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U.S. DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY  
WASHINGTON, D. C. 20590

STATEMENT OF JAMES M. BEGGS, UNDER SECRETARY, DEPARTMENT OF TRANSPORTATION,  
BEFORE THE HOUSE COMMITTEE ON FOREIGN AFFAIRS REGARDING AIRCRAFT HIJACKING,  
WEDNESDAY, SEPTEMBER 23, 1970.

Mr. Chairman and members of the Committee:

I appreciate this opportunity to appear before you today to discuss the problem of air piracy.

Air piracy has been a problem in the United States for about a decade. Its life during that period has been attributable mainly to the state of our relations with Cuba. It has become all too commonplace to hear that a hijacker has diverted an airliner to Havana. The thwarting of an attempt to commit air piracy is much less frequent than we would like it to be, and we hear very little respecting the type of reception that hijackers receive when they reach Cuba. These factors have left us with too little to discourage the would-be hijacker. Our principal consolation has been that the care exercised by the airlines and their crews has kept a most dangerous situation from ending in a sudden tragedy for a plane load of passengers.

Today we still have the problem of hijackings to Cuba, but now this dangerous business has taken on a new and even more serious twist. Some of the most recent hijackings, committed by what you might call professional air pirates, are adding to the already serious safety problem in the air a most aggravating threat to the life and limb of the passengers when they land at the appointed destination of the hijackers. Passengers are being held as hostages and our aircraft are being destroyed on the ground.

The President has said that the menace of air piracy must be met, immediately and effectively, and he outlined in his statement of September 11 a broad attack on the problem. One major element in the President's program -- joint action by the international community -- was begun last Friday in Montreal at the special meeting of the Council of the International Civil Aviation Organization. Secretary Volpe represented the United States at this meeting which met at our request to consider measures to cope with this major threat to international air transportation. It is abundantly clear that we cannot tolerate a repetition of the events of the past two or three weeks.

As a first step in joint action, we urged the Council to accept and establish certain basic principles directed toward effective sanctions. These principles are:

1. The State in which a hijacked aircraft lands has the obligation to permit the passengers and crew to continue and to return the aircraft and cargo to its owners.
2. The State to which the hijacker has fled has the obligation to extradite or prosecute the hijacker.
3. Concerted multi-lateral sanctions should be taken against States which permit the detention of passengers, crew, or aircraft, or which fail to extradite or prosecute persons responsible for unlawful seizure of aircraft.

We have urged the Council to adopt a resolution embodying these principles. We have also urged that the Legal Committee of ICAO, which

meets in London later this month, draft an international convention providing the legal basis for effective sanctions.

While we must achieve the cooperation of other nations if we are to put a decisive end to air piracy, actions can and must be taken unilaterally by the United States in the interim. Accordingly, the President has directed that specially trained, armed Government employees be placed on U.S. carriers. He has also directed the Department to have U.S. carriers extend the use of electronic surveillance equipment and other surveillance techniques to all gateway airports and other appropriate airports in the United States and, to the extent possible, in other countries. The Federal Government will provide enforcement officers to work with this equipment, to conduct searches when appropriate, and to make necessary arrests. The President has also directed the Departments of Transportation, Treasury, and Defense, the CIA, the FBI, and the Office of Science and Technology to accelerate efforts to develop improved security and detection methods. Finally, he has directed the Department of State to consult with foreign governments and foreign carriers to learn whatever we can from their experience.

Since May 1, 1961, there have been 74 successful hijackings of U.S. registered aircraft and 20 unsuccessful attempts. Sixty-seven of the successful hijackings have occurred since January 1, 1968. There have been 20 cases so far this year. The recent hijackings in the Middle East leave no room for doubt that the safety of the aircraft and the personal safety of its passengers and crew are very much in jeopardy. We must establish a more effective deterrent and an expanded armed guard program is the best short-term solution.

