. I did not say they did. I said the project is there. I don't know. I couldn't tell you that.

Mr. OLSEN. It was my statement, and I don't mean the city of Chicago. But what I had in mind was that the users and taxpayers that are in this locality substantially put up the 10 percent by being

the users of the facility and now these people can be represented only by the city of Chicago to come up here and ask the Federal Government to put up its 90 percent. That was my point. I did not mean to say that the city of Chicago as a municipal corporation put up the money, but I think the people there did, and now they want the Federal share to be put up.

Mr. KLUCZYNSKI. Mr. Chairman, to complete the hearings this afternoon, we have one more witness.

Mr. OLSEN. Thank you very much, Mr. Melaniphy, for your statement.

Mr. KLUCZYNSKI. Our last witness will be the director of public works and buildings of the State of Illinois, Mr. Francis S. Lorenz.

Mr. GRAY. We not only have the great director of the public works and buildings with us today, and the mayor, but we have a gentleman not scheduled to testify that I would like to introduce to the committee, the chief highway engineer of the State of Illinois, Mr. Dirden Staff. He is with us today and he is vitally interested in this program in addition to the witness now in the chair.

STATEMENT OF FRANCIS S. LORENZ, DIRECTOR OF PUBLIC WORKS AND BUILDINGS, STATE OF ILLINOIS

Mr. OLSEN. Thank you very much.

Mr. LORENZ. Mr. Chairman, Mr. Kluczynski, members of this committee, the State highway department has among its duties the responsibility of providing highway facilities to serve concentration of population and industry.

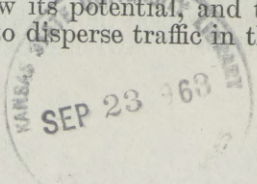
The Calumet or South Chicago area of Chicago is a highly congested and highly industrialized part of Metropolitan Chicagoland.

Were the skyway facility not constructed, the State of Illinois would have had to construct a like facility for the dispersal of traffic. Because traffic conditions along the old corridor of U.S. Route 41 had reached the stage of being intolerable, the prospect of an additional flow of traffic that would be brought by the completion of the Indiana Toll Road system and would be dumped onto the only available artery; namely, Indianapolis Boulevard, required the construction of a facility that would offer immediate relief.

The traffic potential in the South Chicago area instead of diminishing, will increase as more of the connecting Interstate routes become completed from major city to major city.

The importance of making the skyway a toll-free part of a free expressway system cannot be overemphasized if the presently designated interstate highways are to serve at their maximum capacities in the Chicago land area. By making the skyway toll free, it becomes publicly owned and therefore susceptible to further improvement with public funds. Off-on ramps with the same spacing as are now permitted on the Chicagoland expressway systems, to-wit, every one-half mile in the more populated and congested areas, would rank, in my opinion as the No. 1 priority treatment necessary to take care of the traffic potential in the area served by the skyway.

As long as the skyway remains a private facility, its use as a part of a traffic dispersal system is kept far below its potential, and the State of Illinois cannot assist in a program to disperse traffic in this



area utilizing this facility, but instead must be thinking of other solutions including the possibility of a duplicating type of facility. The traffic is there, it will only be attractive if the facility is free.

The State of Illinois Highway Department stands ready to cooperate with the county of Cook and the city of Chicago in formulating a program which would improve the skyway's use as a part of a free expressway system and would be in a position to use public funds for this purpose without criticism.

Thank you.

Mr. OLSEN. Thank you very much, Mr. Lorenz.

Have you any questions, Mr. Kluczynski?

Mr. KLUCZYNSKI. Not at this moment, Mr. Chairman.

Mr. OLSEN. Mr. Baldwin.

Mr. BALDWIN. I asked a question this morning and it was my understanding that the witness said they would hope to get an answer by this afternoon.

That question was at what date did this Chicago Skyway get incorporated into the Federal Interstate Highway System.

Mr. LORENZ. The same date it came into being, 1956, 1957, and 1958, at the same time the Interstate System came into being and the routes were designated. The skyway was immediately incorporated as part of that system.

Mr. BALDWIN. That was by application, then, of the State of Illinois to the Bureau of Public Roads that this be incorporated into the Federal Interstate Highways System?

Mr. LORENZ. I assume the procedure necessary to be used was used.

Mr. OLSEN. Mr. Baldwin, if I may intercede, there is a gentleman standing here who seems to have an idea.

Would you identify yourself for the record?

Mr. NUSBAUM. I am Roger Nusbaum.

The Federal Government approved the portion between the Indiana State line and the Stony Island Avenue, which is approximately halfway, on April 27, 1956. They approved the addition of the portion between Stony Island Avenue and the Dan Ryan Expressway on October 21, 1957.

Mr. BALDWIN. Thank you.

Now, Mr. Lorenz, I wanted to ask you a question with regard to the Tri-State Tollway. Has the State of Illinois made any traffic estimates in the event the Chicago Skyway is made a freeway, as to what effect that might have on the traffic revenues for the Tri-State Tollway?

Mr. LORENZ. So far as we are able to determine, the State tollway system will not be affected in any material way by this transition from a toll bridge to a free facility. The traffic patterns are different than one would imagine by the question that you have posed.

Part of the problem that we have in this area stems from the fact that Indianapolis Boulevard for many, many years, was the only corridor from the east coast through the Chicagoland area. The problem was complicated by the fact that in this area there are three movable bridges traversing the Calumet River which impeded traffic whenever a bridge opening was required.

The reason the skyway was built was because we had the coming of the St. Lawrence Seaway and the traffic that we hoped would be

generated by the use of the Calumet River into Lake Calumet which would require a tremendously increased number of bridge openings, coupled with the fact that the streets in the South Chicago area were narrow and had bridges that were of an antiquated design and that the Indiana Toll Road would dump this new amount of traffic on Indiana Boulevard, at which point it would have no place to go, because every time the bridge opens, it causes a backup of 1 or 2 miles in either direction.

There is the obvious reluctance of many motorists to want to be delayed in a cross-continent trip. It meant that we had to find a way to be able to disperse this traffic as expeditiously as possible.

I have to correct a figure that was given or might have the wrong impression on the height. The bridge is actually 125 feet above the level of the river. This bridge is 2,300 feet long and the approaches thereto are $7\frac{1}{2}$ miles in length. This bridge was designed and approved by the Army Engineers in order to provide a facility that would not be required to be opened any time an oceangoing vessel would come through the Calumet River.

As a result, we have this bridge of this height which crosses over railroad bridges, it crosses over the Calumet River, and its gradual slope was designed in order to make it as safe as possible for the motorist using it.

The traffic that comes in from Indiana is going to have a choice when I-80 is completed of using I-80 to go to the western part of Illinois, because the terminus of I-80 in Illinois is at the Rock Island-Moline, and those people, in my opinion, who are going to Rock Island-Moline would not be using the Illinois toll way system irrespective of whether the Calumet Skyway remains as a toll bridge or becomes a free facility. But the traveler who is going to come into Chicago, into the heart of the city, will stay on and cross over the Calumet Skyway to enter onto the balance of the free expressway system that we have, the Dan Ryan, which will bring him into the Loop of Chicago. So I don't think that anybody can project with any degree of certainty that there is going to be a great loss in traffic for the Illinois toll way system.

Mr. BALDWIN. Is the Illinois toll way system operated by the State department of public works?

Mr. LORENZ. No, sir; it is an independent commission.

Mr. BALDWIN. Has that toll road commission been consulted as to whether they would have any traffic estimates as to whether or not this would cause a reduction in their revenues?

Mr. LORENZ. So far as I know, they have not in a formal manner. I am an ex officio member of the commission by virtue of my post as director of public works. But the problem is not a problem that affects the Illinois tollway system. There is a companion problem that will come up on I-80, but it has no bearing on the question of whether or not the Calumet Skyway should become a freeway.

Mr. BALDWIN. When you say a companion problem, do you mean a portion that might have to be made free?

Mr. LORENZ. Yes.

Mr. BALDWIN. What portion will that be?

Mr. LORENZ. If you will permit me to go to the map, I would like to point it out to you.

I-80 at the present time is coming up through the city of Joliet and will come across the southern part of Cook County to a point in a suburb called East Hazelcrest. At that point it will join the present north-south portion of the Illinois tollway system, and it will continue on to the Indiana State line as a part of the Kingery Expressway. The question that may come up at some point in the future is the question of whether or not the Illinois tollway system would have a right to lease to the State of Illinois Highway Department or sell if this portion of the highway that is now used as a part of the toll system.

Mr. BALDWIN. In other words, if they come to that point on the map where the yellow runs into the green, from that point on they have to pay toll, is that correct, at the present time?

Mr. LORENZ. That is true. There is no toll station there for the present moment. The first toll station is at a point a little further north of the projected line of I-80.

Mr. BALDWIN. Do you mean they go onto the portion of the toll road but do not pay any toll?

Mr. LORENZ. Yes, sir. That problem is a complete and separate problem from this one. You may have read in some of the press that we were concerned about that problem today and that we would try to urge the adoption of some legislation which would permit the State highway department to purchase from the toll road commission this stretch of road which approximates 6.7 miles. Understand, the problem that is involved here is that in any event we will have to complete I-80 at some point. We can go 4 miles further south at a cost of approximately \$45 million, and the Federal Government will contribute 90 percent of that cost.

Mr. BALDWIN. Only if they approve of that other route.

Mr. LORENZ. Yes. The Bureau of Roads has indicated to us they do not care one way or the other. They want to get I-80 finished. We want to get it finished within the limitations given to us by the Federal laws. If we were to purchase this section, we can purchase it for much less money. The exact amount of money at this time I am not prepared to state, but we would be in a position to purchase this for less money and the same people would wind up paying the bill. But we would save the taxpayers some money. In addition to that, we would keep in circulation more property that would remain on the tax rolls and be useful to the communities. If we go ahead and construct I-80 at a point approximately 5 miles south of the proposed location, then we will disrupt all the communities that are along that proposed right-of-way.

Mr. BALDWIN. If you proposed that the Federal Government buy the existing I-80, would your proposal be that the Federal Government likewise reimburse 90 percent of the purchase cost?

Mr. LORENZ. Yes.

Mr. BALDWIN. That is all.

Mr. OLSEN. I would like to know for the record what the distance is of that toll way that may some day have to be purchased.

Mr. LORENZ. This point I referred to is approximately 6.7 miles.

Mr. OLSEN. Mr. Robison.

Mr. ROBISON. Mr. Lorenz, is the State highway department under your jurisdiction?

