STATEMENT OF ROBERT H. BINDER, ASSISTANT SECRETARY OF TRANSPORTATION FOR POLICY, PLANS AND INTERNATIONAL AFFAIRS, BEFORE THE SUBCOMMITTEE ON AVIATION OF THE HOUSE COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION, ON THE EFFECTS OF THE ENERGY CRISIS ON AVIATION, JUNE 25, 1975.

Mr. Chairman and Members of the Subcommittee:

Thank you for your invitation to present the views of the Department of Transportation on matters relating to the effects of the energy crisis on aviation.

As the Committee knows, the country is running out of petroleum and it remains vulnerable to price and supply manipulation by foreign petroleum producing nations. To decrease that vulnerability, energy conservation is essential. The Committee is aware of the Administration's efforts to reduce petroleum consumption as part of its efforts to achieve energy independence for the United States by 1980. Among measures to create incentives for conservation are increases in the fees on imported petroleum and removal, or decontrol, of price ceilings on old oil to allow prices to rise gradually to a level which will discourage wasteful consumption.

As the costs of petroleum move upward, impacts are felt in all areas of the economy, but especially in transportation. Highway transportation, for example, accounts for almost 40% of our petroleum consumption. Air transportation consumes about 4.5%.

As a general policy, the Department believes that all segments of our economy -- including the airline industry -- should adjust to fuel price increases and do as much as possible to conserve energy. If the impact of price increases threatens to cause severe short-term economic dislocations in the industry, we then should consider what actions might be necessary. The transportation industry is sufficiently vital to the economic health of the country that the continuation of effective and efficient service is also an important goal. The burden of showing special circumstances rests with industry.

The Air Transport Association, in recent testimony before the Civil Aeronautics Board, painted a dire picture of the effect that certain possible increases in fuel prices will have on air carrier revenues, service schedules and employment.

While the impacts that ATA describes would be severe, it is by no means clear that all those effects will take place or that they will occur at the same time. What is clear is that ATA's projections of serious impacts assumes a large price increase based on several simultaneous smaller increases. At this point, ATA's premise is not established. First, the Organization of Petroleum Exporting Countries (OPEC) may increase the price of our imported petroleum. But by what amount and when is an unknown. Second, President Ford has postponed the

imposition of additional import fees for the present. But when and whether an additional tax will be imposed is undecided. Third, decontrol of the price of old oil has been proposed. But as long as the timing and exact form it may take is uncertain, measuring the full impact of decontrol will be impossible. In short, because the number of possible combinations of these factors is high, and because the price effects will vary from carrier to carrier, any determination of whether the air carrier industry will be able to absorb the anticipated cost increases -- or how it will adjust -- would be premature and speculative at best.

Our evaluation of the impact of fuel price increases must take into account the inefficiencies in operation which can be reduced to offset such increases. The carriers must show that they have done everything possible to eliminate waste and operate in a more fuel-efficient manner.

At the current time, we find that air fares are set at levels designed to yield normal profits at load factors of only 45% on transcontinental routes. The average load factor in 1974 for trunk carriers was only 55%. For the first five months of 1975, although traffic declined by 5.3%, the trunk carriers increased capacity by 6.2%, so that the average load factors declined to only 50.3%.

In times of energy shortages, we cannot leave unquestioned practices or policies which result in half-empty planes. We are pleased that the Civil Aeronautics Board has agreed with the Department's request that the CAB investigate whether load factors should be raised for rate-making purposes. We hope the Board concludes that the load factor standard should be 65%, as the Department recommended in CAB filings earlier this year, at least on the high volume routes if that level is not feasible as an industry average.

We recognize that excess capacity is a natural manifestation of our present system of economic regulation of air carriers which encourages service competition, such as new planes, service frills, and frequent scheduling resulting in low load factors, by foreclosing most price competition. Service competition means that as traffic falls, carriers attempt to attract more passengers frequently by adding unnecessary capacity. This is costly and uneconomical. The Department is preparing legislation which will propose a revision in the regulatory framework to reduce such energy-wasteful practices.

That concludes my prepared statement. I will be pleased to respond to any questions members of the Subcommittee may have.

