STATEMENT OF ROBERT HENRI BINDER, DIRECTOR, OFFICE OF INTERNATIONAL TRANSPORTATION POLICY AND PROGRAMS, DEPARTMENT OF TRANSPORTATION BEFORE THE SUBCOMMITTEE ON TRANSPORTATION AND AERONAUTICS OF THE COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE, MONDAY, AUGUST 10, 1970.

Mr. Chairman and Members of the Committee:

Secretary Volpe has asked me to express his regret that he could not be with you today. We appreciate the opportunity to appear before you at this early stage of the hearings which you have called to review the economic and competitive conditions now existing within the air transportation industry. Let me express the vigorous support and endorsement of the Department of Transportation for the expressed intent of this Committee to keep a current watch over the problems facing this air transportation industry which, as you have said, Mr. Chairman, could conceivably eliminate some of the carriers from the marketplace.

As a preface for my remarks, let me briefly refer to the statutory responsibilities of the Department of Transportation and the Secretary as they bear on the subject of today's hearings.

As you well know, Section 2 of the Department of Transportation Act declares in subsection A as follows:

> "The Congress hereby declares that the general welfare, the economic growth and stability of the Nation and its security require the development of national transportation policies and programs conducive to the provision of fast, safe, efficient, and convenient transportation at the lowest cost consistent therewith and with other national objectives, including the efficient utilization and conservation of the Nation's resources."

The Secretary of Transportation is assigned a responsibility by Section 4(a) of the Act to "provide leadership in the development of national transportation policies and programs, and make recommendations to the President and the Congress for their consideration and implementation."

I would like to review for the Committee a recent significant exercise of this responsibility by the Secretary which was undertaken with the active support and cooperation of a number of other Cabinet Departments and agencies of the Federal Government.

Last summer, the Department of Transportation was asked by the White House to chair an interagency Steering Committee in order to review the international air transportation policy of the United States. The last such review had taken place seven years ago (under then President Kennedy) and that changes and developments since that time warranted a fresh review of major policy questions.

Implementing the White House directive, a Steering Committee was rapidly established consisting of representatives of the following agencies: The Departments of Transportation, State, Treasury, Defense, Justice, Commerce, The Bureau of the Budget, the Council of Economic Advisers, and the Civil Aeronautics Board. Secretary Volpe named Paul Cherington, Assistant Secretary of Transportation for Policy and International Affairs, to be the Chairman of the Committee.

The White House called for the completion of the review by January 30 of this year. In response to the expedited schedule, the Steering Committee quickly organized the various working groups consisting of representatives of the several agencies interested in particular topics. These working groups worked assiduously during the fall to prepare draft positions for the consideration of the Steering Committee. In due course a draft report was prepared by the Steering Committee and on January 15, 1970, that draft was circulated widely to members of Congress, the air transportation industry, representatives of air transportation users, foreign governments, and other interested parties. Written comments were solicited and were received. In addition, a public hearing was held in January at the Department of Transportation at which a number of speakers appeared to orally express their views. Following receipt of the written comments and the public hearing, the Steering Committee held a number of meetings to consider the draft in the light of these views. Subsequently, a revised statement was approved by the Committee and transmitted to the President with a request urging that he adopt, and issue the statement, and insure that it is understood to supersede the 1963 statement.

This policy statement was endorsed by Secretary Volpe who transmitted it to the President with a recommendation that he approve it and issue it as a Presidential statement.

On June 22 of this year, the President approved the Policy Statement. We have reprinted copies of that Statement together with a White House statement and the Steering Committee's transmittal memorandum. I know that the Department has already made copies of this booklet available to

members of your Committee, but I have other copies with me today and I would be happy to submit a copy of this booklet for the record.

Certain provisions of this Policy Statement appear to be of particular relevance to this Committee's inquiry into the current problems facing the air transportation industry.

At the bottom of page 5 of the Policy Statement, the following is stated:

> "We expect both scheduled services (individually ticketed and individually waybilled) and charter services (whether offered by supplemental carriers or scheduled carriers) to have important roles throughout the coming decade. The growth rates of both services make it appear likely that both will have substantial markets."

The Policy Statement further explains in two short paragraphs the importance of each class of air transportation service and the benefits which each class of service provide. Let me read each of those short paragraphs for the Committee:

> "Scheduled services are of vital importance to air transportation and offer services to the public which are not provided by charter services. Only scheduled services are expected to offer regular and dependably frequent schedules, provide extensive flexibility in length of stay, and maintain worldwide routes, including routes to areas of low traffic volume. Substantial impairment of scheduled services could result in travelers and shippers losing the

ability to obtain these benefits. Accordingly, in any instances where a substantial impairment of scheduled services appears likely, it would be appropriate, where necessary to avoid prejudice to the public interest, to take steps to prevent such impairment.

"Charter services by scheduled and supplemental carriers have been useful in holding down fare and rate levels and expanding passenger and cargo markets. They offer opportunities to exploit the inherent efficiency of planeload movement and the elasticity of demand for international air transport. They can provide low-cost transportation of a sort fitted to the needs of a significant portion of the traveling public. Charter services are a most valuable component of the international air transportation system, and they should be encouraged. If it appears that there is likely to be a substantial impairment of charter services, it would be appropriate, where necessary to avoid prejudice to the public interest, to take steps to prevent such impairment."

Other sections of Part 2 of the Statement relating to charter operations and the role of the supplemental carriers in relation to scheduled services are also of particular relevance today. I would call the Committee's attention to these provisions of the Statement which appear

on pages 7 and 8 of the booklet that I have distributed. If the Committee pleases I would be happy to read them in the record.

Mr. Chairman, this concludes my prepared statement. I will be pleased to answer any questions the subcommittee might have.

DEPARTMENT OF TRANSPORTATION

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REMARKS OF ROBERT H. BINDER, DEPUTY ASSISTANT SECRETARY FOR POLICY AND INTERNATIONAL AFFAIRS, U.S. DEPARTMENT OF TRANSPORTATION, PREPARED FOR DELIVERY BEFORE THE SECOND NATIONAL SEMINAR OF THE TRANSPORTATION DATA COORDINATING COMMITTEE, STATLER HILTON HOTEL, WASHINGTON, D.C. OCTOBER 13, 1970.

GOVERNMENT'S ROLE IN FACILITATING TRANSPORTATION INFORMATION PLANNING

Thank you Mr. Chairman:

Madame Chairman Bentley, Chairman Stafford, Distinguished Guests, Ladies and Gentlemen:

Let me first express to you best wishes from Secretary John Volpe. He wanted to be here today, but is out of town.