Mr. LORENZ. Yes, sir.

Mr. ROBISON. As director of public works and buildings for the State of Illinois, including your responsibility for the State highway department, you have, I assume, an interest in the broader question of reimbursement, do you not?

Mr. LORENZ. Yes, sir.

Mr. ROBISON. I am referring to specifically the \$422 million, or whatever the figure is, representing the stake that Illinois has in that.

Mr. LORENZ. Yes, sir.

Mr. ROBISON. Would you agree with me that this hearing points up the confusing maze to which we are leading with our Interstate System, picking up pieces of toll roads here and there, mostly around our metropolitan centers, which is becoming almost an intolerable and certainly a difficult situation to resolve, short of full reimbursement which might quite properly include the freeing of all the existing toll roads that are a part of the Interstate System. Do you have any feeling along those lines, or any opinion?

Mr. LORENZ. Yes, I think that babies have to learn how to crawl before they can walk and they have to learn how to walk before they can run. I think the problem we have before us now is the problem that must be solved first. The ultimate achievement may be that it may be in the public interest to purchase all of the toll road systems in the country. But I think that you are asking me to look into a crystal ball so far in the future that anything I would say in reply to that would only be a wild guess and speculation.

I think that this problem that you have before you today is probably the most unique in the country in that we know the traffic potential is here. We know that if this road goes into the hands of receivers that the amount of cost of maintenance will be prohibitive for a receiver to properly keep this road in a safe and usable condition. The dilemma that the State highway department would have is that it knows what some of the solutions would be, but it would have to think in terms of building a duplicate facility in this area, and the duplicate facility would almost take the same identical image that the Skyway has taken.

Mr. ROBISON. It is comparable, is it not, to your dilemma with respect to Interstate 80?

Mr. LORENZ. No; it isn't because the question of the financial stress or distress of the Illinois Tollway system is not to be considered in the same light as the Chicago Skyway.

Mr. ROBISON. It may get in the same light.

Mr. LORENZ. Some day it may get into it, but not because of any diversion of traffic onto the skyway. They are just not heading in the same direction.

Mr. ROBISON. I am seeking to get an agreement from you, with me, along the lines that Congress certainly faces, I think, a policy decision which has been delayed all too long with respect to this broader problem that lies at the base of all of these problems.

Mr. LORENZ. I would agree with you to this extent, that in my opinion, the future of toll road operation is in the coming years certainly something that everybody is going to have to look at before they are going to make any further extensions of tollway systems or any investments in that kind of an investment. I think that the American public are reluctant to pay a toll if they can drive free. It becomes that simple.

Mr. ROBISON. You end your prepared statement by saying:

If the skyway were made a free system, then the State would be in a position to use public funds on it without criticism.

What do you mean by that?

Mr. LORENZ. Because the skyway is a private facility and we couldn't use public funds on it without being severely criticized. We cannot be on it to maintain it, even bare maintenance, so far as the State is concerned.

Mr. ROBISON. And the public funds that you would use, if it were free, would be along the lines of adding these additional off-on ramps and so forth.

Mr. LORENZ. Yes. We think it would cost anywhere from \$2 to \$3 million, depending upon how many off-on ramps would be required. We have a pretty good idea. I think the great value of this skyway would be taking away the toll barrier and allowing us to put off-on ramps on so that people in the local area would have more of an opportunity to get on and get off in saving time. This is the only reason you have the toll facilities, to save time.

Mr. ROBISON. Finally, then, with respect to those additional off-on ramps, would you anticipate that the Federal Government would pay 90 percent of that additional work?

Mr. LORENZ. It would if it is a part of the Interstate System; yes, sir.

Mr. ROBISON. That is all.

Mr. OLSEN. Thank you very much, Mr. Lorenz, for your testimony.

Mr. LORENZ. Thank you for your time.

Mr. KLUCZYNSKI. Mr. Chairman, that completes the hearing of the proponents.

I want to thank all those present for appearing here before this committee and presenting this information to the committee.

I understand that tomorrow we will have a report from the Commerce Department and the opponents of this legislation, H.R. 6289.

Mr. Chairman, at this time I move that we adjourn until 10 o'clock tomorrow morning.

Mr. OLSEN. Without objection, it is so ordered.

(Whereupon, at 4:07 p.m. the subcommittee recessed to reconvene at 10 a.m., Wednesday, July 24, 1963.)

CHICAGO SKYWAY

WEDNESDAY, JULY 24, 1963

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ROADS,
COMMITTEE ON PUBLIC WORKS,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10:15 a.m. in room 1302, Longworth Building, Hon. George H. Fallon (chairman of the subcommittee) presiding.

Mr. FALLON. The Subcommittee on Roads will continue hearings on H.R. 6289.

The Subcommittee on Roads is meeting again this morning to continue the hearing on H.R. 6289, to provide that the Chicago Skyway, Calumet Skyway toll bridge, shall be operated as a freeway.

Our first witness this morning is the director of the Bureau of Public Roads, Mr. Whitton.

Mr. WHITTON. Mr. Chairman, may I bring Mr. Turner with me, please?

Mr. FALLON. You certainly may. On behalf of the committee, may I welcome you and Mr. Turner here this morning.

Mr. WHITTON. And Mr. Booth.

Mr. FALLON. Mr. Whitton, we have called you this morning to ask for a report from the Department on H.R. 6289.

STATEMENT OF REX M. WHITTON, FEDERAL HIGHWAY ADMINISTRATOR, BUREAU OF PUBLIC ROADS, DEPARTMENT OF COMMERCE; ACCOMPANIED BY SHERWOOD K. BOOTH, DEPUTY GENERAL COUNSEL; AND FRANCIS C. TURNER, ASSISTANT ADMINISTRATOR AND CHIEF ENGINEER, BUREAU OF PUBLIC ROADS

Mr. WHITTON. Mr. Chairman, we are always glad to come to your committee meetings, so we are glad to be here with you this morning and to give you a report on the views of the Department of Commerce and the Bureau of Public Roads concerning H.R. 6289.

The bill would authorize not to exceed \$87 million to reimburse the city of Chicago for the Chicago Skyway, also known as the Calumet Skyway Toll Bridge. The bill provides that this bridge, which is on Interstate Route 94, shall be operated free of tolls after such payment is made.

Section 114 of the Federal-Aid Highway Act of 1956 declared the intent of Congress "to determine whether or not the Federal Government should equitably reimburse any State for a portion of a highway which is on the Interstate System, whether toll or free, the construction of which has been completed subsequent to August 2, 1947, or

which is either in actual use or under construction by contract, for completion, awarded not later than June 30, 1957."

The Calumet Skway is one of the toll facilities included as presently designated.

The bill does not specify whether its proposed authorization of funds for the Chicago Skyway would be appropriated from the highway trust fund or from the general funds of the Treasury. But as I have noted, the highway trust fund could not carry this extra burden and still fully complete the Interstate System under present revenue provisions.

For the foregoing reasons, the Department of Commerce recommends against enactment of H.R. 6289.

Since the Chicago Skyway is officially designated under State law as a toll bridge, I feel it appropriate to add a few comments from the standpoint of certain existing provisions of the Federal-aid highway legislation.

Section 129(a) of title 23, United States Code, permits Federal participation in the construction of toll bridges, which authority has existed since 1927. While the Federal law for a period of time also permitted Federal participation in the acquisition of toll bridges in order to make them toll free, such authority no longer exists.

I mention this in the event the committee may wish to give consideration to an amendment of section 129, to be uniformly applicable to all the States, to permit Federal participation in the acquisition of toll bridges to aid the States in making them toll free.

Section 122 of title 23 permits Federal participation in the retirement of the principal of bonds issued for the construction of Federal-aid projects, but such section would likewise require an amendment in order to be applicable for the retirement of bonds in the acquisition of toll bridges.

Under either of these possible amendments, it would appear advisable for assurances that the basis of Federal participation be limited and, perhaps, not exceed the present market value of the bonds outstanding.

I am merely mentioning these two possible approaches, without making any endorsement of either. These proposals would necessarily require further study before any recommendation could be made in behalf of the Department of Commerce and the Bureau of Public Roads.

Mr. Chairman, if I may, I would like to add something. I feel this reimbursement for toll roads and free roads is something that requires more study. We have made reports on it to Congress, as I mentioned in this statement, but I think it needs more study. I think the Bureau should give that more study and come back to you with recommendations at some future date.

I think the study should be in connection with what we are going to do about possible extensions to the Interstate System at some future date. That I would like to add to the testimony I have given.

Sir, that completes my formal presentation. Again, it is always a pleasure to appear before this committee.

Mr. FALLON. Thank you very much, Mr. Whitton. As always, we are very happy to have you. We always receive great benefit from the information you bring to the committee.

Mr. WHITTON. Thank you.

Mr. FALLON. On page 3 you stated that the bill does not specify whether the proposed authorization of funds for the Chicago Skyway would be appropriated from the highway trust fund or from the general funds of the Treasury.

That question was asked yesterday, whether these funds would come out of the trust fund to reimburse the city of Chicago on a 90-10 basis. From the fact that they used the formula, I was a little bit hesitant about saying whether they did or not. I see here this morning that you are not quite clear from the interpretation of the bill whether it comes out of the general funds or the highway trust fund.

Mr. WHITTON. That is right.

Mr. FALLON. You are not clear?

Mr. WHITTON. No, sir. We don't know because the bill doesn't say. The Congress can say.

Mr. FALLON. Is there any possibility that it might be interpreted, the way the bill is written now, that it would come out of the highway trust fund? Mr. Booth?

Mr. BOOTH. The bill would authorize the Secretary of Commerce to make the payment to the city of Chicago, and there could be an inference that it was contemplated that that would be from the trust fund. But the bill itself does not state.

I would presume that the better view would be that it may not be intended to come from the trust fund. On the other hand, there could be a good basis for an argument to the contrary.

Mr. FALLON. In that case, don't you think it would be better to amend the bill and specify where the funds should come from?

Mr. BOOTH. Indeed so.

Mr. FALLON. Have you any questions?

Mr. KLUCZYNSKI. Thank you, Mr. Chairman.

I, too, am happy to see Mr. Rex Whitton before the committee again, although he has made an unfavorable report to the bill that I have introduced, and also our good friend Mr. Turner, whom we have seen for many, many years.