DEPARTMENT OF TRANSPORTATION

NEWS

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20590

01-DOT-76

REMARKS BY ROBERT HENRI BINDER, ASSISTANT SECRETARY FOR POLICY, PLANS AND INTERNATIONAL AFFAIRS, AT THE 1976 INDUSTRIAL TRANSPORTATION CONFERENCE SPONSORED BY THE JOURNAL OF COMMERCE AND AMR INTERNATIONAL, AT THE L'ENFANT PLAZA HOTEL, WASHINGTON, D.C., WEDNESDAY, JANUARY 7, 1976

THE GOVERNMENT COMMITMENT TO TRANSPORTATION

Good morning, and best wishes to all of you during this Bicentennial year of 1976.

Preparing my remarks for this conference has caused me to do some hard thinking about the Federal Government's commitment to transportation. We all need to take stock periodically of where we are heading and with what effect. This is a good opportunity for that assessment.

This is also a special time in the history of the United States. It is a time to reflect on our country's past and to ponder its future.

America of today was shaped by decisions of the past.

America of tomorrow will be shaped by the decisions of today.

We are all familiar with the central role played by transportation in the Nation's historical development. A question we must answer now

is what role transportation should play in its future. We must ask ourselves whether the kind of economic system that is being shaped by our present transportation policies and practices is the system we want to have.

What kind of transportation system do we want for America in the years ahead? What do we need to do differently to attain the system we want?

As a first order of business in defining future directions, the Federal Government's commitment to transportation must be clear.

I believe we have met this requirement. If you have not yet read Secretary Coleman's comprehensive Statement of National Transportation Policy issued last September, I urge you to do so.

The Statement spells out the goals and objectives of the Federal Government in transportation, the underlying rationale for achieving them and a strategy for implementing them.

The Statement is a clear expression of the Federal Government's commitment, and direction, for transportation in the present and for the future.

- A basic commitment of the Administration is to preserve, strengthen and promote a healthy transportation system operated by the private sector.

- As an advocate of competition in transportation, the government is also supportive of equity in transportation--that is, evenhandedness by the government in its fiscal and regulatory treatment of the various modes of transportation.

- Of equal concern to the government is the adequacy of transportation service provided at reasonable cost to our citizens -- passengers, consumers, employees, shippers and investors.

- Still another concern is the protection of society against the ill effects of transportation, in the areas of environment, safety and energy.

Equity and fairness of government treatment of the various transportation modes is a key concern of the Administration.

Present Federal subsidy practices support some modes of transportation to the detriment of others. Subsidies are necessary in some instances to serve important national interests. Subsidy policy, however, must be reviewed and rationalized for the future. Federal funds are limited. Subsidy policy must consider Federal budget limitations.

I recognize that Federal transportation funding may be used to meet broad national needs, such as in restoring a mode to a competitively sound and self-sufficient posture. There will be occasions, in addition, where transitional assistance is needed to protect communities and shippers against sudden cessation of service, or where private industry will not find it attractive to invest substantial sums of money needed to advance in areas of high technological risk. In these instances, Federal transportation funds can provide the necessary stimulus.

Too often, however, there is a tendency to aim for the easy way out. The Federal money tree is highly visible; it frequently has been visited for new sustenance, in good times and bad.

Should indiscriminate reliance on Federal subsidy be the policy of the future? And, what are the broader implications for our economic system of such a policy?

It was Lenin who prophesied that "...America will spend herself out of existence." Is that our course for the future?

The government's commitment to financing transportation, where justifiable, must be tempered by fiscal reality and by self-discipline on the part of industry. Indeed, industry has a responsibility to encourage, and work toward, Federal fiscal restraint.

Unfortunately, too often, the view is held by some that frugality is for the weak. Many agree that the Federal Government should cut back -- as long as their pet program isn't on the list.

Franklin Roosevelt said in 1937, "We have always known that heedless self-interest was bad morals; we know now that it is bad economics."

I maintain that public policies should stimulate private sector solutions to economic problems. They are far more preferable in the long run to policies that prescribe more and more government dollars for every economic and social affliction.