As you know, the Department, through the Federal Aviation Administration, has for several years offered guard protection upon the request of an air carrier. A small number of FAA inspectors have been specially trained for this purpose and vested with law enforcement powers through designation by the Attorney General as Deputy U.S. Marshals. Last week we submitted to Congress a bill (H.R. 19225) which would confer these powers directly on all guards appointed by the Secretary. This is considered desirable given the greatly expanded program to be undertaken.

To finance this program, we have submitted to the Senate Appropriations Committee a fiscal year 1971 budget amendment to cover the costs of the program during the balance of the current fiscal year and permit the hiring and training of approximately 2,500 guards. The amendment was presented to the Appropriations Committee with language making the funds available contingent upon passage of H.R. 19225.

Because the armed guard service is being provided for the direct benefit of the air carriers and their passengers, the President has proposed that the costs of the program be borne by increasing the level of the aviation user taxes. Specifically, we are proposing in H.R. 19225 a 1/2 percent increase in the 8 percent ticket tax on domestic flights and an increase of \$2.00 in the \$3.00 head tax now paid by passengers on international flights. We estimate that the accrued yield from those taxes will be approximately equal to the costs of the guard program through fiscal year 1973. We are particularly pleased that the House Ways and Means Committee has already held hearings on the revenue provisions of H.R. 19225, and we are hopeful of its prompt enactment.

I would like to turn now to our program for thwarting hijackers. First, a word about the use of armed guards on airliners. We have been aware all along that the passenger compartment of an airplane can be a particularly unsuitable place for the use of firearms. Therefore, we are taking special pains to select as guards persons capable of acting both effectively and responsibly aboard an aircraft in the event of a hijacking. In addition, these personnel are given special training designed to provide the passengers and crew maximum protection.

Secondly, we are currently looking into the question of increasing the security of the crew compartment aboard aircraft. Over the years the FAA has received from the public hundreds of suggestions in this area. Most of them have been found to be impracticable, but through the FAA rulemaking procedure, we hope to be able to sift out and adopt some improvements in the design of the aircraft. The principal weakness in this approach is the vulnerability of the stewardesses and others in the passenger compartment. A physical barrier for the pilots has a limited value when a hijacker has a gun at the head of a stewardess or passenger and demands entry to the crew compartment.

Another important phase of the program is the screening of passengers and their baggage before they board an aircraft. The screening system we are using today is a multifaceted one, and it is subject to several variations. First, it involves the use of a hijacker profile, a system which permits airline personnel who ticket passengers to identify persons who display some characteristics of previous hijackers. Airline personnel



may ask those who do to produce identification and possibly pass through a magnetometer, a device installed and operated by airline personnel which is capable of detecting concealed metal objects. If the passenger cannot pass the magnetometer without its signaling the possession of an unexplained metallic substance which the operator could conclude to be a weapon, the passenger is interviewed by a United States Marshal and may be requested to submit to a search. If the passenger refuses to submit to the search, he is not allowed to board the aircraft.

As I mentioned before, techniques used in screening passengers may vary from time to time depending upon the intelligence available at the particular moment. For example, extensive searches of boarding passengers and their baggage may be conducted in connection with a particular flight. Customs personnel have been used in carrying out searches of this nature. As the number of personnel available for our guard program increases, we expect that many of the duties I have just discussed will be carried out by FAA guard personnel in between their assignments aboard aircraft.

The geographic coverage of our present surveillance techniques is being expanded. Also, we are in the process of improving upon the electronic surveillance equipment already at our disposal. We are out to stop the hijacker whether he seeks to accomplish his aim through the use of a firearm or explosives.

As far as criminal sanctions are concerned, we already have on the statute books heavy penalties for committing piracy and other serious

crimes aboard aircraft. In fact, a conviction of piracy can result in the death sentence. The difficulty, of course, is that the hijacker too often cannot be brought to justice. This is why our efforts on the international front take on such great importance. Despite our efforts to screen out would-be hijackers before they board the aircraft or to thwart them after they get aboard, the lure to attempt hijackings may continue to be a powerful one as long as aircraft can be diverted to locations where no penalties are meted out for this crime and no arrangements can be made for returning the hijacker for prosecution. We hope this weakness can be remedied by working out suitable agreements with other countries for the punishment or extradition of hijackers, and where necessary, the application of multi-lateral sanctions against States which fail to follow such practices.