Mr. Whitton, are you acquainted with H.R. 2630, introduced by Mr. Robison, of New York? The bill's purpose is as follows:

It is hereby declared to be the intent and policy of Congress to equitably reimburse each State for the Federal share of the depreciated cost of every portion of any toll or free highway, bridge, or tunnel within such State which is a part of the National System of Interstate and Defense Highways.

Mr. Robison, I know, has worked hard with the chairman of the full committee on the New York reimbursement. His bill is H.R. 2630, introduced on January 24, 1963. I am sure you are acquainted with it.

My question to you, Mr. Whitton, is this: In your opinion, do you believe that eventually some form of reimbursement will be given to these States whose highways, either toll or free, have been incorporated into the Interstate System?

Mr. WHITTON. You are asking for a personal opinion?

Mr. KLUCZYNSKI. Right.

Mr. WHITTON. It seems to me that eventually the portions of the Interstate System that now coincide with a toll road should be made free. It is my humble opinion that eventually our people are going to want the whole Interstate System free of tolls that are collected at

toll booths. We all pay the gasoline tax. When that should be done, I think, is something the Congress will have to decide.

I personally don't think it ought to interfere with the completion of the Interstate System as now designated. I think we ought to complete the Interstate System as now designated at the time the Congress specified, which is 1972. We are striving, and we are going to get that job done.

But following that, if the roads and the bridges have not become free by the collection of the revenues now made on the toll roads, then I personally would think that some arrangement ought to be made to work out a program, an equitable program, of reimbursement for both toll roads and free roads.

Now, there are some free roads that are part of the Interstate System and have been constructed on a 50-50 basis. Some may be even 100 percent State money. I don't know for sure. But I do feel that eventually we ought to have a 41,000-mile system of interstate highways as now designated free of tolls.

Mr. KLUCZYNSKI. Mr. Whitton, do you believe that the Calumet Skyway, or the Chicago Skyway, will qualify for such reimbursement when the time comes?

Mr. WHITTON. Mr. Congressman, as I am personally familiar with it, and not familiar with it in too much detail, it is my understanding that the Calumet Skyway was part of the report that we made to Congress on reimbursement for toll roads and free roads. My personal assumption is that it would become and is a part of the Interstate System and was so designated, I believe, sometime in 1960.

Mr. KLUCZYNSKI. When?

Mr. WHITTON. 1960.

Mr. KLUCZYNSKI. Don't you think that there are exceptional circumstances in connection with the Calumet Skyway that might require immediate action on this particular section at this time?

Mr. WHITTON. Mr. Congressman, I don't believe I agree with that statement; no, sir. I feel, as I have said here, that we ought to consider all of them alike, and give all States and toll charges equal treatment. Any reimbursement at this time would delay the completion of the Interstate System, which I think is the most important thing we have before us.

Mr. KLUCZYNSKI. You were not here yesterday, and I don't think there was anybody from your department or agency, to listen to the proposal of the Calumet Skyway manager and the corporation counsel. We had all the people who knew about the skyway. I wonder if you are acquainted with it.

If we had waited about 16 or 18 more months, we would have come under the 90-10 Federal share for the Interstate System. But we saw the Indiana Tollway stop right at 106th, at our busiest section. We in Chicago had to do something to bring that traffic from Indiana and Michigan into Chicago. That was the purpose of the city council passing an ordinance to sell revenue bonds. They first sold \$88 million worth, and then, of course, we had to issue \$13 million more in bonds, which made it \$101 million. We thought the revenue from the skyway bridge would pay off the bonds, but until today it is unable to even pay the interest.

So, Mr. Whitton, this is a hardship case. This is a unique case. If there is going to be any reimbursement for any roads or bridges to any State, I think we should start right now with the Chicago Skyway. I know there are other States that are waiting and looking for reimbursement. If we have to wait until we complete the Interstate Highway System, sometime in 1972, I don't know what we are going to do with the skyway in Chicago.

Mr. EDMONDSON. Will the gentleman yield?

Mr. KLUCZYNSKI. Yes, sir.

Mr. EDMONDSON. Would the Administrator of the Federal system agree that if this skyway passes into receivership that it is impossible under State law and local law out there for the city or the State to take care of the maintenance problem on the skyway, which we were told was the situation? It would become a matter of grave Federal concern that a portion of the Interstate System was not being maintained properly.

Mr. WHITTON. Mr. Edmondson, I don't know that I can answer your question, but there is a section in the law, in the Federal law, that if a State doesn't properly maintain any part of the Federal-aid system, that we can stop Federal aid to that State until they do. But that would be with respect to projects constructed with Federal aid. I don't know what our action would be in this case.

Mr. EDMONDSON. I wasn't asking you what your action would be—I was asking you if it wouldn't be a matter of grave Federal concern if a portion of the Interstate System was unable to be maintained because of the peculiar nature of the section and of the fact of receivership, and the fact that the State and municipal laws did not permit the maintenance work that the turnpike authority itself has been unable to continue.

Isn't that the fact, that the turnpike authority itself was broke, and they don't have the funds to maintain it properly?

Mr. WHITTON. I would say yes to your question; that it would be of grave concern.

Mr. EDMONDSON. Thank you.

Mr. ROBISON. Will the gentleman from Oklahoma yield?

Mr. EDMONDSON. The gentleman from Illinois has the floor.

Mr. KLUCZYNSKI. I will yield.

Mr. ROBISON. Pursuing your question further, and I am not sure that you were here late yesterday afternoon, the director of public works for the State of Illinois, who has the highway department under his jurisdiction, and Mr. Lorenz, testified, I think, that in his opinion this skyway was not really a public facility. It was sort of a quasi-private facility. He, himself, had considerable question whether or not it was legal for the city, for instance, to maintain this portion. Particularly, it seems to me that this problem might arise if the bondholders committee did throw the highway into receivership of some sort. Then you have a real question of whether or not it is a public facility that the State could spend money on, even if it wanted to, or even if it was directed to do so by Mr. Whitton or the Bureau of Public Roads.

I am not trying to throw out any further problems, but that is one facet of the question asked.

Mr. EDMONDSON. If the gentleman will yield to me, that backs up the statement of the mayor, that his lawyers had informed him if receivership takes place that there isn't going to be any authority at all for maintenance by the city.

Mr. KLUCZYNSKI. We have the corporation counsel here. Would it be all right for him to answer these questions?

Mr. FALLON. How about after we get through with Mr. Whitton?

Mr. KLUCZYNSKI. All right.

Mr. FALLON. Mr. Cramer?

Mr. CRAMER. Mr. Whitton, I was very interested in your statement, particularly two or three aspects of it. As I gather your position, it is, I would say, about the same that Congress has taken on the reimbursement of toll and free highways as evidenced by the report made by your department in 1958. As you state on page 2, it would exceed \$4.3 billion. By that I assume and, as a matter of fact, you actually state, that if we did something with regard to the Chicago Skyway, it would be preferential treatment for the Chicago Skyway toll facility, as compared to all others in the country, and you didn't see any justification for that?

Mr. WHITTON. That is the statement I made.

Mr. CRAMER. Actually, Congress has expressed its intent time and again that its primary objective should be and is the completion of the 41,000-mile Interstate System, and there are only adequate trust funds available to accomplish that and to maintain the ABC program at an appropriate construction level; and that nothing should be done to impede the completion of the free system or the total 41,000-mile system which has integrated in its some free and toll facilities existing prior to 1956. Is that correct?

Mr. WHITTON. In my opinion, unless the Congress makes some other decision.

Mr. CRAMER. I was interested in your discussion on page 3 of the existing and prior legislation dealing with toll bridges. I think it is interesting to note that the city of Chicago built this toll facility, the Calumet Skyway, under the bridge authority, and it is about 7½ miles long. That is a pretty long bridge. You indicate that under section 129(a) of title 23 that Federal participation in construction has existed since 1927, and Federal participation in acquisition of toll bridges no longer exists. Is that correct?

Mr. WHITTON. That is right.

Mr. CRAMER. It would be, in your opinion, as I gather by your statement, unfair to provide relief in one particular area without considering the general question of toll facility acquisitions as a national problem relating to all States.

Mr. WHITTON. That is my statement; yes sir.

Mr. CRAMER. Do you have any idea as to what the cost of acquisition by the Federal Government of toll bridges in this country would be?

Mr. WHITTON. Of all toll bridges?

Mr. CRAMER. Yes.

Mr. WHITTON. No, sir.

Mr. CRAMER. That was included in the \$4.3 billion figure, was it not, in your study previously made?

Mr. WHITTON. Yes.

Mr. CRAMER. You also indicate on page 4, and I think this is interesting as it relates to the question of the amount of reimbursement, if such were approved, that should be given consideration, that section 122 of title 23 permits Federal participation in retirement of the principal of bonds issued for the construction of Federal-aid projects, but nothing beyond principal.

I also note that on page 4 you say the amount paid by the Federal Government in any event should not exceed the present market value of the bonds outstanding; is that correct?

Mr. WHITTON. That is just my opinion; yes, sir.

Mr. CRAMER. And the bonds presently, as I understand it, at this particular Chicago Skyway, are selling at about \$56 now. I gather that the amount that is being requested, \$87 million, would pay off the bonds at approximately 87 percent. That is a pretty good 31-percent windfall, is it not, to the bondholders?

Well, it is your opinion, in any event, that such a windfall should not result from Federal reimbursement or Federal purchase of a bridge. Isn't that the thrust of your statement?

Mr. WHITTON. Well, it is our opinion that any structure of this nature that is bought, when there are outstanding bonds, we ought to get them at the market price.

Mr. CRAMER. There wouldn't be any justification for the Federal Government paying 87 percent when they are selling at 56, leaving a 31-percent windfall to the bondholders?

Mr. WHITTON. That is what I meant by this statement.

Mr. CRAMER. I think that is a point very well taken. I certainly wouldn't be a party, and I don't think the Federal Government should be a party, or the Federal taxpayers a party, to providing for a 31-percent windfall to the bondholders as the result of the Federal Government taking over the project. I think that is a point very well taken.

Mr. EDMONDSON. Will the gentlemen yield at that point?

Mr. CRAMER. I will be delighted to yield.

Mr. EDMONDSON. I would agree thoroughly with the gentleman as a general statement of principle that we shouldn't be responsible for any windfalls to any bondholders. But if the force of the mayor's argument is entitled to any weight, it is Federal action which has depreciated the bonds, reduced the traffic on the expressway, and led to the decline in the productivity of this expressway.

As a matter of plain equity, I think that is an argument that is entitled to some consideration in determining what is paid. If the Federal Government had not supported on a 90-10 basis the construction of the competing expressway, you wouldn't have these bonds selling at \$56 or \$57.