What is our principal challenge today? It is a question of personal dedication. We must rededicate ourselves to the economic principles that have fostered prosperity and made the Nation strong. It is time to renew our commitment to the free enterprise system upon which our economy rests.

In terms of the Federal role in transportation, this means that we must rid ourselves -- wherever feasible -- of antiquated policies and regulations that restrain rather than promote healthy competition. We must cull from our economic system policies that give undue advantage to one segment of the transportation industry over the others. We must alter policies that result in less rather than more efficient and economical service for shippers and travelers. And, we must strike from our economic system policies that proliferate unnecessary and costly Federal intervention in the transportation marketplace.

How unfortunate it is that certain segments of private industry are reluctant to support efforts by the Administration to reform the regulatory process and to recoup indirect subsidies through user charges.

Secretary Coleman's Policy Statement makes clear the Administration's commitment to transportation. Let me ask you: What is the transportation industry's commitment to transportation, and to the free enterprise system upon which our transportation system is based?

We are at a curious crossroads in transportation today. Industry trade associations and business groups proudly proclaim that we must preserve private enterprise transportation in America. Yet, there is stiff resistance to government actions designed to inject a greater degree of competition in transportation.

Can the transportation industry have it both ways? Can industry cling to the private enterprise label, on the one hand, and pursue the cloak of Federal protection from competition, on the other?

Does the transportation industry believe that the Federal Government has a commitment to ensure that all carriers make a profit? Should the Federal Government protect private industry from the risks associated with a free enterprise system?

In short, is transportation a special case that requires special treatment, different than that accorded other businesses in our economic system?

The government commitment is clear: We must correct today the wrongful economic regulatory policies of the 19th century. Our uneven, inequitable transportation regulat ory structure must be reformed without denuding Federal transportation regulatory agencies of the authority they need to protect the public interest. We have proposed a gradual introduction into our economic regulatory system of less government interference in the businesses of air, rail, bus and motor carriers.

It is not a question of whether there should be regulatory reform, but of when it will occur.

The motivation for regulatory reform is not to injure, but to correct and to prevent future economic illnesses.

Regulatory reform is a positive step forward in revitalizing the privately-owned but outrageously over-regulated segment of the transportation system. Legislation to achieve that goal is presently pending before the Congress.

It would be gratifying to see the business community support regulatory reform in transportation as readily as it seems to oppose onerous legislative proposals that impose new burdens on industry.

The Administration's commitment to regulatory reform in transportation represents a form of lonesome leadership at a time when the public expects Federal enlightenment. The Federal Government is often criticized by industry for not acting boldly in economic affairs; yet, when progressive proposals are developed, industry finds itself hard-pressed to be supportive.

What will industry's commitment be to the strengthening of our free enterprise system? Industry has a choice that it appears reluctant to make.

It has been suggested by some in Congress - - and in the transportation industry itself -- that direct Federal owenrship and operation of railroads might be a desirable alternative to the present privately-owned and operated system. Is nationalization of transportation or any part of it a desirable option?

The Administration finds little merit in this concept--now or in the future. Granted, there may be legitimate reasons for limited Federal involvement in the transportation industry's affairs. But this should be the exception, not the rule.

A case in point is AMTRAK, where government acted to preserve what was thought to be essential rail passenger service when industry could not find it possible to provide such service in an economically viable manner. The Administration regards Federal subsidy of AMTRAK as a temporary policy and is reviewing its commitment in terms of the public's need for service and the ability of unsubsidized, competing modes to provide that service.

Another case in point is the reorganization process involving the bankrupt Northeast and Midwest railroads. Here, too, the government concern is based on an adequate level of service in a sizeable geographic region, affecting numerous communities and shippers.

The government's role is to facilitate a private sector solution by helping to shape an efficient, interstate freight system as a private sector activity. The restructuring process should soon be underway, once Congress and the Administration resolve some difficult questions that remain.

The Federal Government has another commitment to transportation; it is the need to ensure not only that the public is adequately served by transportation, but that transportation is safe, energy-efficient and in harmony with the environment.

In pursuing these national purposes, the government also has a responsibility to make certain that the public benefit of a particular regulation justifies its cost. This means that government must justify each new requirement and regulation and purge itself of unnecessary, existing requirements imposed on industry.

