



# DEPARTMENT OF TRANSPORTATION

# NEWS

## OFFICE OF THE SECRETARY

WASHINGTON, D. C. 20590

32-DOT-71

Excerpts from Remarks by Assistant Secretary for Policy and International Affairs, Charles D. Baker, Before the Seminar on the Modernization of Freight Handling, U.S. Department of Commerce, Washington, D. C., July 15, 1971

Good morning gentlemen. I am delighted to be able to participate in this seminar on the modernization of freight handling. I have been delegated the task of discussing ways to improve coordination between land and ocean carriers. Perhaps the best way to approach this question is to focus on the shipper who is, after all, the fellow who uses this system we are all concerned with. What are the shipper interests in international through movements? Well, simply speaking, he wants to know how fast, in what condition, and at what cost his goods go from point A to point B, say Peoria, Illinois, to Frankfurt am Main. Thus, the other parties involved in the shipment, the carriers and the support services, should work in such a way that the shipper is presented with what in his eyes constitutes a single, continuous, flow through system. That's the theory. In point of fact, we all know that there are plenty of traffic people who thrive on setting up each individual leg of a journey and

delight in working with all pieces of the action.

But increasingly, international trading companies are becoming logistics conscious and as this happens they are focusing more and more of their attention on such factors as actual through transit time, aggregate costs, and the general facility with which movements can be accomplished. In light of these developments, it behooves us all (stevedores, forwarders, ocean carriers, railroads, truckers, warehouse operators, and so on) to focus on the issues involved in international through movements.

Since the shipper is the *raison d'etre* for this whole operation, I think it appropriate to reflect for a few moments on exactly what the shipper does want. Of course, often he's concerned about speed. But he's probably as interested in having reasonable assurance that his shipment will arrive on schedule. He also wants to know exactly who can give him the information on this. So the first question before the house is "How can we work to make movements go faster and on schedule?"

Like everyone else, the shipper is concerned about economics, or cost! From our point of view, the issue is "What can we do to increase international transportation efficiency, thus improving cost?"

Liability is another major concern. The shipper wants to be able to fix responsibility when his shipment is lost or arrives damaged. Is there an easily accessible person he can yell at if he doesn't like the way things are going? Or an identifiable party he can sue for loss and damage?

Finally, the shipper wants simplicity. The fewer people he has to

deal with, the better. And, of course, he would like to have the horrendous problem of documentation reduced to manageable proportions.

I'd like to make a few further remarks on two of these subjects. The first is documentation. Paperwork related to international trade is a problem of great concern to the Department of Transportation, a problem which has become particularly acute with the advent of containers and the movement of goods over two or more modes of transport. In the past several years we have made several significant inroads in eliminating the paperwork burden of having to write up separate sets of paper for each leg of an international movement. The U.S. Standard Master for International Trade, developed by the Department of Transportation, is in perfect alignment with the form developed by the ECE and is thus a truly international form. It is already beginning to show results in removing red tape from intermodal and international movements.

We are presently working on a single system for describing and coding cargo on all shipment documents which will eliminate the need to redescribe and recode cargo on all the various segments of a through movement. When finally accomplished, this standard code will be sufficient for industry needs, tariffs, customs and various statistical purposes. We consider this a great breakthrough.

In the future? We anticipate entirely doing away with traditional shipping documents, such as bills of lading and manifests by transmitting coded cargo data via satellite between the U.S. and other countries. As we see it, the shipper will prepare the basic document. The data on the



document will be transmitted to a service center for processing, and the center will then transmit the appropriate data to all of the participants in the movement -- carriers, banks, government officials, consignees, etc. We are already working with several countries on plans for a preliminary test to take place before the end of the year, and other countries are inquiring about details and wish to join in the project.

A second area I should like to discuss in greater detail is the responsibility aspects of rendering intermodal connections more effective. Here, it's of utmost importance to define who is responsible for what. For example, we are all aware that it is necessary to clarify labor responsibilities and issues surrounding "location of the work." For example, the concerns with container stripping and stuffing are well known. But since matters of this type have been dealt with in other parts of the conference, I won't dwell on them here. Rather I prefer to concentrate on other definitions which as long as they remain vague provide a real hinderance to international movement. There are a variety of cost responsibilities of an accessorial nature which are often difficult to standardize and frequently the subject of contention. Is the ocean carrier responsible beyond "ship's tackle"? Exactly what activities does the stevedoring company handle, and where does the cartage company fit in? How do the activities of each of these groups interface with local and intercity trucking. And among all these parties, who pays for what handling?

TOFC is great and does a lot for through movements, but there are responsibility problems here as well. Who provides the "bogey"? If hinterland devanning stations are used, are they run by the railroads, the trucking company, or some other organization -- perhaps a forwarder? Depending on who runs the devanning station, what costs are shared or paid for by other transportation elements?