In conclusion, Mr. Chairman, we want to stop the hijacker from as many angles as possible. First, we are out to stop him before he can get aboard an airliner. If that fails, we want to provide the fullest possible protection to the passengers and crew. Finally, on the international front, we want to do all we can to deprive the hijacker of his safe haven after he lands.

Mr. Chairman, that concludes my prepared statement. Now I will be happy to answer any questions the Committee may have.

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Statement of Under Secretary James M. Beggs  
Before the  
Senate Commerce Committee  
Automobile Insurance and Compensation Study  
September 30, 1970

Mr. Chairman, Members of the Committee:

It is a pleasure for me to be here today to discuss the Automobile Insurance and Compensation Study directed by Public Law 90-313. The central thrust of that Joint Resolution is to be found in its statement that "there is needed a fundamental reevaluation of [the existing system of compensation for . . . suffering and loss of life resulting from motor vehicle accidents], including a review of the role and effectiveness of insurance and the existing law governing liability."

The bulk of the research findings of the Study have already been published in a series of eighteen reports beginning last spring. Some of them, we believe, allow us to see for the first time from a national perspective, how the present system of motor vehicle accident compensation is serving the American motoring public. Others are designed to view the system, especially the tort liability insurance system from particular perspectives, e. g., that of its impact on the courts and the bar, that of the seriously or fatally injured victim, or that of the claimant who makes an insured tort claim. Others deal with specific aspects of the system such as rehabilitation, the accident repeater problem, accident causation and deterrence, the historical roots and rationale of the tort liability system, the hard-to-insure driver, etc. These research findings



Of course, in grappling with important public policy issues, the piling up of facts, research findings, and expert opinions seldom leads automatically to easy solutions, and nowhere have I found this to be more true than in the matters we will discuss today -- accidents, accident losses and accident loss compensation.

Motor vehicle accidents kill tens of thousands and injure millions of our citizens every year. Their immediate economic consequences run into the many billions of dollars, as do both the benefits received by their victims and the costs of delivering those benefits. In addition, these accidents involve great human and social costs, which are just as real, if more difficult to measure and comprehend, as their more direct economic consequences.

For society as a whole, these costs can be viewed as part of the price of the great freedom and flexibility that motor vehicle transportation gives both the individual and the economy. For the victim, however, his accident costs would often mean great economic hardship or even ruin if they had to be borne without help. For this help, the victim looks to the mechanism which society provides for compensating him for his losses -- the motor vehicle accident compensation system.

The Study indicates that the main problems currently afflicting this system stem basically from the legal rules governing reparations, from the operation of the insurance mechanism and from the great and growing costs of the accidents themselves.

The spiraling costs of accidents, which auto insurance premiums partially reflect, should first be attacked directly by measures which stimulate safe driving behavior and which improve the driving environment and, thereby, work to reduce the frequency of accidents and the severity of the resulting losses. The discovery and promotion of such measures is a major continuing responsibility of our Department.

Accident loss reduction efforts, however, while vitally important, cannot be viewed as the sole, or even the principal, answer to the problems of the compensation system. The Department knows from its work in the auto safety field that even assuming that the most optimistic predictions of future accident loss reduction prove justified, we must unfortunately expect that large numbers of people will continue to be injured and killed in automobile accidents and that damage to property, especially vehicles, will not soon be significantly curbed.

### FACTUAL RESULTS

The operation of our present motor vehicle accident compensation system has been described and documented by commentators and scholars over the course of nearly half a century. The legislative history of P.L. 90-313, itself, indicates clearly that the Congress was concerned about problems in the system, although better quantification and more detailed analysis were felt desirable. What the Department's Study has done is try to look at the system from a national rather than a regional

system's operation, and provide basic data upon which we will consider how the system might be improved or changed to better serve the needs of the American motoring public.