While I have the opportunity let me reciprocate Ed Guilbert's introduction by turning the spotlight on him for a moment. There is no question that it is his imagination and industry and leadership that have brought us together today, and I think we should express our appreciation to him for making this seminar a success.

One of our big jobs is to make things simpler. Maybe we should start with the title for this address. "Government's Role in Facilitating Transportation Information Planning"--only two one-syllable words in the whole bit.

It even starts out with a word that is quite the opposite of simple: Government. You'd have to go a long way to find anything more complex than that.

So here I am with two strikes against me before I've even said hello.

Nevertheless I am very glad to be here with this most unusual group. And you must admit you are unusual. It's too bad it takes a crisis in our data system to do it, but I think it's one of the really encouraging signs of our times that age-old competitors and their customers will get together for action in a common cause.

I would like to propose two words to talk about today. The first is "simplification," and the second is "standardization."

It seems to me that these two concepts are the real subject of this conference. "How can industry and government, working together, simplify and standardize our activities in the transportation sector?"

I.

What is it that we need to simplify--what is it we need to standardize? Basically, it is our language of communication in terms of codes, formats, and systems. In short, the words, the grammar, the tools we use to tell each other what is going on. And, let's not forget that discussing what is going on in our industry is far more complex than in most others. We're almost always discussing a moving target--whether a vehicle or its cargo or its crew. When an engineer describes a particular structure, perhaps a refinery in the chemical or petroleum industry, he can talk about its size, its function, and perhaps its value--but at least the refinery is standing still. He doesn't have to deal with where it started from, where it is going, how fast it's moving or by which mode or modes. But we in the transport sector must deal with all this moving complexity, and we must do it simply and rapidly--or we will strangle our industry--and the national economy it serves.

There are two functions--common to both industry and government--that we must serve, through our efforts to simplify and standardize. The first is the day-to-day operational process itself. The second is the long-range investment planning essential to the proper allocation of scarce funds and resources. Let me discuss each of these basic functions.

II.

In the area of operations, the traffic and distribution community must increasingly reach accord on codes, formats and systems that will permit the advancement of computer applications in transportation administrative activities. These include the computerization of tariffs, transmission of data that is now required on every document and form, reporting to government

agencies on transportation data, and numerous other applications.

As we discuss this matter, let us remember that there are both large and small carriers, and large and small shippers, that will not have computer services for some time to come. Nevertheless it is essential that we lift our sights to tomorrow's horizons, because it is certain that business will not be transacted at the end of this fast moving decade in the same cumbersome and costly manner that it is being accomplished today. And particularly for the small business interest, the economies of computer service activities will help to serve his needs for automation of documentation and data transmission.

Let us consider for a moment the problem areas in government and industry today that exist because we have not yet sufficiently simplified and standardized:

(1) Existence of different code identifications for the same commodity, the same place, the same tariff, the same equipment.

(2) Redundant, multi-copy papers transferred among users, investors, and carriers.

(3) Completely different nomenclatures, and forms, utilized in the movement of domestic vs. international cargo.

(4) No compatibility between established coding schemes and the individual tariffs for the various modes, and

(5) Within the federal system itself, numerous unrelated transportation data systems lacking a common data base.

Do you need examples of this? How about:

* 12 different federal coding systems to identify commodities? or

* six different federal geographic code systems to identify location and points.

Somehow, our national transportation community has survived in a Tower of Babel where one element cannot effectively communicate with another.

The transportation administrative procedures, documentations and data systems in use today have their roots deep in commercial history. Many practices stem from an age when sailing ships were beating their way out of the harbors of the world in search of trade winds. Some can be traced back to the coffee houses of London and the wine shops of Venice. Compare the documents of title of those days with the bills of lading today. Some have changed very little. Now, we all know that dynamic industrial progress has

revolutionized man's means of transporting goods. But just as transportation as a motive power has progressed, the administrative systems for accommodating the identification, documentation and reporting functions have not kept pace with the propulsion systems. Technology has produced the greatest management instruments known to mankind--the computer and high-speed communications. But the transportation community has not yet made full use of these technological developments.

For the sailing ship of centuries ago, the weeks at sea and the weeks in port were accepted as the "system of the time." This is no longer acceptable. You have heard today from authorities in all of the transportation modes. Each has described the need to accelerate the flow of data. An ocean vessel is not able to close out its ships' manifest until two to three days after the vessel has departed. The speed of the vessel puts it halfway across the Atlantic before the papers are ready. The papers are rushed to the airport. The plane is met by a courier, the documents rushed to the docks to be in the hands of the authorities before the vessel arrives, but many times the ships arrive ahead of the documents. As ships gain speed, the data flow will become even more critical.

Railroads today are faced with a critical problem of boxcar utilization--boxcar shortages. They are subject to shipper demands for car and shipment locations and delivery notices. Data, reliable and responsive, has become the backbone of railroad progress in America. Without computerized systems and reliable communication, the Nation's railroads will not be able to support the demands of the Nation's economy. Even for existing railroad systems, there is today need for a more compatible input data so that broad scale administrative transportations can be accommodated between the systems' computers.

The motor carrier industry, although much more fragmented in terms of thousands of small and large carriers, has moved progressively forward in the use of computer systems to speed the data flow for thier administrative transactions. As time sharing and computer service centers expand, the increased application of computer systems in the motor carrier industry will be evident.

The airline industry, our newest common carrier mode, was not burdened by the practices and systems of the past, and came into being with many of the advantages of modern machine technology built in. Arinc and Saber are some of the largest computer systems in being. However, even the airlines have problems of non-uniform codes and systems for many of their administrative functions.

In short, as fast as the cargo moves from origin to destination, so also should the movement of basic data. This requires agreement on the uniformity of the data that will serve the needs of all parties and promote the efficiency of intermodal interchange of cargo. Tomorrow's transportation must

be integrated into one space-time network for maximum efficiency, convenience, reliability and safety.

We have surveyed the carriers. But what about their customers? I believe we must look to the shippers as a source of data as well as revenue for the transportation industry.

But to bridge the data gap between shipper and carrier is not easy. For example, if the shipper would provide the essential data for the movement of cargo on a tape or message, it would be accurate--and it would be fast. If such information was provided to the carrier in coded form, the level of carrier service could improve dramatically. This in itself would be compensation to the shipper. And only as a result of tests of such data transmission among shipper and carriers, banks and government will there be convincing proof that the day of the multi-page document is ended and that the expression "a paperless society." Has real meaning.

