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REMARKS BY ALAN S. BOYD, UNDER SECRETARY OF COMMERCE FOR TRANSPORTATION, PREPARED FOR DELIVERY BEFORE THE BUSINESS COUNCIL MEETING AT HOT SPRINGS, VIRGINIA, AT 9:15 A.M., SATURDAY, OCTOBER 16, 1965.

It is getting to be somewhat of a tradition for the Under Secretary of Commerce for Transportation to address this fall meeting of The Business Council here in Hot Springs.

And the task seems to get more enjoyable each time as the economy continues to perform like that famous fullback for the Cleveland Browns -- Jimmy Brown, who sets a new record of achievement each time he tucks the pigskin under his arm.

Our economy, now in its 56th month of continued expansion, also is setting new records with every tick of the clock and every jangle of the cash register. The latest Department of Commerce business indicators show personal income, gross national product, corporate profits before taxes, and our industrial production index all at new peaks.

These are good times for the American businessman and the American consumer, but we can't afford to be smug or complacent about our good fortune. Each day that brings a new economic record of achievement brings with it new responsibility.

As President Johnson remarked recently in outlining the goals of the Great Society:

"In the remainder of this century, urban population will double, city land use will double, and we will have to build homes, highways and other facilities equal to all those built since the country was first settled."

We face that same challenge in the field of transportation, which today represents nearly one-fifth of our gross national product.

Based on reasonable projections of freight traffic over the next 20 years, freight traffic and freight carrier investment will increase at least as fast as the national economy.

The Council of Economic Advisors sees a potential economic growth of at least 4 percent a year. Thus, a doubling of the GNP in constant dollars, should bring a doubling of freight movement over that 20-year span.

In overall intercity ton miles of freight, that means our transportation system will be hauling between 2.6 and 3 trillion tons a year. Compare this to the stagnant level of about 1.3 trillion which was the range of activity for the late 1950s and early 1960s. Three trillion tons a year is three thousand billion tons, a figure most of us find a little hard to comprehend.

What does this mean in terms of investment? Let's use our railroads as an example. They are valued on the

books today at about \$33 billion in plant and equipment with a replacement value approximating some \$75 billion.

That represents only one mode in our vast and complex transportation network. Think what that will mean in terms of doubling our investments in water, air, highways, pipelines, all forms of transport.

Reflect, too, if you will, what this will require in terms of Governmental policy and regulation.

Our primary assignment in the Office of The Under Secretary of Commerce for Transportation is to develop a coordinated system of transport which will assure the availability of fast, safe and economical services to meet these increasing needs.

Mr. Webster's dictionary defines coordination in this respect as "to bring into common action; regulate and combine in harmonious action."

When you think of that doubling of services which President Johnson has warned us about, you get the feeling that Mr. Webster's word isn't big enough to describe the task. Walt Disney's writers coined a better one for the musical "Mary Poppins." It starts out something like this: "supercalifragilistic," etc. I can't remember all of it, but the word, itself, comprises most of the lyrics for the whole song in the show.

There are at least two dozen Federal Departments and Agencies with major interests in the field of transportation -- Defense, Budget, Agriculture, Commerce, Treasury, Housing and Home Finance Agency, Federal Aviation Administration -- to name just a few.

There is a natural tendency for each of these units of Government to pursue its own course, hew to policies which are most useful and serving to their own responsibilities.

This, of course, can lead to fragmentation, conflict and confusion -- misallocations that we simply can not afford in the months and years ahead if we are to forge the kind of transportation policies which enable us to make maximum use of all the means for moving goods and people.

These varying Governmental interests must be tied together, must be unified if we are to keep the channels of commerce flowing without waste or discrimination.

The ability of our transportation system to handle our own commerce and keep us competitive around the globe is a vital part of the larger struggle we find ourselves in today, the struggle to show the world the way to a free and open society where man is his own master and government is his servant.

As a part of that philosophy, this administration is pursuing a transportation policy which places maximum reliance on unsubsidized privately-owned facilities, a system of transport that operates under the incentive of private profit and responds to the checks as well as the stimuli of free competition.

Such a policy also must rely upon competition rather than regulation to as great extent as possible consistent with the public interest. And where regulation is necessary, broad policy guidelines are preferable to detailed regulations of private operations, thus leaving to management the widest latitude for exercising its own judgment and making its own decisions.

Our transportation system must remain a combination of common carrier service available without discrimination to the general public, and it must be equally amenable to contract carriers and private carriers as well.

To the extent possible, the users of our transportation service must bear the full cost of those services, be they private or public in nature.

The entire system must operate as efficiently as possible without interfering with other social or economic resources, and it must be able to support our national security objectives in normal times and in periods of emergency.

The present system of transport has evolved without comprehensive policy guidelines to direct it. And we are fortunate that it has brought us to the unprecedented peak of prosperity which we enjoy today.

But it is clear that we can no longer be satisfied with such a fragmented approach. If we are to sustain the economic pace required for full employment and an ever increasing standard of living, we must achieve a highly-efficient, fully-integrated, well-coordinated system of transportation.

This means removing the technological and regulatory barriers which impede the free flow of cargo and passengers at the lowest cost, utilizing the most efficient modes or combination of modes. This will require improvement in such areas as joint rates, through routing, and the full utilization of such concepts as containerized freight movement.

To compete at home and around the world, we simply must be able to take advantage of the most advanced transportation technology. In the past, the United States has been able to improve its economic position by intensive use of capital and the most up to date and efficient technology. The pressure of competition demands that this course be continued.

These technological advances may well have a disrupting impact on the transportation labor force. And this will call for national policies which insure that the drive for efficiency does not snuff out human rights. The Government and private industry will have to meet these issues head on, will have to be ready to deal with such problems as dislocation of workers, training and retraining -- to a degree not witnessed thus far in our economic history.