#### Limited Scope of the Liability Insurance System

Under the auto accident liability system, only those who can prove that others were at fault while they were without fault in an accident have a legal right to recover their losses.

One of the several studies conducted by the Department has shown that only 45 percent of those killed or seriously injured in auto accidents received benefits from the tort liability insurance system. One out of every ten of these victims received nothing from any system of reparation.

#### The Rational Allocation of Compensation Resources

Despite the fact that it is generally the accident victim with the large economic losses who also suffers the large intangible losses, as the tort system works in practice, he has a far poorer chance of being fully compensated for his economic loss, let alone any intangible loss, than does the less seriously injured victim. For example, it was found in the Study that only about half of the total compensable losses of seriously or fatally injured victims are compensated. For those victims whose economic losses were more than \$25,000, only about a third was usually recovered. Those with relatively small economic losses, by contrast, fared much better. If they recovered from tort and had losses less than \$500, they

### Efficiency

The tort liability insurance system as it operates for automobile accident victims has a very high cost/benefit ratio compared to any other major reparations system. For every dollar of net benefits that it provides to victims, the Study shows it consumes a dollar.

### The Proper Timing of Compensation Benefits

The tort liability system tends to apportion benefits rather unevenly, in some cases paying too late and in others too soon. Three different investigations by the Department have demonstrated that, despite commendable efforts to introduce "advance" or partial payment techniques, the system is still often quite slow in providing benefit payments for even that limited class of victim that it claims to serve; moreover, the system can operate to discourage early rehabilitative efforts and places a premium upon their deferment beyond the time when they could be most effective. An industry study of some 35,000 personal injury claim files clearly establishes that the system pays most slowly in cases where the need for timely payment is greatest, i.e., cases of permanent impairment and disfigurement.

### Rehabilitation of Accident Victims

Closely related to the problem of delay in the payment of benefits is that of lost opportunities to minimize very large personal injury losses by the timely use of comprehensive rehabilitation programs for seriously injured accident victims. One Study project indicated a disappointingly low utilization of rehabilitation even when it was

To achieve the maximum potential benefits from the rehabilitation process, the relationship between private insurance benefits and the various rehabilitation agencies, including local, state and national agencies, must be consciously and explicitly coordinated and rationalized with the auto accident compensation system.

#### Property Damage

The Department's study of the compensation system has focused principally on the fate of the bodily injured victim. I believe this was proper for at least four reasons. First, people are more important than property. Second, the most serious accident losses are associated with people, not property. Third, the present compensation system is doing much better today with property losses than it is with people losses. Four, the problems of personal injury losses are far more complicated than those of property losses.

Nevertheless, property damage losses are important; they are very large in dollar value and they affect far more people than injury losses. In recent years, the cost of repairing vehicles has risen sharply with a consequent rise in the cost of insuring for that repair. Experts, many of them within the insurance industry, have rightly traced part of this rise to the designs of the vehicles themselves. Unfortunately, there is no way for liability insurance to distinguish between damage-resistant vehicles and fragile vehicles, or between very expensive vehicles and those of less value since it is concerned solely with some other car owner's accident likelihood. Moreover, rating systems for collision



insurance have only very recently begun to take any consideration of the vehicle's damageability. Now that we have this clearer perception of the vehicle's contribution to crash losses, we can hopefully expect some countervailing pressure by the insurance institution on car designers to help curb future crash losses.

### Strains on Insurance Institutions

The accumulated problems of the tort liability insurance system are now having their undeniable impact on the insurance industry itself. Underwriting profits have for many companies turned to underwriting losses. It has been alleged that capital may actually be withdrawing from the market; while the threat of such withdrawal is hardly of recent vintage, its actuality, on any large scale, would be new and would present a social problem of very serious proportions.