The banks are moving forward in this area, the brokers are doing it--should not the gigantic transportation industry undertake on a major scale the job of testing and proving the concept of compatible computer-to-computer transmission of transportation details and data in lieu of documents?

We must be prepared to depart from a system where paper documents--in somes instances as many as 150 for a single shipment--are filled in by hand, totaled and toted with the end result of delay and confusion. We must be prepared to enter the electronic world of automatic data processing where data will be uniform--transmitted in advance of the cargo--perhaps via satellite--and printed out where a hard copy is required. No longer can the transportation system afford to have cargo arrive before the information concerning it.

Let me briefly describe how the Department of Transportation is helping and leading the move toward greater simplification and standardization.

As many of you know, and most appropriate to mention here, we have actively participated in TDCC task forces. This has given us an excellent interface with a broad sector of the shipper/carrier and banking community seeking progress in this field.

In another industry/government venture, the Department of Transportation is working jointly with the National Committee on International Trade Documentation in a study of transportation documentation and to implement the newly developed intermodal international through bill of lading format. The joint study and the through document will bring about standardization and simplification of transportation documentation, as well as pave the way for greater use of computers and rapid transmission of data.

Last month our Office of Facilitation published a report entitled "A Study to Develop a System for Standardizing Commodity Descriptions and Codes,"--one of the most complete documents ever published on the subject of commodity coding.

This report recognizes that full advantage must be taken of previous accomplishments in commodity coding by utilizing the AAR's Standard Transportation Commodity Code (STCC) as base for an intermodal commodity description and code system. The report also recommends that descriptions contained in other domestic and international systems--the United Nations, U.S. Export Classification Tariff Schedules of the U.S., and the Brussels Tariff Nomenclature--should be added to STCC to increase its coverage and round out its usefulness for domestic and international transportation.

Perhaps only coincidental to the fact that we paid for this report, it also proposes that the Department of Transportation function as the coordinator for government transportation data requirements and that a private organization (such as TDCC for example) function as the industry coordinator in the compilation of uniform transportation data. In addition, the report highlights the need for a permanent activity to provide for maintenance, publication, and distribution of uniform transportation commodity codes. These recommendations are now under active implementation by the Department.

Our role in transportation information planning must respond to the needs of the transportation community. It must serve as a catalyst within the federal government to promote standardization and simplification in the requirements placed upon the industry.

With the many agencies in the federal system that require a multitude of reports and forms in order to satisfy their information needs, it is obvious that a heavy burden is placed upon the transportation community. The federal government is by far the largest user of computers in the world, yet within the transportation field the government's use of computers is limited by the complexity of the field involved. We must lead the research for ways and means to utilize automated reporting and documentation systems for the collection and processing of data.

As I see it, my Department will support the development of uniform coding for information interchange. It will cooperate with other governments throughout the world to help assure that computerized data transmission systems applicable to international trade will function on a common data base.

The Department of Transportation is already involved in such coordination as well as coordination and simplification in such fields as intermodal transportation, containerization, documentation, passenger travel, and numerous other areas which require federal action and attention. I have mentioned the standard master bill of lading. As another example, representatives of our Office of Facilitation, along with industry representation from the TDCC and NCITD will meet in London and Brussels this month to begin discussions on the development of international codes for transportation.

While I am discussing international developments, let me mention the SITPRO Report. Two years ago, the United Kingdom established a joint Management-Labor-Government Organization called SITPRO (short for the United Kingdom Committee for the Simplification of International Trade Procedures). This Committee is headed by the former Chancellor of the Exchequer Lord Thornycroft. It recently released a study which vividly describes the importance placed on such simplification by the British Government and the British industrial community. SITPRO has concentrated its efforts in both the development of standard documentation and the development of usable codes for data links in international trade.

Let me now turn briefly to the second basic area that badly needs simplification and standardization--that of long-range investment planning --where the interests of industry and government are again coincident. In the next twenty years, billions of dollars of private and public funds will be invested in new facilities and equipment. Both industry and government must ask themselves these questions before investing their scarce resources:

What is the present demand for transportation services for each mode of travel, for each kind of commodity, for each area of concern? What is the demand likely to be in the future--ten years, twenty years from now? How does out existing capacity stack-up against that demand? Where are the high priority areas for investment? Which investments will yield the greatest return? In industry, the process of asking and answering these questions is called market analysis. In government, it is called planning and programming.

The crucial point here for us is that the data required to answer these questions is the same for both industry and government. And, fragmented, isolated data collection will just not do the job. The data developed to answer these questions must be comprehensive in scope--that means multi-modal from the start--and it must be comprehensive in terms of definition. This is another way of saying we must standardize on codes, formats, and information reporting structures, so data can be meaningfully compared. And it must be simplified so that the reporting burden is minimized; and the speed of reporting is increased.

Of course, the computer is the key to speeding the process. The computer helps us in two significantly different ways: It helps us to do things better and faster than we could do them before; and more important here, it permits us to do new things that couldn't be done before at all. The first is the way any new technology originally gets applied. Then, as experience with the capabilities of the new technology is acquired, the second phase begins. It is here that organizational structures and institutions are created, utilizing the full potential of the new tool. With computers we are just beginning this new phase.

How is the Department of Transportation approaching this phase in regard to developing marketing--planning data? As I see it, our role in the

information program is to identify the needed data development areas; provide the skills and seed-money to develop an operational, on going, automated information system; bring together all of the agencies and industry representatives concerned to insure the utility of the product; and eventually find a home for the operating system in the most appropriate agency or institution.

Our project to re-establish the Rail Freight Waybill statistics program is an excellent example of this approach. We are working in a joint-project framework with representatives of the ICC, and the Association of American Railroads is providing technical review from the industry perspective. Eventually the automated system and program will be housed in our Federal Railroad Administration.

This railway project has been a model for other Department projects to develop motor and air commodities data. In parallel with these efforts, we are working closely with other federal agencies concerned with data collection and development, particularly the U.S. Bureau of the Census to improve the utility of its data for marketing--planning applications.

One of the major applications of this information planning program will support the development of a comprehensive statement of national transportation needs.

The first phase of our program to develop such a statement by 1972 began last week with the distribution of letters and questionnaires to the Governors of the fifty states, to the Mayors of cities of 50,000 and over population and to the leaders of the transportation industry.