I think there is a further point to be kept in mind: If we are acquiring the real estate on these roads as a Federal asset on the Interstate System, and a free asset, some weight should be given also to the value of that road, and that the value of the actual road itself, a six-lane highway, should be a factor in determining what is going to be paid as well as what the going price on the securities is.

I personally think that there will probably have to be some reconciliation between the two, and not a flat position taken in either direction as to where the equity would be. To the extent that the Federal Gov-

ernment's own program and its own actions have created actual deterioration in value of these securities, I think there is equity in the position that something beyond the mere market value of the securities should be paid on a reimbursible program.

Mr. CRAMER. To reply to the gentleman, the gentleman, of course, has one opinion with regard to it. I frankly think the mayor's position that the Federal Government is responsible for construction of competing freeways which subsequently occurred after the construction of the Chicago Skyway is entitled to about as much weight as a truckload of feathers. I hope to obtain from Mr. Whitton, before I get through, what the Federal policy is with respect to approval of these highways.

I don't think there is much weight in it whatsoever. The States and communities are the ones responsible for the location primarily, in the first instance, for any free facility, and that includes the competing facilities of the Chicago Skyway.

Isn't that correct, Mr. Whitton? Under the basic concept of the law, the State and local communities have the duty of settling where the highways will be located, and what the priority of their construction should be?

Mr. WHITTON. With Federal approval on each step.

Mr. CRAMER. And the State initiates the action?

Mr. WHITTON. That is right.

Mr. CRAMER. You can see on the map what the situation is. The Chicago Skyway is in the red. The position of the mayor and others is that the completion of the Dan Ryan Expressway south to connect up with the Kingery Expressway resulted in a free road competition with the Chicago Skyway toll facility and, therefore, it lost revenue. Whose responsibility is it that that free road was located there?

Mr. WHITTON. I think it is a mutual responsibility, Mr. Cramer. I think the State and the city certainly initiated it and obtained our approval. So in obtaining the Bureau of Public Roads' approval we share in the responsibility.

Mr. CRAMER. Let's examine that. That is an interesting situation. I understand you and others in the Bureau of Public Roads have consistently taken the position that where a State builds a toll road, or if it builds a toll road, it is none of the Federal Government's business; that the Federal Government has no right to say anything about it.

Mr. WHITTON. You asked about the Dan Ryan Expressway.

Mr. CRAMER. As it relates to the effect on the toll road. If you are going to object to it, you would object to it on the basis that it would affect the toll road revenue. You didn't object on that basis.

Mr. WHITTON. That is right.

Mr. CRAMER. The reason is obvious: that you take the position there, or your predecessor took the position there, which has been taken by the Bureau consistently, that the Federal Government has no business injecting itself into the question of toll facilities. I disagree with you on it, as you know, but that has been your position; has it not?

Mr. WHITTON. Our position, if I may state it in regard to a competing facility, is that we endeavor not to approve a facility, a free facility, that will compete and jeopardize the bonds of the toll facility. I think that is our policy.

If that is what you are talking about, Mr. Cramer, we do try to not participate in a competing facility.

Mr. CRAMER. I quote your testimony before this committee on May 16, with regard to the toll facility bill that I introduced, which I am sure you are familiar with, in which I asked that the Federal Government should have some say-so with regard to the injection of toll roads into the free highway system, and likewise, it should have some say-so about competing toll roads with the free system, which, of course, you testified against. In that, you stated on page 13:

No Federal law prohibits a State from constructing a toll road, bridge, or tunnel at any location it may select, with or without the approval of the Secretary of Commerce, unless the State chooses to apply for and use Federal-aid funds to pay part of the cost of such construction, or unless the location coincides with a highway facility previously constructed with Federal-aid funds.

That is still your position; is it not?

Mr. WHITTON. Yes; that is right.

Mr. CRAMER. Then I presume it is consistent with that policy that the Bureau did not object to the State's decisions in that it is the State and local toll road involved, and if the State didn't think the free road would compete with the toll road sufficiently to affect its financial soundness, the Bureau had no right or reason, under this policy, to object to the construction of this free road, even though it might be in competition with the toll road. Isn't that correct?

Mr. WHITTON. We did not object.

Mr. CRAMER. For the obvious reason you didn't think it competed?

Mr. WHITTON. I have to make that assumption. I wasn't here then, but I assume that that was the assumption.

Mr. CRAMER. I will be glad to yield to the gentleman from Alabama.

Mr. JONES. Mr. Whitton, I was rather surprised to hear you answer Mr. Cramer to the effect that you thought the value of that property, if the Federal Government would make the repayment to the State of Illinois, the city of Chicago, should be based on the value of the bonds. Did I understand you correctly?

Mr. WHITTON. Mr. Jones, I am sorry; I didn't get the first part of your question.

Mr. JONES. As I understood from the inquiry made by Mr. Cramer to you, you thought that the value wouldn't be \$87 million, but would be the value at the price of the going rates of the bonds.

Mr. WHITTON. That is my statement; yes, sir.

Mr. JONES. How do you reconcile the fact that if this committee is to give consideration for reimbursement or for repayment to the State of Illinois, that it should not be based upon the value of the property rather than the sale of the bonds?

Mr. WHITTON. Personally, I think this committee could make its own decision on how to make the reimbursement, and will.

Mr. JONES. Let's just go back now. Examine the record. You had a situation in Mobile where you had a tunnel. That tunnel was capitalized at the cost of about \$3 million originally. That tunnel would pay off at the rate of \$17 or \$18 million. You weren't agreeable, nor was the Bureau of Public Roads, your predecessor agreeable, to paying the value of its earnings in Mobile, because you said the property values did not justify you making that payment to the State of Alabama.

If you are just going to take the going rates of bonds or the sale of bonds, how are you going to divorce yourself from property values?

Mr. WHITTON. Mr. Jones, I certainly wouldn't favor paying more than the actual value of the facility, but I would be willing to buy it for less than the actual value.

Mr. JONES. You don't want to do that, if it has a value. The Federal Government wouldn't want to go in there and cheat the States. If it is worth \$1 million, you wouldn't want to acquire it for a half million. You know that, Mr. Whitton. That is just poor public policy on its face.

If you are going to go out and engage in the acquisition of rights-of-way based on these corporate profits and all that sort of thing, how would you have a right-of-way program?

Mr. WHITTON. Our right-of-way program is based on the market value of the property.

Mr. JONES. You know the value of highways, if it will be accepted by the Bureau of Public Roads. You certainly take into account the value of the property at the time it is acquired. You are not going over here and look at the bond market to determine the value of a piece of property, are you; that is, when you know it is in distress?

Mr. WHITTON. I have not made a definite recommendation, Mr. Jones. I was suggesting something that this committee might give consideration to. We wouldn't make a definite recommendation on the acquisition of this bridge, or any other toll—

Mr. JONES. Suppose you wanted to acquire the Pennsylvania Turnpike right now. It is dripping with money. You wouldn't want to pay the value of the earnings of the Pennsylvania Turnpike; would you?

Mr. WHITTON. We would make a study of any turnpike and determine its condition.

Mr. JONES. You know the policy that we have always had in the Federal Government is to pay a reasonable price for the property at the time it is acquired.

Mr. WHITTON. Based on its condition.

Mr. JONES. And you don't base it on the prices in the New York stock market.

Mr. WHITTON. Not necessarily; no.

Mr. JONES. So why would you suggest to this committee that we go in and pay a price on a defunct operation, but which has values in the public interest, and then say that that would be the controlling factor in the value that you would suggest that this committee consider?

Mr. WHITTON. I just suggested it, Mr. Jones, and asked that you make the determination of what you want to do.

Mr. JONES. There is not but one question to be resolved here, or two questions. First, do you want it; and the second is the value of the property. You are asking this committee of Congress to pass on the value of the property. You are the fellow that determines the value, not us. We are not appraisers. We can't evaluate it.

Mr. WHITTON. If the committee asked us to, we would make that determination.

Mr. JONES. Of course. But why assume some assumptions that never are normally applied to the acquisition of property? That is as foreign and as distasteful as anything I can think of.

Mr. CRAMER. Before this thing gets out of focus, I think that the Administrator has a point that has to be considered. This facility is not owned by the State. It is owned by the bondholders. The bondholders are not entitled to a windfall, in my opinion. The city of Chicago is not entitled to a windfall, either.

Mr. JONES. I am not suggesting that.

Mr. CRAMER. Let me finish, and I will show you what is going to result if you take solely the approach of the value of the present depreciated value of the facility.

As I understand it, maybe you could provide the figure. I think a study was made of this in 1958. What was the depreciated value of the facility?

Mr. WHITTON. We will furnish that for the record, Mr. Cramer.

(The information follows:)

Ninety percent of depreciated valuation \$63,838,000.

Mr. CRAMER. As I understand, it was something like \$76 million. But I wish you would provide it for the record.

The city stated yesterday they intended to negotiate with the bondholders. They don't intend to pay them 100 percent of the bond value. The present value is 56. If, in fact, the bondholders are willing to sell their bonds for, say, 60 or 65 or 70, and the Federal Government pays 86, which is what is proposed, or 87, then the city would get a windfall between the 70 and the 87.

Is that justified, to take the Federal taxpayers' money and apparently, in my opinion, this bill says it should come out of general revenue, and we have to borrow money to pay it at 4 percent interest, with the deficit we now have—is it right for the city of Chicago to get a windfall, if that municipality can negotiate with the bondholders for something less? Is that what is disturbing you, Mr. Whitton?

Mr. WHITTON. That is my feeling.

Mr. CRAMER. I agree with you wholeheartedly. The Federal Government can't permit anybody to get a windfall out of it. Even if the fair market value might be greater than what the bondholders are entitled to be paid, why should the Federal Government foot the bill and why should the city get the windfall, or, in the alternative, the bondholders?

So I think the value of the bonds and what they could be negotiated for for settlement has to be considered by the Federal Government as a part of the package. This is a bondholder facility and not a State-owned facility.

Mr. JONES. I will say to the gentleman that I agree with you, if the purpose is to take the actual value, the appraised value of the property, and reimburse. But I don't think these extraneous things should be considered in the evaluation because it never has been the policy of the Federal Government to take into account those sorts of things, either high nor low, in appraising a piece of property for acquisition or reacquisition.

Mr. EDMUNDSON. Will the gentleman yield?