According to the Study auto insurance today appears to be becoming more and more difficult for some drivers to buy in the voluntary insurance market. Between 1966 and 1969, the number of motorists having to obtain their insurance from companies not of their own choosing through assigned risk plans grew from 2.6 million to 3.2 million, or 23 percent. The Federal Trade Commission, in part of its work for our Study, estimated that 8 to 10 percent of all drivers are in the "hard-to-place" insurance market. This development comes at a time when their requirements for insurance, overall, are increasing if only because of rising medical and auto repair costs.

### Impact on Other Public Institutions

Automobile accident disputes are currently placing severe strain on the nation's judiciary, even as a multitude of other demands threaten to overburden it. According to the Study automobile accidents contribute more than 200,000 cases a year to the nation's court load. Simply in terms of judge time alone, they absorb more than 17 percent of the country's total judicial resources and long delays are not uncommon in jurisdictions with severely crowded court dockets.

Also, the motor vehicle accident tort liability insurance system has exerted great strains on the existing system of state regulation of insurance. The primary problem of insurer insolvencies has been concentrated among speciality auto insurers serving the high risk market. The resulting problems for consumers, regulators and the insurance institution in general have proved so resistant to solution that they threaten to lead to greater centralization and a consequent loss of local initiative and freedom in insurance regulation, to the great detriment of all concerned.

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In summary, the existing system is not serving the accident victim, the insuring public and society as well as it should. We should seek to improve its performance.

### APPROACHES TO A BETTER COMPENSATION SYSTEM

The factual findings of the Department's study of the motor vehicle accident compensation system make it evident to me that improvements can be made in a way to redress losses sustained in auto accidents. I am convinced that, with careful assessment of alternative approaches, we -- meaning by that the Congress, the Department, the States, the insurance industry, the bar, and all the rest who go to make up this complex set of institutions -- can find a better way to do the job. In saying this I do not mean to suggest that the insurance companies, the State regulators, or the lawyers who specialize in accident litigation have not, in the past, measured up to their public responsibilities. Rather, the extensive Study we have conducted dramatically demonstrates that the scale of the auto accident problem has simply become so immense that the techniques which may at one time have been adequate may be no longer sufficient, in every respect, to present-day realities. What we must do now -- all of us who are seriously interested in this problem -- is begin the search for a more effective, more efficient way of meeting this challenge.

Our Study has convinced me, however, that the problem of motor vehicle accident compensation is far more complex and far less easily resolved than many appear to believe. One certainly wishes there was a panacea -- an easy and quickly-implemented solution that could be promptly implemented and put into practice. But such is not the case. There are many ideas, and a large number of proposals which have been advanced over the years, but each presents sizable problems. Further, there is no significant basis of experience for assessing the relative strengths and weaknesses of new approaches. While the present system has its obvious faults, we should not hastily move to a system merely because it is new. Caution, common sense and consideration of sound public policy demand that we carefully assess the full range of alternatives and move gradually in the direction of reform, checking actual experience as we proceed.

With the fact-finding phase of the Study now substantially completed, we will pursue intensively a thorough examination of alternative approaches to the solution of this problem. We anticipate that this next phase will be completed in time so that we can submit detailed recommendations for reform in the next Congress. I believe we can agree on some of the main directions of change and the basic

principles by which it should be guided. The overriding goal should be a compensation system that is efficient, offers greater flexibility and choice, is fair, gives maximum incentives to loss reduction, and that, in the final analysis, does a better job of reparating victims' losses than the one we have today. Let me identify some of the other basic principles.

To begin with, it should cover the bulk of economic losses associated with medical expenses, income loss, funeral expenses, and property losses, among other things, at levels designed to prevent or effectively mitigate any serious economic dislocation for the individual victim or his dependents. Beyond this there are a number of other points that should be taken into account.

I am also persuaded that much greater emphasis must be placed on rehabilitation of those who are injured in auto accidents. Payments should be arranged so that the injured receive compensation on a timely basis and in such a way as to encourage systematic rehabilitation.