This Department of Transportation survey is designed to define the areas in which public and private funds are needed through 1990 to finance highways, public transit systems, airports and other terminals, railroads, waterways and pipelines.

Once these varied statements of needs and anticipated costs are submitted to U.S., Department of Transportation specialists will analyze the material and develop a statement of national transportation needs.

Both the information acquired to support this needs study and the coordinated needs statement itself will be invaluable to the marketing functions and investment programs of private industry. The data will be comprehensive, standardized and automated, and will provide a comprehensive picture of where federal investment is needed in the future.

Gentlemen, this world and this Nation have too much technology, too much ability, and too much intelligence to be bound to the methods, the thoughts, and the solutions of 30, 40, and 50 years ago. New concepts are rapidly evolving. Many companies have already recognized the potential

of high-speed transmission of transportation data. We must continue to move forward into the new and untried.

The Department of Transportation stands ready to work with shippers, carriers, investors, and government agencies to support the concept that the Transportation Data Coordinating Committe has so bravely and ably undertaken on behalf of the private sector. Backed by the enthusiasm and active support that has been demonstrated by this large audience here today, I am certain that we will soon see a total revamping and streamlining of transportation data systems.

STATEMENT OF ROBERT HENRI BINDER, DEPUTY ASSISTANT SECRETARY FOR POLICY AND INTERNATIONAL AFFAIRS, DEPARTMENT OF TRANSPORTATION, BEFORE THE SUBCOMMITTEE ON AVIATION OF THE SENATE COMMERCE COMMITTEE CONCERNING USE OF THE CIVIL RESERVE AIR FLEET, WEDNESDAY, MAY 19, 1971.

Mr. Chairman and Members of the Committee:

I appreciate this opportunity to appear before you today to discuss the use of civil air carriers for the transportation of Government traffic.

The subject of these hearings is a matter of considerable interest to the Department. Under the Department of Transportation Act and other statutes administered by the Department, the Secretary of Transportation is responsible for exercising leadership in transportation matters, including those affecting the national defense and those involving national emergencies. The Secretary also is responsible for consulting with the heads of other Federal agencies on the transportation requirements of the Government, including the procurement of transportation or the operation of their own transport services in order to encourage them to establish and observe policies consistent with the maintenance of a coordinated transportation system. In fact, one of the basic reasons for the establishment of the Department was to facilitate the development and improvement of coordinated transportation service, to be provided by private enterprise to the maximum extent feasible. The question of the appropriate use of civil air carriers for the transport of Government shipments has implications touching upon all of these responsibilities and policy matters.

DOT REVIEW OF CRAF PROGRAM

To understand the specific responsibilities of the Department of Transportation under the Civil Reserve Air Fleet (CRAF) Program, it is necessary

to refer to an agreement reached between the Secretaries of Defense and Commerce in 1963 (which updated the earlier arrangement reached between them when the CRAF program was initiated in December 1951). In that 1963 Agreement, responsibilities were assigned to the Director of the Office of Emergency Transportation in the Department of Commerce, the Assistant Secretary of Defense for Installations and Logistics, and the Secretary of the Air Force. A copy of the text of that agreement is appended as Exhibit 1. Of particular relevance here, it states that the Secretary of the Air Force has "responsibility in matters relating to .... contractual relationships with air carriers."

When the Department of Transportation began operations in 1967, we assumed the responsibilities for the preparation of plans for the allocation, including pre-allocation, of civil air carrier transportation to meet national emergencies. These responsibilities are exercised in the following manner: The DOD emergency requirements for civil airlift -- which under CRAF constitutes a pre-allocation of specific civil aircraft to DOD in the event of an emergency -- are prepared by the Air Force, and submitted to the Department of Transportation. They are projected for various time periods up to one year in advance and are stated in terms of the numbers of aircraft and type for the time periods involved. This projection of requirements is analyzed by DOT in the light of other forecasted essential emergency requirements and in light of projected civil aircraft production. Following this analysis, the Air Force is informed as to whether or not its requirements can be met. Based upon this planned commitment, the Air Force intermittently requests that certain specific aircraft be added to CRAF and that certain aircraft be deleted to

keep the program in balance. On a quarterly basis, DOT publishes an allocation notice which identifies by carrier, type of equipment, and tail number, the aircraft committed to the CRAF program. For your information, as of May 1, 1971, there were 429 aircraft in the CRAF program. This allocation breaks down into 322 aircraft for long-range international use, 46 for short-range international, 43 for domestic and 18 for Alaska.

Aside from the emergency aspect of the program for which rather formal and detailed procedures are established, the Department has a vital interest in the impact of CRAF, not only during emergencies, but at other times, on the development and improvement of our total transportation system in general, and the civil air carriers in particular.

From the standpoint of the individual carrier, the amount of aircraft lift capability committed by that carrier to CRAF is important, because it is this commitment that largely determines how much of the military air movement business will be offered to that carrier in times of non-emergency. DOD contract airlift services in "peacetime" are procured only from air carriers participating in the CRAF programs and then only in accordance with a formula which recognizes the emergency commitment of each of the participating carriers. In essence, a carrier's share of the DOD "peacetime" airlift business is dependent upon how many of the types of aircraft that DOD wants, the carrier is willing to commit to emergency utilization.

II

CIVIL AIR CARRIER PARTICIPATION IN THE AIRLIFT PROGRAM

The participation of CRAF aircraft in the international movement of military traffic has varied over the years. In terms of the dollar revenues

earned by the civil air carrier industry as a whole, Table 1 shows the trend that has disturbed the industry. Clearly, the dollar amount spent on cargo carriage dropped sharply from $282 million in FY 1967 to $40 million in FY 1971. As Table 2 shows, this is partly due to a decrease of air cargo from a high point of 725,000 tons in 1969. The drop in the use of CRAF planes for cargo carriage is due to both the drop in air cargo and prior decisions to increase military airlift capacity. The necessary use of this capacity for training and other military readiness purposes has also led to the present levels of the use of commercial cargo carriers for military purposes.

In hearings before the Congress last year, the Military Airlift Command stated that future peacetime "cargo requirements will be purchased from commercial sources only to the extent needed to satisfy the cargo requirements (which remain) after utilization of military airlift capability."

As Table 2 shows, the total number of tons of cargo moved by CRAF aircraft is now twice what it was eleven years ago. It rose from 20,000 in fiscal year 1960 to a peak of 202,000 in 1967, tapered off to 104,000 in 1970, and dropped to 39,650 in 1972.