Mr. CRAMER. I will say to the gentleman that, sure, I am familiar with acquisition by the Federal Government. But when it is a bondholder situation, it is a different situation, and the bondholders are the ones who have to be dealt with. If they are willing to sell it for less than its market value, if the price is less than the present

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market value, and if the Government can negotiate for less, I think they should.

Mr. EDMONDSON. I agree that the market value of the bonds has to be a factor considered in this situation. I think equally the policies of the Government that may have contributed to the state of those bonds has to be considered.

Let me state this to the gentleman: Suppose the Federal Government were to decide we were going to acquire these bonds, and to get the bonds down a little lower we will just withdraw that interstate designation, take them off the Interstate Highway map for a while. We can run them down to about 30 if we do that. We have already hit them between the eyes by running a parallel route there at 90-10. Now let's take them off the interstate route and let them run for a year or two without any designation on the maps as an interstate route. Maybe we can get it for 25 cents on the dollar.

Would the gentleman think that would be equitable?

Mr. CRAMER. I am not answering the questions; Mr. Whitton is.

Mr. EDMONDSON. The gentleman is pleading a case. I want him to consider what is possible under his approach.

Mr. CRAMER. There has been no suggestion of Federal manipulation of the bond values here. There is no reason to bring that question into the point here. I obviously don't approve of Federal manipulation of bond values. But there is a bond value exclusive of Federal action.

Mr. EDMONDSON. Not exclusive of Federal action.

Mr. CRAMER. If the bonds are lower, it is because the State made a wrong decision in putting this free facility in competition with it. They themselves said at the time they did it they didn't realize there would be that much effect on it. That is their testimony. They are the ones who made the traffic study.

Mr. EDMONDSON. Who testified to that? The mayor wasn't even in office when this took place. The mayor said he had nothing to do with the decision about building this skyway.

Mr. CRAMER. Look at the record and you will see one of the witnesses indicated that they made a study of the effect of the freeway on the toll road before they approved the toll road and their determination on a traffic count basis was that there would be a very slight decrease in the usage. Now, they made that determination and they submitted it to the Bureau, and the Bureau based upon that determination, went along with it. I think that is primarily State and local responsibility.

Mr. WHITTON. Mr. Chairman, may I say at that point that we thought then and we think now that both roads are needed.

Mr. SCHWENGEL. Will the gentleman yield?

Mr. CRAMER. I will yield.

Mr. SCHWENGEL. I am glad to have Mr. Whitton before us again. I am sorry that we are causing so much trouble here, however.

For the purpose of clearing the air, I will make this observation first: This conversation is a result of an observation made originally, and I point out also that you said before we did anything in the way of repayment, in the case of situations like this or freeways, that we should give this whole matter a lot of study. After that you gave a curbstone opinion which is causing this argument. You still hold that if we did this, and you are not arguing that we should do it, we

need to do it after we have given a lot of study to all these factors that have been revealed and consider probably a lot of other problems and situations that will come to light. Is that correct?

Mr. WHITTON. That is right.

Mr. SCHWENGEL. So you are not really arguing with anybody here. You are just kind of arguing a temporary position, but you agree that you might change that position if you are ordered to do a study and if you do a study and find other factors that justify your changing positions.

Mr. WHITTON. I don't think anybody ought to ever say he won't change his position from additional facts that might be added. But I do think that a study should be made to determine if and at what time and in what way reimbursement for toll roads and free roads should be authorized by the Congress. We would make a study and give it to you and you would decide what to do.

Mr. SCHWENGEL. And at that time we can consider the problem of the Chicago Skyway and a lot of other problems and come to some definite conclusions on how we do this.

Mr. WHITTON. Yes, sir.

Mr. CRAMER. I yield to the gentleman from Illinois.

Mr. McLOSKEY. I thank the gentleman for yielding. I am not a member of the subcommittee, but I am a member of the full committee.

I want to get two things clear in my mind, Mr. Whitton. First, as I understood your original testimony, you are not sure in your own mind if this bill is passed where this \$87 million will come from, whether it will come from the trust fund or the general revenue fund; is that correct?

Mr. WHITTON. That is right.

Mr. McLOSKEY. My second question is this: In the event that it should come from the trust fund, would this have an adverse or deterrent effect on our present interstate program in the State of Illinois? In other words, if we take \$8 million to take over the Chicago Skyway, will this slow up our other interstate work?

Mr. WHITTON. In Illinois?

Mr. McLOSKEY. Yes, sir.

Mr. WHITTON. Yes, sir.

Mr. McLOSKEY. Thank you.

Mr. CRAMER. I just have a couple more questions and then I will yield the floor.

Mr. WHITTON. Mr. McLoskey, do you mean if we paid it now, out of our present money that comes to Illinois?

Mr. McLOSKEY. You have allocated so much, I understand, to the State.

Mr. WHITTON. That is right.

Mr. KLUCZYNSKI. Do I understand the gentleman from Iowa correctly that he wants a further study on the Chicago Skyway?

Mr. SCHWENGEL. No; I said that at the time we consider these other points, it should come from a further study, and I thought Mr. Whitton suggested that in his remarks.

Mr. KLUCZYNSKI. We are serious now. We are trying to get reimbursement for the Chicago Skyway. As the gentleman knows, in order to kill a bill, over the past many years, someone would make a motion to send it to a subcommittee and the chairman of the subcom-

mittee would appoint six pallbearers; isn't that right? I don't want to have appointed any pallbearers on this case.

Mr. SCHWENGEL. I was trying to clarify what Mr. Whitton said.

Mr. KLUCZYNSKI. This will clarify it.

Mr. CRAMER. I think Mr. Whitton's point is that if there is going to be reimbursement, reimbursement for all toll facilities should be considered, and a determination made as to that before any specific relief is given to any specific project unless there are, I assume, extenuating circumstances of a grave nature. The only extenuating circumstance here is that the thing is about to go broke, which, of course, if you take that position, then you would have to bail out the West Virginia Turnpike, too, wouldn't you, Mr. Whitton? It is going broke, too.

Mr. WHITTON. I am not too familiar with the finances of any toll road, Mr. Cramer, but I have heard that West Virginia is not making money.

Mr. CRAMER. They have put approximately an additional 200 miles in the State of West Virginia and dovetailed most of that mileage into the toll road on the basis that the toll road is going broke.

I assumed the gentleman would be an expert witness on the question of the West Virginia Turnpike. I will not go further into that.

There are two basic questions raised by all of this discussion. The first is legislation which I have introduced before, which we have held hearings on, which has been modified to meet your objections, and it has been introduced again this year. It would require the Bureau of Public Roads to give consideration not only to injection of toll facilities into the Interstate Highway System, and also competing toll facilities, and if, in fact, the Bureau decided to approve or disapprove either the injection of a toll road, the building of a new toll road, or a competing toll road, that such a report would be made to Congress for review. All of your administrative functions would be preserved.

I can't understand, in view of this controversy, in view of the controversy in Florida, in view of the controversy in New York, in view of the toll road problems that are cropping up all over this country, why the administration and your Bureau would not approve giving yourself the authority to have something to say about toll facilities in the future.

Don't you think it might be time to reconsider your position with regard to that basic legislation?

Mr. WHITTON. It might be.

Mr. CRAMER. I would like to suggest, Mr. Chairman, that we ask the administrator, whose ability and judgment I have a great deal of confidence in, to review general legislation regarding toll roads so that maybe this whole toll picture throughout the country can finally be put into a little bit of focus.

This is one of the clearest pictures with the State claiming the Bureau is responsible for the financial difficulties of the Chicago Skyway because of the existence of a free highway system which the Bureau acceded to the construction of on the request of the State and local community.

You say you think there is joint responsibility. If that is the case, then certainly if there is joint responsibility then the Bureau ought to have something to say about it. That is the objective of my legislation.

Let me say secondly I have also introduced House Joint Resolution 464, which calls for a study as to what the 10-year program after 1972 should be. Are you familiar with that?

Mr. WHITTON. Yes; I know you have introduced it; yes.

Mr. CRAMER. And very serious thought was given to it. It arose largely out of our hearings on the basic amendments to the Highway Act that are on the floor today for consideration. And at which time it was clearly stated by the American Roadbuilders Association and others that it was essential to start planning now if we are to get properly tooled up for 1972, construction in 1972 and 1973, that the Bureau should start a study now in conjunction with the States on what should be done.

Included in that proposal is a section relating to toll roads, on page 4, line 23, paragraph 5, examination of toll road problems. The traditional policy that highways constructed with Federal funds should be toll free should be considered. The extent to which toll facilities have been or may be established on existing Federal-aid highway systems should be considered, and whether or not toll facilities should be established on present or future Federal-aid highway systems should be considered.

Do you generally agree that those are areas that should be considered at least by 1972?

Mr. WHITTON. Yes, sir.

Mr. CRAMER. Then could I ask whether or not you support this legislation and whether you think it is important that it be enacted now?

Mr. WHITTON. The resolution?

Mr. CRAMER. Yes; House Joint Resolution 464.

Mr. WHITTON. Asking for the study?

Mr. CRAMER. Correct.

Mr. WHITTON. Yes; I think it ought to be enacted. I think it should, and I think we ought to get started on it.

Mr. CRAMER. Perhaps we have a vehicle to accomplish what the gentleman from Illinois is interested in.

I just asked Mr. Whitton whether he supported House Joint Resolution 464, which I introduced, and I understand a number of other Members have likewise introduced it, including the distinguished Senator from Oklahoma, a similar resolution on the Senate side, proposing a study commencing in the near future by the Bureau and by the States on the questions of what additional free highway links should be added by 1972, or beginning in 1972; what should be done concerning toll roads as of 1972; that a study should be gotten underway immediately, in the contemplation of a 10-year program—and there was no magic to the 10 as it could be any number of years—subsequent to the 1972 termination of the present program.

Mr. Whitton stated he favors such legislation. He thinks such studies are needed now. Included in that study would be this Chicago Skyway.

I would like to suggest to the gentleman, if he would support and vote out my resolution, it might be a solution to this whole problem and get us on the right track relating to all these questions, including the one the gentleman from New York is vitally interested in in reimbursement of toll roads, and many other members of this

committee. I would like to ask that that be given consideration at this time.

Mr. KLUCZYNSKI. It would be a good idea, to make a study of reimbursements of all these projects or toll roads, if you will exclude the Chicago Skyway and let us try to work on that now.

(H.R. 3494 and H.J. Res. 464 follows:)

[H.R. 3494, 88th Cong., 1st sess.]