We are, for example, taking a hard look at proposals to retrofit our noisy jet airplanes.

Regulatory standards, moreover, must not only be related to costs, but to achievable results and secondary impacts -- and be compatible with one another. Government's goal must be to strike a balance to ensure that its standards will result in an overall net benefit to the public. And, government--and particularly the Congress--must organize to act with a single purpose and not at cross purposes.

For example, Congress has a responsibility to assure that the fuel economy goals for automobiles it has legislated are not made impossible to achieve as a result of emission standards now pending before it.

Mindful of this kind of problem, we have launched an extensive effort to define better the related costs and benefits of possible new regulatory standards before they are proposed for implementation. This process will facilitate a more informed dialogue with the public and the transportation industry on rulemaking proposals.

Finally, the government has a commitment for program leadership in transportation. As such, government must continually re-examine its programs for their validity in terms of current conditions and national needs.

We have clung tenaciously to various spending programs, hesitant to see them altered in any constructive way. There are programs today that have become "traditions"--something to expect from year to year because they have long existed.

Government's commitment in this respect is to pull the weeds from the transportation garden and let the flower of productivity flourish. There is a compelling need to redefine the Federal interest in the various areas of program spending, notably grants-in-aid, in terms of current policies, conditions and objectives.

The Federal-aid highway program is a good case in point. The Administration has sought to change the program to conform to a redefined role for Federal involvement in highway construction. Those of you who are familiar with our proposed legislation know that it would reduce the Federal interest to completion of the Interstate System; it would return to the States a portion of gasoline tax revenues to be used by them in meeting their perceived transportation requirements.

New transportation directions, new transportation programs are still to be found, developed and implemented where they are justified. Old programs that do not stand the test of current validity should be discarded in favor of more effective approaches or solutions. At the least, they should be revised to meet new public requirements.

We must also ask ourselves if new, more costly transportation infrastructure is justified in favor of utilizing and modernizing existing facilities that may do the same, or even better, job.

Federal transportation grant programs must also be reviewed carefully for their effectiveness. For example, we are assessing such programs now across the board to determine whether they are still relevant. If so, we are looking at whether they can be administered in a more cost-effective manner.

In undertaking these activities, let me make clear that we are determined that the taxpayer gets the most out of tax money, that the potential public dividend is high. In short, we believe that better government will generate a healthier economy and better transportation.

These, then, are the government's commitments to transportation.

Government and industry must share common goals in transportation: To ensure that our consumers, our travelers and shippers are well served by our transportation system and to allow our transportation industry to be rewarded by a fair profit for its effort and risk.

Government, through its policies, and industry, through its practices and innovations, must promote increased efficiency in transportation. Each must be sensitive to the need for economic and regulatory policies that are conducive to healthy competition among financially viable carriers, suppliers, operators and modes.

Government and industry must be concerned about the need for energy conservation and the reduction of adverse environmental impacts caused by transportation.

Government and industry must be concerned with capital development and creation of job opportunities.

All of us must be concerned about the future and dedicate ourselves to the policies and programs that are right for the country.

Over the years, we have had the courage to turn tribulations of the past into successes of the present and hope for the future.

My hope for 1976 and beyond is that government will not go it alone. Government needs an effective and articulate leadership in the transportation industry as our partner in the years ahead. Let us move forward together in that spirit.

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TAD-493

DEPARTMENT OF TRANSPORTATION

NEWS

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WASHINGTON, D.C. 20590

12-DOT-76

REMARKS BY ROBERT HENRI BINDER, ASSISTANT SECRETARY FOR POLICY, PLANS AND INTERNATIONAL AFFAIRS, AT AN AMERICAN UNIVERSITY SEMINAR ON "RAILROADS - NEW CHALLENGES AND HORIZONS," WASHINGTON, D.C., WEDNESDAY, MAY 12, 1976

New Dimensions in National Transportation Policy

When Secretary Coleman issued his Statement of National Transportation Policy last September, he characterized the effort as an initial attempt to set forth the broad policy considerations that should underlie the Federal Government's response to the Nation's transportation needs.