Over the same period, the organic military airlift trebled in size: from 149,000 tons in 1960 to 449,000 in 1972. In percentage terms, however, the civil cargo airlift ran from 12 percent of the total military cargo in 1960, to 33 percent in 1967, down to 6.6 in 1971 and 8.1 in 1972.

On the passenger side, Table 2 shows that civil carriage of passengers in 1972 will be four times the number carried in 1960, and 88 percent of the total compared to 43 percent twelve years ago.

Table 1

DOD PROCUREMENT OF INTERNATIONAL AIRLIFT
FROM COMMERCIAL AIRLINES
($ millions)

	FY 61	FY 62	FY 63	FY 64	FY 65	FY 66	FY 67	FY 68	FY 69	FY 70	FY 71	FY 72
Passenger	54	77	101	99	109	188	269	333	336	321	335	223
Cargo	25	66	63	46	87	128	282	198	143	76	40	43
Mail	35	42	48	48	40	77	110	119	89	109	106	103
Other	--	--	--	--	--	2	25	41	49	52	44	28
Total	113	185	212	193	236	394	685	691	617	558	525	397

Table 2

DEPARTMENT OF DEFENSE--INTERNATIONAL AIR PASSENGERS AND CARGO

Fiscal Year	Tons of Cargo			Number of Passengers		% Moved Commercially	
	Total	Military	Commercial	Total	Commercial	Cargo	Passengers
1960	168,787	149,206	19,581	993,209	428,912	11.6%	43.1%
1961	159,700	133,291	26,409	986,978	408,675	16.5	41.4
1962	118,707	45,038	73,669	992,062	558,410	62.0	56.2
1963	184,359	115,282	69,077	1,157,704	768,201	37.4	66.3
1964	196,841	153,158	43,683	1,102,290	754,044	22.1	68.4
1965	253,392	187,325	66,067	1,127,311	816,999	26.0	72.4
1966	338,368	236,262	102,106	1,615,943	1,446,494	30.1	89.5
1967	599,202	397,297	201,905	2,123,725	1,929,010	33.6	90.8
1968	679,079	516,006	163,073	2,700,266	2,482,281	24.0	91.9
1969	725,322	577,719	147,603	2,920,436	2,718,801	20.3	93.0
1970	658,643	554,652	103,991	2,890,514	2,626,953	15.7	90.8
1971	583,722	545,263	38,459	2,713,205	2,467,889	6.6	91.0
1972	488,740	449,090	39,650	1,978,703	1,744,890	8.1	88.2

Sources: 1960-1969, USAF data for House Armed Services Subcommittee on Military Airlift; 1970-1971, Military Airlift Command actuals for 1970 and estimates for 1971 and 1972 provided January 1971 with FY '72 Budget Request.

With the low commercial cargo percentage figures in mind, let us recall that portion of the Declaration of Purpose in the Department of Transportation Act that speaks of the provision of coordinated transportation service "to be provided by private enterprise to the maximum extent feasible." Let us also recall the testimony before this Committee earlier this year on the financial condition of the airline industry, particularly including the testimony of Assistant Secretary of Transportation Charles D. Baker: "Every segment of the air carrier industry lost money last year, and the industry's forecasts predict a worsening trend, or at best, only a slight recovery over the next year or two."

We appreciate that any aggravation of the current financial condition of the air carriers would be a serious matter, not to be taken lightly. We therefore welcome this opportunity to focus more clearly upon some of the basic policy questions that we believe are associated with the use of DOD aircraft to move military cargo.

Perhaps the most basic question is whether the peacetime utilization of civil air carriers for military airlift requirements is a matter of national policy? To what extent should DOD's organic air fleet be operated in competition with private industry?

We believe that it has been a matter of national policy, and that it should continue to be national policy, that civil air carriers should be used for military airlift requirements in peacetime to the maximum feasible extent. As Secretary Volpe recently stated: "In the interest of overall efficiency and economy, I strongly support the fundamental policy that our commercial air carrier fleet should be utilized for military airlift in peacetime to the maximum extent possible."

We must, of course, address the question of defining what is the "maximum extent possible", and in this process, we do not believe it possible to ignore the organic airlift capability of the Defense Department: It is a given, and it is substantial.

The national defense purpose of that organic military airlift capability is, of course, the principal province of the Department of Defense. Assistant Secretary Whittaker's testimony for this hearing explains this military purpose.

On the other hand, it is clear that the creation, maintenance, and operation of a substantial organic military airlift capability can have an important effect upon the civil air carrier fleet, and it is this we consider to be a principal province of the Department of Transportation.

We continue to adhere to the policy to use private air carriers to the maximum feasible extent for the carriage of military cargo, but in determining that feasibility we must make decisions in light of prior decisions to procure military airlift capacity.

When there is an organic military airlift capability in being, as is the case today, the Department of Defense should demonstrate that from the taxpayers' standpoint these military planes are flying in any event (on training missions) and can carry military cargo at low cost. Indeed, this is one major thrust of Assistant Secretary Whittaker's testimony.

However, this raises a fundamental question: Does the use of existing military aircraft in lieu of civil air carriers result in adequate military readiness, the best utilization of the nation's transportation resources, and provide for the transportation of cargo at the lowest cost to the taxpayer.

This fundamental question should not be limited to cases where there is existing military equipment that will be used in any event for military training or other reasons. An earlier and possibly more effective point for the policy to be considered and applied is the time when it is proposed to add equipment -- be it planes, ships or whatever -- to maintain or increase the Government's organic lift capability.

A related and most important question is what impact the greater reliance on military aircraft for cargo carriage will have on the incentive and ability of air carriers to support and contribute to CRAF? While the capability of military aircraft may be on the rise, and may become more of a match for airlift needs during relatively slack periods, will greater reliance on such aircraft to the detriment of commercial aircraft serve to decrease the combined capability of military and commercial aircraft to meet emergency needs? In an exchange of correspondence with the Defense Department last year, we covered this point and other matters. (I have for inclusion in the record (Exhibit II) Assistant Secretary Baker's letter of July 13, 1970 and Deputy Assistant Secretary Riley's response of November 17, 1970 (some classified portions excised)). While Riley there stressed that contingency planning is a most uncertain business, he also observed that it "would be premature to assume that DOD's normal peacetime utilization of the air carriers in the 1970's will not suffice to maintain the needed mobilization base."