These are just a few of the problems that international transportation has been grappling with over the past couple of years, but to achieve the shippers' goals I mentioned earlier, questions like these have got to be answered and on the basis of some kind of through system concept. Transportation companies, in my view, must step back and look at themselves -- not as isolated units with some vague and frequently changing connection with activities on "either side"-- but rather as integral operations in a through **stream** of movement. This view should consider how they fit into the rapidly changing scheme of things, physical and operational, and what their responsibilities and role in the stream are. If this is done and rational, consistent arrangements and understandings worked out, then through intermodal transportation can become a reality. If it is not done, international transportation will continue as it has for centuries, a fragmented, poorly connected, inefficient agglomeration of isolated activities.



# DEPARTMENT OF TRANSPORTATION

# NEWS

## OFFICE OF THE SECRETARY

WASHINGTON, D. C. 20590

33-DOT-71

EXCERPTS FROM REMARKS BY ASSISTANT SECRETARY FOR  
POLICY AND INTERNATIONAL AFFAIRS, CHARLES D. BAKER,  
BEFORE THE AMERICAN WATERWAYS OPERATORS, INC.,  
GREENVILLE, MISSISSIPPI, JULY 16, 1971

Whenever I see my good friend Braxton Carr, thoughts of plantations and sidewheelers inevitably arise. In short, Braxton is a southern gentleman's southern gentleman. And here he has me before you today to bring you all the good and bad news about the industry -- perhaps with the caveat that if there is too little good and too much bad he'll resurrect Barksdale's Mississippians to run me out of town. So be it. I indeed appreciate the opportunity to be with you and express some of our views.



To begin with, in 1970 traffic on the inland waterways aggregated 445 million tons. In the specific area of bulk commodities, traffic last year was 387 million tons. Of this total, petroleum accounts for 32 percent, iron ore, less than 1 percent. But much of this data is hardly news to you. What is of interest is the future. And this is how it looks to me.

In 1980, we estimate total shallow draft movements of 651 million tons -- an increase of 68 over 1970. And, of course, by 1990 this figure will be significantly larger. Where is this increase coming from? Certain commodities stand out! In the next ten years chemicals will rise by 15 million tons (100 percent), while minerals, other than iron ore and coal, will increase by 10 million tons (45 percent), and petroleum products will rise 36 million tons (28 percent).

I could go on at greater length -- our Federal number mechanics will gin out reams of data with only the slightest arguing (frequently more than you want to know) -- but the message is clear. Demand is good! The industry is growing.

What's happening with equipment to accommodate this increased demand? Since World War II technological developments have played an important role in the increase in barge traffic. Dieseli- zation, bow thrusters, the Kort nozzle and improvements in navigation equipment have permitted larger tows to be moved faster. A couple of 9000 hp behemoths ply the River now and the end is not in sight.

With barges, there have been two significant developments. The "raked" bow has increased efficiency by reducing drag, and perhaps most significant, the development of the "specialty" barge -- linings, insulation, refrigeration, pumps and so on -- has greatly increased the types of commodities which can be moved profitably by barge. Hot sulphur may be old hat now, but a decade ago it was a new idea for river traffic.

And what about the future? While many revolutionary changes have already taken place, further refinements and variations on these themes will enable even larger barges and increasingly varied commodities to be moved more efficiently. Most attention will

probably be focused on improving utilization of existing facilities. Better scheduling of arrivals could greatly reduce traffic jams and delays at docks and use of simulation and other OR techniques could add to the efficiency of the overall operation. Bud Mechling is only one of your distinguished leaders who has examined such areas.

So what's the picture? Demand is great. The industry is growing. Innovation has occurred and more is on the way. And where is Brer Washington? How have we responded to all this? Well, in the first place, we've made it all possible by investing a heck of a lot of dough in waterway improvement projects. The Arkansas-Vertigris River Project dedicated by President Nixon earlier this year puts Tulsa on the sea and provides an additional 443 miles of navigable waterway -- here Uncle Sam invested about \$1.2 billion. The Tennessee-Tombigbee Project got the go-ahead from Congress this past fiscal year. At an estimated cost of about \$290 million, the 279-mile canal will connect the Tennessee and Tombigbee Rivers, thus permitting Tennessee River traffic to enter the Gulf via Mobile rather than by the much longer Mississippi-New Orleans route. A third Corps project, the Trinity River, has an estimated completion date of 1980 and a cost upwards of \$1.2 billion. Besides adding 363 miles to the nation's navigable water system, the project proposes to make coastal ports of Dallas and Fort Worth. These three examples give a frame of reference to the Federal investment in the system, indeed a big one! And O&M adds another \$100 million or so a year.

Over the years there have been a number of people who felt that this investment was too big, and anybody interested in waterways knows that the Atlantic refers to something besides an ocean.

Are the critics right? Well, of course they are somewhat right. A critic always has the odds with him, for unless something is perfect (something Washington has never been accused of, even by its most ardent admirers), there are always things to criticize. But does that mean our river system is a sham and ought to be filled in? Of course not. We have a magnificent system, a national asset of no small measure and one, as noted, being expanded. Well, then, can we improve "the system" and its place in national transportation? I think the answer is yes.