But the Secretary made another observation that is particularly appropriate to reiterate here. Policy development, he said, is "an evolving process that reflects and builds on existing laws, precedents, programs and public perceptions."

That is precisely what this evening's theme is all about. When you asked me to speak of "new dimensions in transport policy," it reflected your perception and agreement that transportation policy is changing--steadily evolving--in our drive toward a better transportation system for us all.

In many ways, Exhibit A of changed national transportation policy is the recently enacted omnibus railroad bill--what we call the Quad R Act--that is the subject of your intensive two-day program. I congratulate American University for sponsoring this conference. The implications and implementation of this historic legislation deserve this kind of penetrating dialogue.

Ace Hall has already presented a detailed account of the Department's perspective on the rail bill, and I know you have spent all day today, and expect to be going strong throughout tomorrow, in discussing the bill. I certainly would add my own optimism to that expressed by Ace in his luncheon remarks that the bill will generate a rejuvenation of the industry. But, tonight I'm going to touch on some other matters that need to be said--and which may not have been said before--at least not today.

The area of transportation planning -- which is probably the least understood element of the policy development and implementation mix -- has become increasingly important in our society. The Quad R Act recognized this by requiring both DOT and the Interstate Commerce Commission to determine the bill's impact on the development and planning of an efficient and stable rail system in the U.S.

Indeed, the Department has been concerned for a long time about planning in the transportation industry. The comprehensive nature of Secretary Coleman's Policy Statement strongly suggested that it was time to embark on a more ambitious, unified transportation planning effort, which we launched last fall. We refer to it as the National Transportation Plan.

Development of the NTP has involved all elements of the Department to be certain that the plan takes into account all phases of transportation. Data are still being compiled, and some parts of the plan are now in the writing stage.

The NTP involves the development of the Nation's first truly comprehensive program that will describe our concept of transportation requirements over a long-range time frame -- up to 30 years into the 21st century.

It will serve to implement in many respects the transportation policy principles developed at the Federal level and articulated in Secretary Coleman's Policy Statement. But, the plan will not say that the Federal government would assume responsibility for its implementation -- this will be a cooperative effort by many levels of government and by many diverse elements of the private sector.

Completion of the plan -- and we are looking to next fall for its release -- will begin a process of national transportation planning on a continuous basis. The first effort will attempt to relate transportation facilities, service, supply, demand, performance, capacity and volume of each mode of transportation to those of the others; it will also take into account an array of national goals and objectives which significantly influence transportation.

There is a definite need to improve internal decision making within the government through better and more confident decisions. There is also a need to improve the transportation planning process as it involves the private sector and other levels of government. This plan responds to those needs in that it will show clearly the directions of current and future transportation policies.

Other efforts are also underway to improve the national transportation planning process. Harbridge House, for example, is in the midst of developing its version of a transportation plan and the recently enacted highway bill launches a similar program to be conducted by a National Transportation Policy Study Commission.

With so much action underway, it would be well for the various segments of the transportation industry, as well as other groups, to begin thinking very seriously about how they can contribute to these planning efforts.

Next, I want to react to the charge that the Department is pro-railroad--out to save the railroads at the expense of all other modes. The charge is false--but given how frequently it is repeated it's worth discussing.

First of all, the Department's objectives in developing transportation policy are set forth in the basic statute that created DOT ten years ago.

The Department's basic objective is to produce policies and programs for "the general welfare, the economic growth and stability of the Nation and its security." The Department is required "...to facilitate the development and improvement of coordinated transportation service, to be provided by private enterprise to the maximum extent feasible..."

These words are taken directly from the statute. It is clear that they do not say that the Department must be concerned solely with the health of the railroad industry. Of course, the railroad industry's plight has been of grave concern to the Administration, the Congress, and the public at large, and rightly so. But the Department has not abrogated in the slightest its responsibility to look at the transportation industry as a whole as it seeks improvements and productivity gains that translate into carrier efficiency and financial viability.

The Department's mission is to work to encourage transportation improvements across the board:

The Department should not--and does not--single out one mode of transportation above the other;

The Department should not--and does not--favor one shipper group over another.

It is mystifying how some segments of the industry perceive our role as one of special or unequal treatment of their competitors, depending on where they sit. This is an attitude fostered not by facts but by the natural inclination of some vocal leaders in business to plead the causes, aims and policies of their particular industry.