On the other hand, while we defer to the Defense Department for the identification of the needed mobilization base, we must also note here the earlier testimony of the Air Force before the House Armed Services Committee in January 1970 that "current firm orders for aircraft do not indicate

projection of enough convertible or cargo aircraft to fulfill projected wartime requirements." They added that "the cargo capability of every convertible or cargo aircraft will be added to the CRAF until requirements are satisfied."

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

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

STATEMENT OF ROBERT HENRI BINDER, DEPUTY ASSISTANT SECRETARY FOR POLICY AND INTERNATIONAL AFFAIRS, U.S. DEPARTMENT OF TRANSPORTATION, BEFORE THE HOUSE PUBLIC WORKS COMMITTEE REGARDING H.R. 9723, SEPTEMBER 23, 1971.

Mr. Chairman and Members of the Committee:

I appreciate this opportunity to appear before you today to discuss H.R. 9723.

Specifically, H.R. 9723 would authorize the Department of Transportation and the General Services Administration to select an adequate portion of lot 813, square 299 within the District of Columbia located between Twelfth and Fourteenth Streets and Maine Avenue and "D" Street Southwest for a heliport, construct on that site necessary minimum heliport facilities, and lease the site to any person who is willing to operate it as a heliport. The bill would also amend the Federal Aviation Act of 1958 to provide for the establishment of availability charges for certified helicopter transportation.

The Department is fully aware of the potential offered by helicopter service in fulfilling the need for rapid airport access. This is true not only with respect to the Washington area, but with respect to many metropolitan areas throughout the Nation. Over the years as the population of our large metropolitan areas has increased, it has been necessary to locate the new airports needed to serve those areas further and further from the center city. The result has been that the speed advantage that air travel offers has been seriously reduced because of the inevitable delay facing the passenger

in travelling between the airport and his home or office. Throughout the last several years, a number of attempts have been made to provide helicopter service to and from the center city, and in all cases, operators have experienced a number of serious difficulties, financial and otherwise. The Department believes, however, that further efforts to enhance the feasibility of providing such helicopter service should continue to be explored.

As for the establishment of the heliport site for the southwest area of the District of Columbia as proposed by H.R. 9723, the Department strongly recommends that no action be taken at this time. Access from the center city to metropolitan airports is very much a local transportation problem. We are not aware that this heliport proposal has yet been analyzed through the local planning process, including an analysis of available alternatives, and of the environmental impact of each done by the body which plans and proposes to operate such a facility.

Another factor which calls for a delay in the establishment of the site proposed in H.R. 9723 is the reopening by the Civil Aeronautics Board of its Washington/Baltimore Helicopter Service Investigation. In addition to offering a forum for determining the environmental impact of helicopter operations into the District of Columbia, that investigation will provide an opportunity for careful consideration of such factors as the financial viability of such operations.

Now I would like to turn to the provisions of the bill respecting the imposition of "availability charges" for certified helicopter transportation. The Department opposes these amendments. We understand the purpose of these

provisions of the bill is to provide for the payment by passengers purchasing tickets for flights originating or terminating in the Washington area of a charge which will subsidize a helicopter operator serving those airports. The Department has in the past opposed this type of cross subsidy. We believe it is totally unfair to require passengers on such flights to pay for a service for which they may have no need or interest. Those who use the service should bear its direct costs. H.R. 9723 would unfairly afford airline passengers choosing helicopter connections, in lieu of surface common carriers, a preference that is denied other airline passengers using other modes of surface common carriage.

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

DEPARTMENT OF TRANSPORTATION | NEWS

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20590

50-DOT-71

REMARKS BY DEPUTY ASSISTANT SECRETARY FOR POLICY AND INTERNATIONAL AFFAIRS, ROBERT H. BINDER, BEFORE THE AIRPORT OPERATORS COUNCIL, INTERNATIONAL, OCTOBER 12, 1971, MIAMI, FLORIDA

I've been asked to comment on the subject of "Future Airports and the Airports Future." I'll take the second point first - which means to me - what are the airports in the future for? Mainly to serve several diverse markets; markets which we are increasingly recognizing as distinct. Time was when aviation was aviation and Roosevelt Field spawned intercontinental flights (one any way!) and others that never left the island. In the post war period we have seen the start of market/segment focus of the JFK-LaGuardia-White Plains variety.

It seems to me that in the future this market/segment will be increasingly recognized as we think of airports. Surely Stewart isn't going to serve the Boston-Long Island traveler who is almost

as close to Suffolk in Boston as in Newburg. So for openers I submit we ought to look at the market/segments.

International and Intercontinental,

Domestic medium to long-haul,
Domestic short-haul,
General aviation and others of which more in a minute.

So a little background on trends and projections.

Today, domestic air carriers account for approximately 60% of all intercity passenger traffic by common carrier vs. 31% in 1955.

The rate of growth in metropolitan areas in last decade has been 16% as compared to 6% for rural areas. Thus an initial concern deals with density locations.

In U.S., 70% of all air passengers are enplaned at 21 large metropolitan airports.

By 1985 domestic air passenger traffic will increase somewhere between 3-1/2 and 4 times.

A lot of growth in congested areas!

The emphasis in aviation over the last decade has been on developing larger and faster vehicles which respond to but also lead to stimulated demand for air travel. But in past (i.e., mid-60's) we all seriously underestimated future demand - a cardinal sin! And in many places airport capacity simply didn't keep up!

We are now feeling the effects of that and are attempting to treat this problem in future forecasting process.

Now let's talk more specifically about the markets and the demand within.

1. International air traffic/Transatlantic has been increasing rapidly due at least in part to substantial price reductions, new services, etc. This trend will continue and then some!

Let me cite some figures!

In 1970, 25.3 billions of passenger miles were traveled.

In 1980, then to 84.9 billions of passenger miles

And, in 1990, there will be approximately 240.6.

Note the trebling! And 20 years hence almost an order of magnitude jump!

2. Domestically, 30% of all U.S. air passenger trip lengths are over 1,000 miles, it's going to more than double from 1970's figure of 103.3 billions of passenger miles; to 1980 which will be 284.0 and quadruple in 1990 to approximately 485.3.

The domestic short-haul market in part has seen dramatic increases in the number of air passenger miles flown by all domestic airlines. The growth in short-haul depends on the extent to which the airlines can penetrate the market.

It's a very speculative and flexible market where the possibility of penetration by STOL and VTOL relies heavily on their economics and community acceptance.