As you know, much auto insurance is now administered on the so-called "first party" basis, as with the medical payments and collision coverage elements of the policy typically held at present by most vehicle owners. Some experts, including those in the insurance



industry itself, have proposed greater reliance on this technique. On its merits this approach warrants a close look to determine its practicality and feasibility.

In considering these factors, and the other elements which go to make up an effective compensation system, we should continue to rely upon private enterprise to operate the auto accident compensation system. Similarly, I am strongly persuaded that, in the long run, reform offers its best opportunities at the State level. This may require greater Federal cooperation with the State governments, though without direct Federal intervention. Conceivably the National Conference of Uniform State Law Commissioners, with suitable Federal financial assistance, could play a role in moving toward reform.

Mr. Chairman, the problems of automobile insurance and compensation are incredibly numerous and complex. What I have tried to do here today is lay out the broad factual base reported by the Study to meet the accident compensation needs of our motoring citizens. We are prepared to work with your Committee, State governments, the industry, the bar, and any other interested group or institution in examining approaches to meet the important problem of auto insurance.

Thank you, Mr. Chairman. That completes my prepared statement. We are prepared to answer any questions.



# DEPARTMENT OF TRANSPORTATION

# NEWS

## OFFICE OF THE SECRETARY

WASHINGTON, D.C. 20590

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SUMMARY OF REMARKS PREPARED FOR DELIVERY BY UNDER SECRETARY JAMES M. BEGGS,  
AIRPORT OPERATORS COUNCIL INTERNATIONAL, NOVEMBER 9, 1970, MONTREAL, CANADA

Ironically, many of the problems associated with aviation are due to its phenomenal success. And pundits have said that the real problems in the industry are on the ground, not in the air. Certainly many of the greatest challenges to our aviation system are those associated with the airport. Aviation growth -- in aircraft, aircraft operations and passengers -- is forecast to skyrocket in the next decade. Total flight services, for example, are forecast to increase 300 percent by 1980 to 154 million. Air carrier revenue passenger miles will more than double in the next ten years.

Similar growth figures can be cited in the international sphere -- both in terms of the world economy and world aviation.

Many of the problems associated with this growth are faced in common by airport operators in most parts of the world. Juxtaposed against the need for expanded facilities problems are environmental concerns such as airport noise, aircraft smoke emissions, and the need for improved land use. The difficulties encountered in meeting the environmental concerns of the public are compounded by the need to improve the flow of passengers and their baggage, as well as air cargo, from the aircraft, through the terminal, and on to the ultimate destination --- usually by ground transportation. And, of course, we all foresee the problems that accrue from the current rash of aircraft hijacking. We are seeking solutions to these problems -- solutions that should benefit international as well as domestic operators.

Environmental concern in America -- and I think throughout the world -- is reaching a crescendo. Individuals and organizations are taking actions against the environmentally intruding aspects of airport operations. Pickets, angry meetings and lawsuits threaten to stop or delay airport improvements vitally necessary to meeting the demands of aviation growth. This need not be the case.

Three separate legislative Acts now direct the Department to consider the environment in airport planning and development. To implement these legislative mandates, we have issued special guidelines for use by airport operators and planners.

These guidelines were established only last month to help operators meet the dual responsibilities of airport efficiency and environmental considerations.

In addition, in cooperation with the airline operators and aviation manufacturers, the Department has taken actions to decrease aircraft noise and smoke emissions. Almost every major airline has agreed to cooperate in this effort to retrofit certain engines, and to take other necessary flight precautions, in order to make the aircraft compatible with life on the ground. We will continue to work with the airlines and manufacturers in this field. It is not our purpose to destroy aircraft efficiency and safety.

The efficient movement of passengers and their baggage, and air cargo from the aircraft through the terminal and on to ground transportation to reach their ultimate destination may be the most significant long range problem facing aviation today. We have several studies underway to determine better methods of ticketing and baggage handling. In addition, airport operators must remember that terminal to terminal trips are only part of the passenger's total journey. Not only must the air ground interface at the terminal be expedited, but the trip to and from the airport, whether it be via highway or mass transit warrants greater attention than it has received heretofore.