If handled with wisdom and foresight and compassion, however, these technological wonders can become opportunities rather than threats to the well-being and security of our workers.

To help industry and governmental policy makers at all levels keep abreast of new technological breakthroughs in transportation, the Office of The Under Secretary for Transportation is engaged in a widening program of research and development. This is imperative if we are to cope with rapid changes of today and the increasing demands of tomorrow.

The path of progress is not always easy. It is not difficult to get agreement on what the objectives of our national transportation policies should be. It is something else again to gain accord on all the details of all the problems and all the changes that ultimately will be required.

The Interagency Maritime Task Force, of which I am chairman, recently suggested a series of policy changes designed to strengthen our merchant fleet by making it more productive, more efficient and more responsive to foreign competition.

The Task Force report, incidentally, will be familiar to many of you members of The Business Council, for it includes recommendations advanced by your Maritime Evaluation Committee's report of a few years ago.

The suggested changes met stern resistance from those most concerned with maintaining the status quo, but this has not veered us from our course.

We remain convinced that the trend to more and more subsidization of our merchant fleet (whose share of the world's shipping business continues to ebb) must be reversed. We are equally convinced that our fleet, to achieve the degree of efficiency that will keep it competitive, must be the best-equipped and most modern flotilla than we can send to sea.

This means our merchant marine must be able to utilize the latest technology available, that automation must be accelerated at as fast a rate as possible, that government and labor must find equitable solutions that will permit these advances.

There is and will continue to be a need for subsidization of the fleet to meet national security needs and help it become more modern, more efficient and remain competitive. But it is hard to justify continuance of some of the indirect subsidies--such as cargo preference under which we guarantee our ships a certain percentage of our international trade at freight rates which are higher than rates in the unsubsidized world. In the final analysis, this simply adds to our cost of doing business, and as I said before, we can not afford this kind of extravagance forever.

The job of utilizing some of these technological advances is difficult of itself without having to buck the resistance of self interest groups. The development of more efficient and wider use of containers is a case in point here.

The most successful form of containerization in use today is the piggybacking of truck trailers on railroad cars.

Arbitrary rules and regulations and the defenders of the status quo delayed piggybacking for at least 20 years. But once its advantages became clear, it has enjoyed remarkable acceptance.

Ten years ago, the railroads carried only 168,000 carloads of piggyback freight. This year the total will surpass one million carloads, and if this sustained growth is maintained for another decade it might well transform the entire freight carrying industry in this country.

The use of containers in our sea-going trade is in about the same position piggybacking was a decade ago. There are some 120,000 containers of varying sizes now in use by American shippers. Of these, about 21,000 are engaged in sea-going trade; 7,000 of these are of standard size as prescribed by the International Standards Association.

There have been two important developments in this field recently which can almost be described as breakthroughs. Last month, an agreement was reached through the International Standards Association on hardware fittings for the containers, thus ending a long, long debate. And over the past 18 months, we have been able to get this overall maze of container planning and development and negotiation centered in a single desk in Washington and keyed into our National Facilitation Committee.

Our goal is to establish the simplest possible flow of continental and inter-continental container traffic.

In early December, we will join in discussions in Geneva looking at such problems as:

--Customs penetration -- especially those procedures involving container shipments from inland U.S. points to inland points in Europe.

-- Health inspection problems -- involving the handling of fruits, vegetables, meats and other perishables and refrigerated containers.

-- Technical specifications -- with a view to establishing a central registry of containers.

-- The marking of the containers to facilitate handling and record-keeping.

-- The adaptation of tariff conditions of carriers with a view to promoting container traffic. Problems here involve the fact that containers can't be dead-headed in the United States but can in Europe; also the fact that European containers can't be used for our domestic hauls.

-- Regulatory problems -- this involves fitting the container traffic into the foreign institutions which correspond, for example, to our own Interstate Commerce Commission and other regulatory bodies.

-- Documentation, with a view to simplification.

This documentation represents a paper barrier to integrated and coordinated container transport. It represents one of our biggest challenges. Today, many shipments -- container or bulk -- may require as many as 77 documents out-bound and 46 documents in-bound. These are maximum figures, but the average is at least 15 to 20 documents.

We are planning a pilot project early next year in conjunction with Great Britain which we hope will make some slashes into this paper barrier.

Container shipments which move from pier to pier in foreign trade are moving rather satisfactorily. There also is a smattering of plant to plant movement, especially by our auto manufacturers to subsidiaries abroad. Volkswagen of Germany is active in plant-to-plant movement, too.

Still needing refinement, however, is the shipment from inland U.S. cities to inland cities abroad. Currently, containers must be inspected at dockside here, at dockside abroad and at the final destination. Common sense and efficiency suggests that one inspection should suffice, but these are problems that require long and sometimes complicated negotiations.

Undoubtedly we will eventually have to have coordinating points around the United States -- places like Chicago, Cleveland, St. Louis and along the coasts -- where containers can be stuffed for shipment and perhaps inspected finally.

The National Facilitation Committee has scheduled a meeting for this coming Tuesday in Washington with all modes of shipping to review the progress and plan the next steps in the containerization program.

The containerization situation represents the latest and most important development in the potpourri of transportation developments. A collection of these kinds of related activities and developments will be necessary to produce the fast, low cost, coordinated transportation service which is a key to our continued domestic economic progress and world leadership in commerce.

We are making progress -- slow and painstaking as it is.

What we need, I suggest, is the same sense of urgency in our earth-bound travels that we are applying in the race to the moon.

Down here, we are racing to the market place, and if we don't win that contest, a victory in space may have a hollow ring.