A BILL To amend section 129(b) of title 23, United States Code, relating to toll roads, bridges, and tunnels on the National System of Interstate and Defense Highways

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (b) of section 129, United States Code, is amended by adding the following material after the last sentence of the subsection: "After July 1, 1963, all agreements between the Secretary and a State highway department for the construction of projects on the Interstate System shall contain a clause providing that no toll road, bridge, or tunnel will be constructed on the interstate highway route involved without the official concurrence of the Secretary. The Secretary shall not concur in any such construction unless he shall affirmatively find that, under the particular circumstances existing, the construction of such road, bridge, or tunnel as a toll facility rather than a toll-free facility is in the public interest. The Secretary shall promptly report, in writing, to the Committees on Public Works of the Senate and the House of Representatives any action taken by a State or other agency after July 1, 1963, and without the prior concurrence of the Secretary, to construct a toll road, bridge, or tunnel on any route designated as a part of the Interstate System. All such reports of the Secretary shall set forth his recommendations as to whether approval of further projects on the affected interstate route within the State should be withheld, whether Federal funds previously paid to the State on account of projects on such route should be recovered, in whole or in part, by the United States, and such other action as the Secretary deems appropriate. The Secretary may proceed to carry out such recommendations after the expiration of the first period of sixty calendar days of continuous session of the Congress following the date on which the report is transmitted to it, but only if, during such sixty-day period, there has not been passed by either the Senate or the House of Representatives, a resolution stating in substance that the recommendations of the Secretary are not favored. For the purposes of this subsection continuity of session shall be considered as broken only by an adjournment of the Congress sine die, but in the computation of the sixty-day period there shall be excluded the days on which either House is not in session because of an adjournment of more than three days to a day certain.

[H.J. Res. 464, 88th Cong., 1st sess.]

JOINT RESOLUTION To provide for a study of needed Federal-aid highway programs for ten years following the termination of the present interstate and defense highway program by requiring the Secretary of Commerce to make a comprehensive investigation and study of highway traffic and needs based upon twenty-year projections, and the changes determined necessary in the Federal-aid highway systems as a result thereof, and to report the results of such study and his recommendations for a ten-year highway program commencing June 30, 1972, to Congress

Whereas, by the provisions of section 101(b) of title 23, United States Code, it is declared to be in the national interest to accelerate the construction of the Federal-aid highway systems, including the National System of Interstate and Defense Highways, hereinafter called the "Interstate System," and the Congress expressed its intent that the Interstate System be completed as nearly as practicable over the period of availability of the appropriations authorized for its construction, reconstruction, or improvement, and that the Interstate System in all States be brought to simultaneous completion; and

Whereas appropriations have been authorized through the fiscal year ending June 30, 1971, for the construction, reconstruction, or improvement of the Interstate System; and

Whereas, to carry out the intent of Congress, final contracts for construction of the Interstate System should be awarded during the fiscal year ending June 30, 1971, and final design work and right-of-way acquisition should be underway no later than the fiscal year ending June 30, 1969; and

Whereas, for the necessary and orderly continuation of needed improvement of the Federal-aid highway systems after the fiscal year ending June 30, 1971, construction planning, traffic surveys, and new route location studies should be commenced not later than the fiscal year ending June 30, 1968; and

Whereas the undertaking of such construction planning, surveys, and studies is dependent upon prior determination by the Congress of the nature and extent of a program for continuing the improvement of the Federal-aid highway systems and the authorization of appropriations therefor; and

Whereas to avoid the adverse impact upon the Nation's economy which would result from an abrupt substantial reduction in the amounts expended annually for the improvement of Federal-aid highways; to avoid the slow and costly replacement of staffs and equipment inventories again to accelerate the Federal-aid highway program at a later time; and to continue the effort commenced by enactment of the Federal-Aid Highway Act of 1956 to meet the growing transportation requirements of the Nation, it is essential that a study be made of the needs for further improvement of the Federal-aid highway systems after completion of the current program to enable the Congress to make timely provision for continuation to the extent and as determined necessary of the Federal-aid highway program after the fiscal year ending on June 30, 1971: Now, therefore, be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) the Secretary of Commerce, acting in cooperation with all other interested Federal departments, agencies, and instrumentalities and with the States (acting through their highway departments) shall make a comprehensive investigation and study of—

- (1) types and volumes of estimated highway traffic as projected for twenty years;
 - (2) any changes (including the construction, reconstruction, and improvement of highways) which may be necessary in the Federal-aid highway systems needed to accommodate such traffic;
 - (3) the cost of such changes;
 - (4) the extent of Federal participation in the cost of such changes;
 - (5) methods for financing such Federal costs; and
 - (6) methods of apportioning Federal-aid highway funds among the States.
- (b) The investigation and study authorized by this section shall include, but not be limited to, the following:

- (1) the estimated traffic and the required changes in each existing Federal-aid highway system on a State-by-State basis, as well as on a national basis;

- (2) an examination of the present system of highway classification for the purpose of determining whether such highway classification should or should be placed on a functional basis;

- (3) an examination of the possible creation of a new Federal-aid highway system or systems;

- (4) an examination of the possible extension of the Interstate System with particular reference to—

- (i) additional mileage.

- (ii) the use of such additional mileage to include in the System those highway links which should be supplied to more fully complete the System, and

- (iii) revision of methods and standards for allocation of mileage and funds for such System; and

- (5) an examination of toll road problems, the traditional policy that highways constructed with Federal funds should be toll free, the extent to which toll facilities have been or may be established on existing Federal-aid highway systems, and whether or not other toll facilities should be established on existing or future Federal-aid highway systems.

SEC. 2. The Secretary of Commerce shall submit to Congress within ten days after January 2, 1966, the results of the investigation and study authorized by this joint resolution. This report shall include his findings and recommendations on each specific item referred to in the first section of this joint resolution and shall contain a recommended Federal-aid highway program for the fiscal year ending June 30, 1972, and for each of the nine succeeding fiscal years, including recommendations with respect to the financing of such program.

Mr. EDMONDSON. I certainly want to join with the gentleman from Illinois in expressing my support of the idea of the study. I think there are a lot of us with turnpikes facing a similar situation who would join in supporting it. I think a lot of us with free roads would

support it. However, on this issue of standards that are going to be established on reimbursement, I may have been talking against my State's interest, and against the interest of some other States, with my contention about the market value of the bonds not being a standard.

I see from today's New York Times that the Oklahoma Turnpike Authority bonds are selling at $109\frac{1}{2}$, and the Jacksonville Expressway bonds are selling at $108\frac{3}{4}$. The Florida State Turnpike bonds are selling at $110\frac{3}{4}$. The Kentucky Turnpike bonds are selling at 112, the Kentucky Turnpike Toll Road at $112\frac{1}{2}$.

I would like to know if the Administrator believes that we are going to have a double standard on this thing under his recommendation, or if in these instances where the toll roads are worth more than the physical structure and the cost of construction that we ought to make an allowance when we consider reimbursement for this earning power of the roads.

Mr. WHITTON. No; I don't think so, Mr. Edmondson. I don't think we should ever pay more than the physical worth and depreciated value of the property.

Mr. EDMONDSON. But you think we should pay less than the actual worth and depreciated value when it suits the Federal Government's convenience?

Mr. WHITTON. That is what I said.

Mr. EDMONDSON. Do you believe that is fair?

Mr. WHITTON. Well, it seems to me that if the bonds are worth whatever they are worth less than the physical value of the property, it doesn't seem to me it would be unfair to buy those bonds at that price and make it free.

Mr. EDMONDSON. It wouldn't be unfair to the Federal Government. I will concede that. It would be a good deal for the Federal Government.

Mr. WHITTON. I don't think it would be an unfair deal, Mr. Edmondson. The bonds are worth 56 and the Federal Government has the power to go on the market and buy them at 56 and then make the road free. I don't think that would be unfair. That is what they are selling for today. But at the same time, I wouldn't favor buying the Oklahoma Turnpike bonds at 110 and making it free. You are asking me for an off-the-cuff opinion, and that is what you are getting, and I reserve the right to change my mind.

I don't think it would be fair to pay Oklahoma or Kentucky or any other State a premium for their bonds when the value of the physical property of the turnpike is only worth so much. A road depreciates in value as it grows older, and I don't think we ought to pay more than depreciated value for the property.

What I suggested may be completely, financially impossible, but if I had \$87 million, or if I had the money today, I could buy the bonds of the Chicago Skyway at 56 or 57 or 58 and make it free, if I were that kind of a philanthropist. That is just my personal opinion. I have been wrong a lot of times.

Mr. EDMONDSON. We are all shooting from the hip on this thing. I am not suggesting that my thinking on it represents any final judgment, either.

If you didn't have the factor of the responsibility of others, including the Federal Government—and I don't say it is exclusively

Federal by any manner or means, but we have a joint responsibility for it—if you didn't have the factor of the responsibility of others for developments that have depreciated these bonds, then I certainly would agree wholeheartedly with you that there shouldn't be any consideration of paying more than the market value of the bonds by the Federal Government. It seems to me this has been a very constructive point to be considered in connection with this bill.

I think the gentleman from Florida has made a contribution, by bringing into the question the market value of the bonds and the obligation of the Federal Government with regard to that. I don't want to see a windfall for any bondholders. On the other hand, I don't think bondholders ought to be victimized or mistreated, any more than any other property owner. I think we have frequently given consideration when we legislate on these questions to equitable considerations that are not strictly legal obligations of the Federal Government.

This seems to me to be a case where some middle ground certainly would be tenable. As to how much of the obligation is ours, how much of it is the obligation of the State of Illinois, how much of it is the obligation of the city of Chicago—I think these are areas we haven't thoroughly explored yet. I just don't think it is a fair position to say that under no circumstances should we pay more than the market value of the bonds, because I don't think that indicates a Federal approach that we could defend on the grounds of equity if a case is made for some Federal responsibility in depreciation of value.

Mr. Chairman, I thank you.

Mr. FALLON. Mr. Baldwin.

Mr. BALDWIN. Mr. Whitton, there was some testimony yesterday that the reason that this Chicago Skyway originated was because of the construction of the Indiana toll road and the termination of the Indiana toll road at a point where there was very heavy traffic concentration.

Is my understanding correct that the decision for the construction of the Indiana toll road and the decision as to the route to be followed by the Indiana toll road was a decision made by the State of Indiana and not the Federal Government?

Mr. WHITTON. Yes.

Mr. BALDWIN. Isn't it accurate that the Indiana toll road did not get incorporated into the Federal Interstate Highway System until sometime after it actually had been designed and partly constructed?