Aircraft hijackings have reached crisis proportions. Lives have been taken and millions of dollars lost. In response the U.S. Government, in a concerted effort by several Federal agencies, has undertaken a comprehensive action program to end air piracy. These actions include special surveillance activities, the installation of weapons detection devices, and the immediate use of nearly 1300 air marshals.

The Department of Transportation is convinced that airports can meet the challenges of aviation growth. And we stand ready to help at all times.

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STATEMENT OF JAMES M. BEGGS, UNDER SECRETARY OF TRANSPORTATION,  
BEFORE THE SUBCOMMITTEE ON INTERGOVERNMENTAL RELATIONS OF  
THE SENATE COMMITTEE ON GOVERNMENTAL OPERATIONS, REGARDING  
THE SELECTION OF THE FINANCIAL ADVISORY PANEL PURSUANT TO  
SECTION 501 OF THE RAIL PASSENGER SERVICE ACT OF 1970, THURSDAY,  
DECEMBER 17, 1970.

Mr. Chairman and members of the Committee:

I am pleased to have this opportunity to appear before you to discuss the selection of members to the financial advisory panel established pursuant to section 501 of the Rail Passenger Service Act of 1970. As you know, this section required the President, within 30 days of the enactment of the Act, to appoint a 15-man financial advisory panel comprised of six members representing the business of investment banking, commercial banking, and rail transportation, two members representing the Secretary of Treasury, and seven members representing the public in the various regions of the Nation. Section 502 of the Act indicates that the purpose of the panel shall be to advise the directors of the National Railroad Passenger Corporation created under Title III of the Act on ways and means of increasing capitalization of the Corporation, and section 503 requires that the panel submit a report to Congress evaluating the initial capitalization of the Corporation and the prospects for increasing its capitalization on or before January 1, 1971.



I note, Mr. Chairman, that you have been critical of the appointments announced by the President on December 1, 1970, and indicated that he did not appoint, as the law provides, seven public members. As you know, the advisory function which this panel is to fulfill requires of its membership an expertise in a most technical field of study -- that of corporate finance -- and specifically, a knowledge of the capital requirements and sources of capital for a railroad transportation company. The true interest of the public will best be served if this newly formed Corporation can become a viable profit-making Corporation which in the long run can restore inter-city rail transportation services to our Nation. Hopefully, the panel as chosen by the President will be most instrumental to this end by providing suggestions as to the best possible financial framework for the Corporation.

Since the scope of Federal assistance to the Corporation is limited to grants up to \$40 million to assist in its organizational and initial operational expenses and guarantees of loans totaling \$100 million to acquire new rolling stock and other capital improvements of the Corporation, it is essential that the Corporation have available sources of capital from the private sector in order to establish a firm financial footing. In light of the time constraints under which we were working in selecting members of the panel and under which the appointed members of the panel would



have to work in order to submit their report to Congress on or before January 1, 1971, it was necessary to name people who were available during this period of time and also were most knowledgeable in the field of corporate finance and, more specifically, the ways and means of raising private capital for a railroad company. As a result, it was our considered judgment that under these circumstances the most readily available source of expertise which would prove beneficial to the directors of the Corporation in this technical and specialized area would be provided from industry and the banking profession. It was not our feeling that roots in these fields necessarily were incompatible with representation of the public on an advisory panel as technical as this.

I would now like to present briefly the backgrounds of the seven appointments to the panel who are designated as representing the public in the various regions of the Nation.

1. Carl H. Linder - Cincinnati, Ohio--President and Chairman of the Board of American Financial Corporation, Director of Associated Mortgage, Inc., and President of United Dairy Farmers.
2. Lloyd Waring - Boston, Massachusetts--Vice President and Director of Kidder, Peabody and Co., Director of Starret Corporation, Trustee of Cancer Society of

New England, former Treasurer of Garland Junior College, and Member of Massachusetts Department of Community Affairs.