The Department's Northeast Corridor Study strongly recommends that STOL and VTOL Systems be examined and evaluated to facilitate decisions on future (1980's) implementation.

The NEC and CARD Studies recognize the flexibility of this kind of market and suggest that it's very doubtful people will travel any other way than air from Boston to Washington - but there is real competition offered by the railroads on the trek from,say, Boston to N. Y. and N. Y. to Washington.

So what conclusions should we draw from all this?

That new technology is desperately needed to meet the demands of the air travelling public, most particularly in the short-haul area!

A lot of considerations before implementation of such new systems -- relationship of transportation system to community acceptance needs continual assessment ---noise, land use, convenience, ground congestion, etc.

The short-hauls have some specific problems because of the many types, e.g., small/small, dense/satellite, dense/dense - all have individual characteristics warranting individual solutions - different aircraft, different systems.

And, how does General Aviation fit into the picture?

It's growing like a mushroom. It's now a $2.2 billion business - to grow to $7 billion in 1980.

One reason, it's not restricted on use of air space and airports. And, there's political heat if airport manager tries to restrict, but heat from public and carriers if capacity becomes overburdened.

The next decade will be a transition period from the historical multi-use airport to <u>maybe</u> something quite new.

We simply can't say we know all the problems and how to fix them, there has to be a transition period. But let's focus for a minute on exactly what are the specific problems associated with meeting this demand.

Environmental issues are of great concern.

The community strongly objects on many valid points.

noise has received the sharpest criticism although a level of acceptance hasn't been established yet, and

air pollution.

Land use is another problem in relation to in-town airports, e.g., values in NEC region vary from $1,000 to $10,000 per acre for rural and reach $500,000 in densely populated urban land. This could be solved by STOL and VTOL (but their problems haven't been solved yet - so one thing at a time).

The cost of airports has never been small and the projected cost of new ones tends to be large indeed. The government is in the process of recalling all slide rules capable of computing these kinds of figures.

Access and terminal problems are most critical involving terminal access trip times, parking capacity, passenger and baggage handling.

Terminal access is really severe because in some cases time to and from terminal exceeds line-haul time for many short-haul air trips.

We're presently dealing with a situation that's already constrained - we have no excess capacity!

So based on all this - what is the airports future?

The ideal would be far out of town where land is cheap, less noise to deal with, and on long trips people can justify time spent getting to and from the airport. And this suggests the regional airport idea. Particularly for international and long-haul domestic. But, regional provokes jurisdictional problems - Dulles/Friendship, but it is possible - Dallas/Ft. Worth-St. Louis/Illinois. And, maybe a reliever for general aviation, medium-haul, etc., particularly if long-haul and international go elsewhere.

But on domestic short-haul - far out airports are impractical and not competitive with ground modes. But close-in airports must be quiet! If accomplished, airports closer in or even in higher rent districts - a possibility particularly if multi-purpose facilities emerge, e.g., "a STOL port atop a post office in downtown."

Everything I have just said is just a prognostication but the fact is - aviation isn't very popular with the public at this time and if the Air Transport Industry proceeds as it's done in the past - which so far has merely solidified its opposition, everything I've said is worthless. We are dealing with real issues and people who are really concerned about those issues. It's up to you to acknowledge that concern.

The fact that the differing segments of aviation pose different problems and have different demands can't be simply ignored and the everybody uses everything idea is out of date! The actions and reactions of various political jurisdictions are realities of life and we won't win by strong-arming. What's needed is cooperation -- let's hear it for Texas! ---And, finally paranoia vis-a-vis the bird and bunny people be it re: their noise, land use or what-have-you complaints is a sure loser! Let's shuck off our leather helmets, scarfs and gauntlets and

admit that these guys have some real problems and we are going to solve them - and not simply try and beat them up! AOCI is a group of real experts. People who really do know the issues, the needs and the prospects. Airport operators have risen to many challenges in the past. - It is inconceivable to me that the industry --- in all its parts --- will not respond now!

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DEPARTMENT OF TRANSPORTATION | NEWS

OFFICE OF THE SECRETARY

WASHINGTON, D.C. 20590

57-DOT-71

REMARKS BY ROBERT HENRI BINDER,
DEPUTY ASSISTANT SECRETARY FOR POLICY AND
INTERNATIONAL AFFAIRS, BEFORE THE CHAMBER OF
COMMERCE OF THE UNITED STATES, TRANSPORTATION
COMMITTEE, POLICY SUBCOMMITTEE, DECEMBER 14, 1971,
WASHINGTON, D. C.

Good morning gentlemen. I am delighted to have this opportunity to address such a distinguished group - on a subject that has been addressed many times over the past year - in a number of ways and with a variety of groups and people. My colleague, Sam Eastman, and his staff have devoted much if not all of their time towards these two bills over the past months. We'll be glad to answer any questions you may have.

Nearly a year ago, "The Revision of Regulation" was a topic of discussion in the President's Economic Report. Today, I've been asked by Clint Vescelius and Bob Hawk to provide some insight into the thinking behind the Administration's Regulatory Modernization and Transportation Assistance Bills and the policies that will affect surface transportation.

These two bills are recommended by the Administration as part of its program to insure the existence of a safe, efficient and economic surface transportation system. This program recognizes the vital role of surface transportation in the prosperity and growth of our national economy. There is perhaps no single industry upon which the economy depends as much for its growth and even its continued functioning as surface freight transportation. Yet, the performance of this industry has become increasingly unsatisfactory (to say the least), price increases have accelerated while service has deteriorated often to the detriment of the shipping and consuming public.

Let me quickly enumerate some of the Administration's investment programs. You're all familiar with the Airport/Airways Development Act of 1970, the public investment in waterways and of course, the President's Maritime Construction Program.

But important as these programs are, we propose to cure many surface transportation ills without spending a lot of tax dollars.

The "Transportation Regulatory Modernization Act of 1971" addresses this concern by making a number of amendments to the ICC Act, the basic governing regulatory statute for domestic surface transportation. In general, the purpose of these amendments is to modify a number of existing regulatory constraints. The premise of the bill is that increased reliance on competitive forces and the

ability of the carriers to respond to these forces free of unneeded constraint is an essential prerequisite to the revitalization of a privately-owned transportation system. But, one thing to really worry about is that because the rail industry as a whole is in such bad shape, there is a very real prospect of nationalization - or at least a very heavy subsidy - of the railroads. This is a concern that is stated in your National Policy and I couldn't agree with you more. And I should point out that historically, nationalization of the transportation industry has not been limited to the railroads.