Mr. WHITTON. Yes, sir.

Mr. BALDWIN. So that the Federal Government had no part in the decision as to the designing of the route or the determination to build that Indiana toll road. It was a State decision; is that accurate?

Mr. WHITTON. The State and Toll Road Commission decision; yes, sir.

Mr. BALDWIN. The Toll Road Commission of the State of Indiana?

Mr. WHITTON. Yes.

Mr. BALDWIN. So if there is any responsibility for dumping all that traffic at one point, it was the decision of the State of Indiana.

Mr. WHITTON. That is right.

Mr. BALDWIN. The other question that I have deals with cost figures. We had a little information given to us yesterday when the

witnesses that were here yesterday stated they would propose not that we authorize \$87 million as provided in the bill, but that we provide authorization for a sum of \$76,770,000. The total cost, including interest paid bondholders during the construction period was \$100,700,000, and from that you had to deduct interest and amortization of bond discount of \$14 million, leaving \$87,700,000.

From that there was a deduction of toll equipment and vehicles at cost, amounting to \$1,400,000, which left a balance of \$85,300,000.

The witnesses who were here yesterday said that balance of \$85,300,000 was the actual construction cost, including right-of-way acquisition and engineering. Then applying the 90-percent provision that would apply in Federal Interstate Highway reimbursement, they came up with a figure of \$76,770,000.

The Bureau of Public Roads has its own formula as to what is reimbursable and what is not. The toll road, of course, would involve certain elements that would not be reimbursable, including toll plazas, possible addition of lanes because of the need for bringing people in through toll plazas.

I realize that the State witnesses had endeavored to make a computation to drop from this sum \$1,400,000 for toll facilities, but this might or might not be actually the way the Bureau of Public Roads would compute it. My question is: Have you, the Bureau of Public Roads, computed what in your opinion would be reimbursable if the construction of this route was going to be reimbursed on a 90-percent basis in accordance with your usual formula?

Mr. WHITTON. We made that computation, yes, 2 or 3 years ago.

Mr. BALDWIN. What figure did you determine?

Mr. WHITTON. \$69,581,000, as of June 30, 1957. That would not hold good today.

Mr. BALDWIN. \$69,581,000?

Mr. WHITTON. Yes, sir, as of June 30, 1957.

Mr. BALDWIN. Was this the 100-percent figure, to which the 90 percent would apply as the Federal share if this were to be made eligible for Federal reimbursement?

Mr. WHITTON. This is the 90-percent figure.

Mr. BALDWIN. That is the 90-percent figure?

Mr. WHITTON. Yes.

Mr. CRAMER. That substantiates the \$76 million figure I quoted on a 100-percent basis?

Mr. WHITTON. Approximately, yes.

Mr. ROBISON. Would you yield for a question?

Mr. BALDWIN. Yes.

Mr. ROBISON. Why do you say it wouldn't hold good today?

Mr. WHITTON. Well, it is 6 years older.

Mr. QUILLEN. Would the gentleman yield?

Mr. BALDWIN. I yield.

Mr. QUILLEN. I was delighted, Mr. Whitton, to hear you say that you reserved the right to change your mind.

Incidentally, let us face the coldblooded fact. What is going to happen to this skyway in the event something isn't done? Testimony yesterday was that there was no money available to pay the interest on the bonds and it is a pretty critical situation. What happens if it goes broke?

Mr. WHITTON. I am not able to answer that question, Mr. Quillen.

Mr. QUILLEN. You said, however, a moment ago, that the road was needed and that it would fit into your Interstate System.

Mr. WHITTON. That is right. We think both roads are needed, and they will be necessary to handle the traffic at least to a heavy capacity by 1972. They are needed now.

Mr. QUILLEN. Is it your opinion that the reason that the road is in difficulty is because of the parallel roadway was constructed, or is it because of the fee that is being charged to go over the road?

Mr. WHITTON. I don't believe I am qualified to answer that question. I don't think that the parallel construction, in my opinion, has had much to do with the situation. I don't know. They had traffic counts before the Dan Ryan was opened and no doubt afterward. They would be able to furnish that very definitely, I would think.

Mr. QUILLEN. Their reasoning was that it was because of the parallel road. I wanted to get in my mind the true picture.

Here is another question. Obviously the traffic is lagging or the road would be paying out. Do you think that the road would be serviceable and usable to the maximum extent in the event that it was added as a free road in the Interstate System?

Mr. WHITTON. Well, it is part of the Interstate System now.

Mr. QUILLEN. As a free road?

Mr. WHITTON. If it were part of a free road, I think traffic would pick up on it, in my personal opinion.

Mr. QUILLEN. And it would serve a useful purpose?

Mr. WHITTON. Without a doubt.

Mr. QUILLEN. Thank you, Mr. Whitton.

Mr. BALDWIN. I have one further question dealing with costs and reimbursements. You mentioned you computed a figure of \$69 million as of 1957?

Mr. WHITTON. Yes, sir.

Mr. BALDWIN. Have you or anyone in the Bureau endeavored to make a computation as of a fairly current date?

Mr. WHITTON. No, sir.

Mr. BALDWIN. That is, with whatever depreciation formula you feel would be appropriate?

Mr. WHITTON. No, sir; we have not.

Mr. BALDWIN. How long a time would be required to do that? Do you have some kind of depreciation formula you can apply and give us an up-to-date estimate?

Mr. WHITTON. It would take a week or 10 days to find out, I would say.

Mr. BALDWIN. Mr. Chairman, Mr. Whitton has said that it would take a week to 10 days to endeavor to bring their 1957 computation of \$69 million up to date, applying their formula for depreciation. I would like to ask, with the approval of the chairman, that this information be submitted to the committee as soon as the Bureau can do that.

Mr. FALLON. If there is no objection.

Mr. KLUCZYNSKI. How long would it take?

Mr. WHITTON. I said a week or 10 days.

Mr. KLUCZYNSKI. I am going to object to it, Mr. Chairman. That is a long time.

Mr. BALDWIN. If it is objected to, would you submit it to me individually at my request?

Mr. WHITTON. Yes, sir.

Mr. CRAMER. How in the world could we vote a bill out with a dollar figure in it if we don't know what the dollar value is?

Mr. KLUCZYNSKI. They have been working on this for a long time.

Mr. CRAMER. The last estimate they have is from 1957, 6 years old, and there has been 6 years' depreciation since then. It would be substantially below the \$69 million figure.

Mr. KLUCZYNSKI. Is it based on depreciation?

Mr. WHITTON. It is based on depreciation and also whether or not anything has been added to the facility since 1957 that would increase the value of it.

Mr. KLUCZYNSKI. In other words, it may be worth more than \$69 million?

Mr. WHITTON. It could be, if there was something added to it that would be incorporated into the system.

Mr. BALDWIN. As I say, if there is objection, then I would like to request that this be submitted to me individually as a member of this Roads Subcommittee.

Mr. FALLON. I don't think there is any objection to that request.

Mr. WHITTON. Let me say we will get it to you as soon as we can, Mr. Baldwin. It may take more time than I said. I am just guessing.

Mr. KLUCZYNSKI. You couldn't get it to us this afternoon, could you?

Mr. WHITTON. I don't know. We will get it to you as soon as we can.

Mr. KLUCZYNSKI. Tomorrow will be all right. No hurry.

Mr. CRAMER. I would like to ask that the text of H.R. 3494 and House Joint Resolution 464 appear following my interrogation of Mr. Whitton in the record.

Mr. FALLON. If there is no objection, it is so ordered.

Mr. ROBISON. I have been waiting here patiently because this matter, of course, is of great importance to me, and I was hoping there would be time enough for me to get in a few licks. I want to say that I am grateful to Mr. Kluczynski and all the other members of the subcommittee for their interest in this particular problem which inevitably has led to at least some consideration of the broader problem of reimbursement.

Mr. Whitton, I am also grateful to you for what I think is a most fair and frank statement of your personal opinion, as you gave it earlier this morning, that eventually the public, the American traveling public, the motorist, will demand that the toll road portion of the Interstate System be somehow made free.

It strikes me, and correct me if I am wrong, that if we do so, this would bring us back to the original concept of an Interstate System that would be free across the Nation. Isn't that correct?

Mr. WHITTON. I am saying what I think the intent of Congress was. You are better qualified to say that than I am. But, I think it was the intent of Congress that we have a 41,000-mile Interstate System of free roads.

But, we shouldn't have built the road parallel to the New York Freeway, so we accepted it into the system. I certainly think in doing that, and Congress thought in our doing that, that some day that would become a free portion of the Interstate System.

Mr. ROBISON. I think you have stated correctly what the intent of Congress undoubtedly was. I think also down through the years we have made the only practical decision we could make with respect to existing toll or free mileage, which the States have built on their own prior to the 1956 act getting underway, and which fitted into the overall plan for the interstate network.

Obviously, if the Federal Government had built a parallel road alongside the New York State Thruway, it would have jeopardized if not ruined the financial stability of the thruway authority.

It does seem to me, though, that while I have been pursuing this matter of reimbursement as a principal of equity, that we are also getting into a real can of worms with respect to the portions and pieces of toll roads that are somehow or other inserted in the Interstate System.

As the gentleman from Florida mentioned and as you are well aware, we have an intolerable and inequitable situation, it seems to me, in the area of Buffalo, N.Y., with respect to several toll road pieces that are a portion of the Interstate System.

In this particular instance here, I am wondering if you have made any studies, or if you have not if you should not make some studies, with respect to what the effect of freeing the Chicago Skyway, for instance, might be as an additional free route from the northwest of Chicago down to the southwest in competition then with the so-called tristate toll way, which is a toll highway.

I am wondering if, by freeing just a part of this toll problem, we don't as you said, undoubtedly bring about a greater use of the skyway. But that mileage has to come from somewhere. Maybe we will find it is going to come from the tristate toll way, jeopardizing it, as a result of which they will eventually ask us to take over a special hardship.

Have you made any study like that yet?

Mr. WHITTON. No, sir.

Mr. ROBISON. Also, we heard testimony yesterday about Interstate Route 80 and the eventual necessity that someone make a decision as to where to connect it. Apparently it is under construction.

If a piece of that is built south of the existing leg, the east-west leg, of the tristate toll way, what happens to that? If it jeopardizes that, would we be requested to buy that in some fashion?

Getting back to my own State, and I think this is extremely important for you and us to consider, we have the throughway, which is a toll road, as you know. We also have under construction the so-called Penn-Can, which is a north-south interstate highway, which is supposed to pick up from the Pennsylvania line and run to the Canadian border.