3. Daniel W. Hofgren - Washington, D. C. --A former Administrative Assistant to Senator Jacob Javits of New York and former Special Assistant to President Nixon for Regulatory Agencies. Special Representative, with personal rank of Ambassador, for Inter-Oceanic Negotiations between U. S. and Panama. He joined the firm of Goldman Sachs and Company in mid-October, 1970.
4. Mrs. Claire Giannini Hoffman - San Francisco, California-- Former member of National Council of Consultants and National Advisory Council of Small Business Administration. Annual participant of conventions of International Monetary Fund, International Bank for Reconstruction and Development and International Finance Corporation, Member of Board of Directors of Sears, Roebuck and Co. and Bank of America.
5. Marshall L. Burman - Chicago, Illinois--A member of the Illinois Bar and senior partner in the Chicago law firm of Avery, Hodes and Mantynband, which is a general practice law firm.

6. Howard P. Allen - Los Angeles, California--A member of the California Bar, former Assistant Dean and Assistant Professor of Law of Stanford University Law School. Presently, Vice President of Southern California Edison Company and Director of Southern California Rapid Transit District and California Taxpayers' Association.
7. Richard Pistell - New York, N. Y. --Chairman of Board of Goldfield Corp., General Host Corp., Everglades Park Co. and Yellowstone Park Co., Frontier West, Inc., Tantalum Mining Corp. Can. Ltd., and member of National Audubon Society and National Wilderness Society.

I do not suggest, Mr. Chairman, that there are not others that are also qualified to serve on this financial advisory panel, but I do earnestly submit that the members listed above by virtue of their varied interests and backgrounds are not only well qualified to lend valuable financial advice to the directors of the Corporation but also to represent conscientiously the public within the mandate and spirit of the law given the highly technical nature of this advisory panel.

I would now like to take the opportunity, Mr. Chairman, to reassure you and the Committee that the Department of Transportation does not take lightly a legislative mandate to have representatives of the public on committees established by statutory authority. In this regard, I point

out that the activities of our advisory committees are primarily technically oriented and directed at solving or providing information on a specific limited problem. For example, included among our forty-odd advisory committees are the Technical Pipeline Safety Standards Committee, DOT Technical Advisory Board, U.S. Advisory Committee on Visual Aids to Approach and Landing, and the National Motor Vehicle Safety Advisory Council.

Our policy for selecting members to these various committees is to appoint individuals who have recognized expertise in the particular subject matter or problem area under study. Likewise, on those committees where there is a legislative requirement for representatives from the general public (an example of this is the National Motor Vehicle Safety Advisory Council) we appoint as public representatives those private citizens who also provide an expertise in a particular field of study or discipline.

In addition to these technical committees from which the Department gains valuable in-put, we have also recognized the need for gaining information regarding our transportation systems in general from the viewpoint of the private citizen, both as a user of the transportation system and as an individual affected by the system, irrespective of any specific expertise in a particular discipline or mode -- a "citizens' sounding board" if you will. To fill this need, we established, of our own accord,

a Citizens Advisory Committee on Transportation Quality as a standing committee to report to the Secretary through our recently established Office of our Assistant Secretary for Safety and Consumer Affairs. I might add that Secretary Volpe in announcing this new Office pointed out that as well as the Department's logical concern for safety in transportation, the Department's "commitment to the transportation consumer, while less obvious, is also vital to the welfare of the United States". Members of this Citizens Advisory Committee include civic leaders, retired professional people, educators, housewives and, in general, "non-expert" transportation consumers from all parts of the country.

In conclusion, Mr. Chairman, I want to assure you and the Committee that the Department gives very careful consideration to the selection of members to its advisory committees, whether created by statutory mandate or by our own order. We feel that if properly manned these committees can serve a very valuable function. They can provide us with information from outside our normal governmental sources of information and expertise. It is in our own best interests that we appoint the very best personnel available to these various committees. Anything less is self-defeating. I sincerely feel this was done in the case of the financial advisory panel under the Rail Passenger Service Act of 1970 and is likewise done in our Department's selections to our advisory committees.