The bill also reflects the need for greater precision and certainty in the regulatory process in that it contains more explicit standards and limitations in the regulatory laws than have generally existed in the past. These standards, in turn, reflect an increased understanding and knowledge of the economic characteristics and performance of the several modes of domestic surface transportation.

Generally, what are some of the problems with regulation? Now, none of us are really happy with national transportation as it presently exists. The railroads as I've said are certainly not a healthy industry and air transportation is also under some strain. Trucking is in better shape, but I think it's fair to say that there are some limitations on the earnings and general reinvestment capability being seen here as well.

Over the past four years, general rail rate increases have aggregated 33% and the shipper/consumer is definitely not getting more for his money. Boxcar shortages and poor service have long been an issue but in recent years, service problems have certainly become exacerbated. Only one railroad shipment in three reaches its destination on schedule - definitely not adequate service! The cross-subsidy engendered by the existing rate structure doesn't benefit the shipper or consumer. Some shippers pay high rates and in effect are subsidizing others who pay low rates.

So looking into the next decade, we see increased demand up 50% or more - all this for a transportation system already cracking at the seams. So we're all in agreement that the transportation industry is in bad shape and change is needed. If regulation were working well, we wouldn't have all these problems. Some perhaps, but not the situation we have today. We'd have something more equal to what the nation needs.

I'll outline some of the major regulatory problems with which the bill is concerned and the way the bill deals with these problems.

The first problem I'll touch upon is rates. The present regulat ory structure severely limits the scope of individual carriers initiative in rate setting. Consequently, this has produced a rate structure often unrelated to the costs of the most efficient carriers, with misallocation of resources in transportation. Rate regulation

appears to have had a particularly unfavorable effect on the financial condition of the railroads. Both from the standpoint of overall efficiency and the need to improve the financial condition of the rail carriers, or environment conducive to rate making more heavily premised on costs is a first priority.

So, how do we achieve a more cost-based rate structure? - by permitting competitive forces to substitute for rate regulation. This bill provides for such a substitution. Individual carriers are permitted to change rates, up or down, without regulatory approval, subject to the following limitations:

1. Rates must not be preferential or discriminatory;

2. Where a shipper faces essentially monopolistic service, the ICC should be empowered to establish rate maximums and we have proposed a ceiling of 150% of fully distributed costs;

3. A carrier cannot set rates below the variable cost of moving the traffic; and,

4. Introduction of rate freedom gradually so that carriers and users have time to adapt to a new structure.

Then there's the problem with the rate bureaus and associations. It appears their activities have a retarding effect on carrier competition by discouraging flexibility and innovation in carrier pricing and services. To retain Section 5A of the ICC Act would be inconsistent

with our objective thus necessitating the rate bureau provisions stated in the bill:

1. Antitrust immunity will no longer extend to agreements which permit any action with respect to any rate or any other matter applicable to only the traffic or routes of a single carrier;

2. No agreement could be approved by the Commission which authorized a rate bureau to protest or seek supervision of any rate proposed by an individual carrier;

3. All correspondence concerning any meeting of a rate bureau must be transmitted to the ICC; and,

4. A private action is created for shippers and carriers before the ICC for single damages caused by any violation.

Entry is hardly a major problem with the railroads but abandonment certainly is. The whole structure of our transportation industry has changed over the past 30 years, and yet the railroad route system has remained basically the same because regulatory procedures have discouraged rail abandonments. With the growth of the highway network, the railroads major cost advantage lies in long-haul movements. Despite this, rail system mileage is only slightly smaller than in 1900. Abandonment of much branch line trackage appears essential to restoration of the railroads' financial health.

This bill seeks to speed up the regulatory process and provide concrete standards for adjudicating them. In determining losses, the bill adopts a standard based on the variable costs of the line in quest ion. By these provisions, we hope to reduce the expense and delay of abandonments, while protecting the interests of the users.

Let's get back to entry. Opponents of easier entry say that open entry would mean almost certain chaos and long-term service loss to shippers. To the extent true, this is certainly to be avoided. But how? The bill seeks to revise entry restrictions for truck and water carriers while retaining certification requirements and the present process.

The bill also takes into account freight car supply, proposing to shift the regulatory authority over per diem from the ICC to DOT. Under the ICC Act demurrage is treated the same way as other freight rates and carges, so that rate flexibility will govern the level of demurrage charges. This discourages rapid turn around of freight cars and reduces the incentive to build and maintain freight cars. The companion bill to this measure (Transportation Assistance Act - of which, more later) proposes such action. We are currently studying desirable revisions in the per diem structure.

So much for that bill. The "Transportation Assistance Act of 1971" also addresses some very crucial points. The provisions are aimed at three of the most critical problems facing the railroad industry.

1. The inability to secure on reasonable terms an adequate supply of freight cars;

2. The lack of a modern national system for controlling the distribution and utilization of freight cars; and,

3. the continued existence of discriminating and unfair taxes on the property of railroads and other surface common carriers.

Finally, this bill would make it unlawful for a State or locality to assess or collect a higher rate of property tax on interstate carriers than on other similarly situated taxpayers.

Adoption of these proposals should make a substantial contribution to moving the industry toward a profitable operation and yet would keep the involvement of Federal funds to a minimum and the exercise of Federal control in the direction and operation of our railroad system.

What does all this mean? It could mean more price competition and it would mean rates will be more in line with cost - up and down - than "value of service" as they are now in many modes and movements. Overall the cost of doing business should drop as load factors increase and empty back hauls decrease. There would be less

cross subsidization of unprofitable routes with profitable ones or of cross shipper subsidy.

Traffic distribution could change. With the railroads able to raise and lower their rates according to cost and with some relaxation of abandonment restrictions, they would pick up some traffic they don't have now, and lose some they now have. Trucks become more specialized. They could fill in gaps where the railroads abandon underutilized track and the entry provisions in the Administration's Bill would facilitate this.

But - change is coming. You and I both know it and we both agree on some very important issues. Two months ago the Surface Transportation Act was introduced by the surface transportation industry. I highly endorse some of its provisions but don't believe it goes far enough. So, quite obviously, we share some of the same concerns. Everyone in this room has faced up to the fact that whatever changes we make should allow the kinds of adjustments jointly beneficial to both the carrier industry and the nation at large!