We have had expressions in New York from the Bureau of Public Roads, or through the State department of public works, that construction of that Penn-Can north-south highway might have to be delayed or maybe even deferred if its completion would jeopardize the basis of the bonds on our throughway, by giving a competing free highway.

I just really think that beyond the question of equity in reimbursement, as we approach the 1972 date, the target date, for completion of the Interstate System, if we have not resolved this question of toll highways that are a part of the system we will have before that target date, we are going to be in one heck of a mess, to put it mildly. Do you have any feeling along those lines?

Mr. WHITTON. Certainly I would hope the Congress with our help and the States help would decide some years before 1972 what its policy would be following 1972.

I would hope that the Bureau of Public Roads and the States would have something to recommend to the Congress in 1967 that would help the Congress in deciding what its policy should be in the extension of the Interstate System, and maybe the whole highway area, including reimbursements for toll roads and free roads.

That is a personal opinion, of the top of my head, and does not represent anybody except me.

Mr. ROBISON. I appreciate that. I am also glad to hear you say that you would generally tend to favor Mr. Cramer's Joint Resolution 464, which he described, and which would authorize you to undertake an actual study of where we go after 1972 with the interstate program, if we go anywhere.

I am introducing a companion measure to that resolution today, which is practically the same, except that I am adding to it—taking the liberty if Mr. Cramer does not object—adding to it as an additional specific item for study a study into the feasible items, methods, amounts, and financing of reimbursement problems. Do you think that would be useful to you, too?

Mr. WHITTON. Yes, sir. I think it ought to be done and I think Congress ought to decide if and how it is going to handle the reimbursement problem. That includes free roads as well as toll roads.

Mr. ROBISON. Yes, it should.

Mr. CRAMER. Would the gentleman yield? I will say I would be delighted to accept such a modification because I intended in paragraph 5 to include that in any event. It is certainly one of the elements that would have to be considered, as Mr. Whitton indicates.

Mr. ROBISON. Yes.

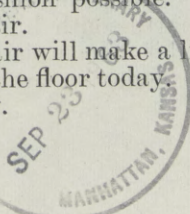
I understood you to say or indicate earlier that you are conducting or beginning to conduct on your own a sort of a study along these lines.

Mr. WHITTON. We have been talking for some months now, and frankly, I don't know our legal position in view of the fact that the resolution has been introduced and has not been passed. We have been getting prepared to make a study of the program, covering needs after 1972.

Mr. ROBISON. I certainly commend you for that. I think it shows responsible foresight on the part of the Bureau. But you would be in a better position, it seems to me, if some such resolution as this were passed, if it did become law, you would be in a better position, I would hope, to get adequate financing from Congress to expedite this study in the most efficient fashion possible.

Mr. WHITTON. Yes, sir.

Mr. FALLON. The Chair will make a little observation here that our committee has a bill on the floor today. It is the first order of business before the House today.



If we can conclude in a few minutes it would be helpful.

Mr. ROBISON. You know, Mr. Chairman, this is near and dear to my heart, and it is an opportunity that I have been waiting for for years.

Mr. FALLON. I believe you have had the opportunity several times.

Mr. ROBISON. But I never had the support I am getting now.

Mr. KLUCZYNSKI. Mr. Chairman, I would like to make a comment on a statement by Mr. Robison. I am sure that Mr. Whitton knows we are going to have reimbursements and will have it shortly. We will not wait until 1972 when the Interstate Highway System is complete.

Mr. Whitton and the highway department will do whatever Congress wants. I think that a good start would be to pass this legislation.

Mr. Chairman, this is a good bill. It is close to my heart. One couldn't come closer than H.R. 6289.

Mr. ROBISON. I can wind up in a moment, if I am permitted.

I broke in on Mr. Baldwin to ask you why the skyway figure went down from what you had in 1957, and you said it had been further depreciated during the past 6 years.

Mr. WHITTON. I also said that there might be some additions to the skyway in this past 6 years that would increase the value of it that we know nothing about.

Mr. ROBISON. If we do eventually consider reimbursement as an equitable principle, I would merely want to point out that this problem of depreciation is working on us all the time. It is particularly apparent to us in New York.

The 1957 figures you gave for the New York Thruway are probably considerably less today. It is unfortunate, I think, that a delay of Congress to make a decision could eventually result in us reserving a good deal less than what we were originally entitled to.

Mr. FALLON. The committee will stand adjourned, subject to the call of the Chair.

(Whereupon, at 11:50 a.m., the subcommittee was adjourned, subject to the call of the Chair.)

(The following was furnished for insertion:)

AMERICAN AUTOMOBILE ASSOCIATION,
Washington, D.C., July 26, 1963.

HON. GEORGE H. FALLON,
Chairman, Subcommittee on Roads, Public Works Committee, House of Representatives, Washington, D.C.

DEAR MR. FALLON: As you know, this association requested an opportunity to appear before your subcommittee to comment on H.R. 6289 and related bills which would authorize the Secretary of Commerce to pay some \$87 million to the city of Chicago for the purpose of freeing the Calumet Skyway toll bridge by refunding to private investors in skyway revenue bonds payments of principal and interest already in default and, of course, clean up any outstanding bond obligations.

We were requested to file a statement rather than appear in order that the hearings on this legislation be brought to a prompt close.

We were very glad to agree to this request and appreciate the opportunity to place our comments in the record.

Transmitted herewith are copies of our statement on H.R. 6289 and related bills. We request that this statement be made a part of the official record of the hearings.

We appreciate your cooperation in this matter.

Sincerely yours,

K. B. RYKKEN,
Director, Highway and Legal Department.

STATEMENT OF THE AMERICAN AUTOMOBILE ASSOCIATION ON H.R. 6289 AND
RELATED BILLS

The American Automobile Association appreciates the opportunity to comment on H.R. 6289, which authorizes the Secretary of Commerce to pay \$87 million to the city of Chicago upon the condition that the Chicago Skyway (Calumet Skyway toll bridge) will be operated as a toll-free highway on and after the date such payment is made.

The AAA opposes the proposal contained in H.R. 6289.

It is not clear from reading this bill whether the funds for this reimbursement are to come from the highway trust fund or from the general fund. Regardless of the source of the funds to be used for reimbursement, we seriously question the wisdom of authorizing this reimbursement as a matter of public policy.

Is it good public policy for the Federal Government to pay off private investors who have purchased revenue bonds?

Does not this proposal establish a very important precedent under which any toll road or toll bridge facing default on its financial obligation would be bailed out by the Federal Government?

Assuming the indebtedness of the Calumet Skyway bond indentures by the Federal Government will serve as an invitation for the entrenchment and the extension of financially unfeasible toll ventures by affording financial protection to toll interests and to those who profit from the business of toll financing.

We fully support the congressional intent that no Federal-aid highway funds should be expended for the construction, reconstruction, or improvement of toll roads, bridges, or tunnels as a part of the Interstate System (sec. 129, title 23, United States Code).

The intent of Congress that Federal-aid highways should be built as toll-free facilities extends as far back as the Federal-Aid Highway Act of 1921, where under section 9, Congress stated "all highways constructed or reconstructed under the provisions of this act shall be free of tolls of all kinds."

The House passed versions of the 1956 Federal-aid highway bill declared that it was to be the intent and policy of Congress to equitably reimburse those States for any portion of the highway system already constructed on the Interstate System, whether it be toll or free.

Subsequently, the Senate Public Works Committee reported out its version without provision for either reimbursement or incorporation of toll roads into the Interstate System.

The record of the debate in the Senate Chamber indicates that an attempt to include reimbursements for existing toll roads was made in the form of an amendment. The amendment was defeated.

In conference, the House and Senate conferees agreed upon a compromise which was subsequently agreed upon by the Senate and House, the provisions of which are now incorporated in section 114 of the Federal-Aid Highway Act of 1956. This section declares that it is the intent and policy of the Congress to determine whether or not the Federal Government should reimburse any State for toll or toll-free mileage completed or under contract for completion no later than June 30, 1957. Section 114 also provided for a study to determine such factors as cost, depreciation, participation of Federal funds, etc. This study has been made and has been reported to Congress. It showed the reimbursable amount to be in excess of \$4.3 billion.

In further support of our opposition to this proposal, we should like to cite AAA policies on toll roads, toll financing of highway facilities, and Federal reimbursement for toll roads or free roads on the Interstate System.

"A-1. STREET AND HIGHWAY PROGRAMS

"(a) AAA emphasis on modern street and highway program

"A modern toll-free highway system, properly designed to serve existing and prospective future highway traffic needs, is of the utmost importance to our expanding economy and to national and civil defense."

"A-10. TOLL FINANCING OF HIGHWAY FACILITIES

"(a) Toll Financing of Highway Facilities

"The American Automobile Association urges that all highway facilities be toll free.

"The AAA opposes States buying out the Federal interest in toll-free highway facilities in order to impose tolls on such facilities.

"AAA urges Congress and the Bureau of Public Roads to take appropriate action to prevent the construction of toll traps which are normally short segments of Federal-aid highways leading directly into toll roads or which are an integral part of such toll roads.

"Toll facilities now in operation should be made toll free as soon as existing indebtedness incurred for construction of such a facility is retired. Where retirement of outstanding obligations before maturity is not feasible and where surpluses develop in the accounts of turnpike authorities, periodic reevaluation of toll rates should be made to the end that rates charged toll facility users are consistent with the cost of operation and debt service requirements.

"AAA opposes the use of tolls from existing toll facilities as security for extension of bonded debts or creation of new indebtedness for additional facilities.

"(b) Toll facilities and parallel toll-free facilities

"The AAA urges the Congress to amend that section of the Federal-Aid Highway Act of 1956 dealing with toll facilities so as to permit construction of high-type highway facilities whenever engineering traffic studies indicate the need for such facilities, even though they may parallel an existing toll facility.

"Any toll-free facility paralleling a toll facility should be adequately constructed and maintained in accordance with traffic needs, notwithstanding that such facilities may offer economic competition to such toll facility.

"Such an amendment should contain a provision which would prohibit the relocation of presently designed portions of the National System of Interstate and Defense Highways so as to permit direct connections with proposed toll facilities."

"A-4. THE NATIONAL SYSTEM OF INTERSTATE AND DEFENSE HIGHWAYS

"(c) Opposition to reimbursement

"AAA opposes reimbursement from the highway trust fund to any state for public roads or toll roads which become a part of the Interstate System."