Waterway user charge proposals of one sort or another have been sent to the Congress by the Executive Branch every year since Millard Fillmore, or at least, it seems like it. None have met with



any success. There have been no hearings since 1952 and no bills have even been introduced since 1954. An old river type, Mark Twain, once said that "July . . . is one of the peculiarly dangerous months to talk about (user charges). The others are October, January, September, April, November, May, March, June, December, August, and February."

Given such enthusiastic response, why does the issue keep surfacing? Why is the Executive Branch, regardless of party, so strongly committed to the concept of transportation user charges? Well, one reason is to achieve some equity among the various modes. Since 1956, highway users -- truck and auto -- have been charged for the Interstate and ABC Programs by various taxes, principally on fuel. With the passage in 1970 of the Airport/Airways Development Act, users of airports and airways likewise pay their way with a fuel and ticket tax or an aircraft registration fee. Applying this same general philosophy to inland waterways is a logical, perhaps inevitable progression leading to a consistent and equitable user charge policy across all modes.

What kinds of propositions are floating around (or sinking as the case may be)? One view is that users should bear some of the burden of the costs of operations and maintenance of the waterway system. This school does not advocate user charges for the costs of capital investment. The reasons for this latter (at least) can be found in such Hollywood epics as "Forever Free" to mention one. Since most capital expenditures are for multiple purposes, i.e., recreation, flood control, irrigation, many argue with much logic that the shallow draft industry should not have to pay for investments that are undertaken for reasons other than commercial traffic use.

Whether a user charge bill -- of this type perhaps -- rises like the Phoenix this year or next, I think it likely that sooner or later this particular bird will be seen again. And I think you have a vital and complicated stake in the issue. Obviously a program of unjust and exorbitant charges is not in your interest nor the country's and should be fought like the plague. But should the last man and the last horse be thrown into an assault on any user charge proposition? I don't think so, and putting myself in your seat, I'm still not sure.

Transportation is not very popular right now. Airports are not getting built in many places where they are needed. Waterway projects have been halted. Interstate 95 has chunks that remain only engineering specs. In short, our industry is facing questions

about land use, environment, and you name it, which are very real and make development a complex thing. Now, if these same projects are associated in the public mind with no industry financial support, the "priorities" issue is added to an already complicated stew. Thus, I think the time for sober reflection is upon us. The Nation needs its waterway system. It needs it healthy and vital. Public costs associated with that system will in my view have increasingly much to do with how the public views it.

There is one other area of Federal concern and that is rate regulation. I mentioned earlier that the Administration believes in equity among the modes -- who can be against equity? Vis-a-vis regulation, I am of the mind that equity is more likely to be achieved by letting the market rather than regulation make the decisions. Now, I am not one of the wholesale deregulation crowd, but over the past several months I have said a great deal about what I regard as appropriate in terms of the rail and trucking industry. What about you? In simple terms, I think that either you guys are going to be more regulated or the other guys less!

The most generous thing you can say about rate regulation as it now stands is that it is unbalanced. The railroads are at least theoretically 100 percent regulated and with the over-the-road carriers, everything is regulated but agricultural commodities and local transport. With the water carriers, on the other hand, 80 to 90 percent of the total traffic -- all bulk commodities -- are exempt. Now, sometimes imbalance is good -- I guess if a drawbridge were perfectly balanced, it wouldn't go up or down. But here I think imbalance hurts and I do not look with favor on extending this regulation to the barge industry.

What's required? First, some increased flexibility in rate-making. Several months ago, I testified before Senator Howard Cannon's Aviation Subcommittee that the Department favored a "zone of reasonableness" within which airlines ought to have some independent authority to go up and down. I have generally the same view about surface carriers where regulation exists.

Why? Presently, the regulated carriers are restrained in responding to market and cost changes and the strains are showing. And when pricing innovations are attempted, they are more often than not subject to endless hearings while shippers wait and stew.



But let me hasten to add that some control should be exercised. For example:

- Rates should not be preferential or discriminatory.
- Where a shipper faces essentially monopolistic service, the ICC should be empowered to establish rate maximums.
- Carriers should not be allowed to set rates below variable cost or something similar. Lower rates mean either predatory pricing or cross subsidy, and I'm against both.
- Finally, rate freedom should be introduced gradually so that carriers and users have time to adapt to the new structure.

Gentlemen, I mentioned several things today. The shallow draft industry is strong and growing. The future looks bright indeed. But the whole transportation environment is changing. Some old views are being replaced, or should be, by new perspectives. Your industry has shown an amazing ability to adapt, adjust, develop, and prosper over the years. We do have problems, very severe problems in many segments of transportation. Nevertheless, we still have the finest transportation system in the world. It is also the only private transportation system in the world. It's people like you that keep it that way. Thank you.