Let me discuss two areas--regulatory reform in transportation and Federal financing of transportation infrastructure--where this erroneous and misleading attitude persists.

As part of our regulatory reform efforts, for example, we have proposed the relaxation of regulatory constraints on contract carriage and private carriage in trucking, and a widening of opportunities for carriers of exempt commodities to engage in productive backhauls. As a result, the Department has been charged with undermining what has been commonly referred to as the backbone of the American transportation system, common carriage.

Now, we believe in a strong common carrier system. Indeed, the regulatory reforms we have proposed would release common carriers from many of their shackles so that they can be more responsive to market opportunities. We are concerned about the growth of private carriage, and we want common carriers to be more free than they are today to meet that problem. And the approach we have taken in all our regulatory reform programs is to find ways to let the basic efficiencies of common carriage work, free from government restraints. By the same token, however, we support the goal of increased efficiency in competing trucking operations--private and contract carriage--as well as in competing modes--rail, barge and air.

How?

-- By providing greater opportunities like those enjoyed by most other industries in America--to compete in the marketplace--opportunities now denied to many individuals with entrepreneurial drive and capital sufficient to meet investment requirements.

-- By providing the public--passengers and shippers--greater opportunity to make price and service choices in transportation in the way they approach consumer purchases or service decisions in a free market economy.

-- By injecting into regulated transportation the vigor, efficiency and marketing vitality of the private enterprise system--where managers can manage, businesses can grow and public desires can be met.

Those that do not understand the balance in the Department's transportation policies suggest that we have created a paradox. They point out that the Department is working to revitalize the railroads, on one hand. Yet, on the other, they say the Department is working to remove restrictive regulatory controls on motor carriers that could have the effect of siphoning off the traffic railroads need, and that the Department supports pipeline slurry legislation that would have the same effect.

An example of this thinking occurred within the last few hours. A railroad industry spokesman took exception to provisions of the Administration's proposed Motor Carrier Reform Act that would inject more competition into transportation.

Specifically, I am told, he found distasteful the prospect of permitting exempt carriers to haul regulated commodities. He does not find appealing the prospect of letting private carriers transport goods for their own subsidiaries and affiliates or compete with other carriers for a share of regulated traffic. Yet, that is exactly what intermodal competition is all about.

On the other side of the coin, it is believedby the motor and water carriers that the Department's energetic role in propping up ailing railroads has been inimical to their interests. Surely you have heard the barge lines contend that our waterway user charge proposal is simply another effort to help the railroads.

My answer is that as a matter of general transportation policy it is the Department's goal to foster efficiency and competition in each mode of transportation. It is a fact of transportation life in America that some modes are better able to haul certain goods at less cost more efficiently than others. And, it makes good economic sense to enhance where possible the benefits of competition for certain traffic.

Another example of the criticism that government is modally selective, biased and unfair in its treatment involves Federal financial investment in transportation facilities and services--in short, Federal subsidies.

Let's look for a moment at the current situation.

We are told by some that it is unfair for the government to provide financial support for the railroad industry's freight service.

We are told by others that it is unfair for the government to seek to require water carriers to pay for Federally-financed waterway projects the use of which has historically been on a free basis.

The intercity bus industry says it is unfair for Congress to appropriate millions to Amtrak because buses are put at a competitive disadvantage.

I'll be candid to say that I agree with some of these charges and disagree with others. But these issues are important, and we are undertaking a complete review of Federal subsidy practices, using the guidelines set forth in Secretary Coleman's Policy Statement.

Government subsidy practices reflect a conflict in national concerns. On the one hand, government should provide equitable treatment to all modes of transportation. On the other, subsidies may be required--as in the case of the bankrupt railroads--to achieve important national objectives.

Inevitably, differences in treatment are to be expected among modes, as well as segments within modes. But it is also clear that Federal subsidy practices act to support some modes to the detriment of others.

The inequities that have resulted are readily apparent:

Water Carriers: Do not maintain or pay taxes on the rights-of-way they use;

Motor Carriers: Pay user taxes, the fair share of which has not been fully established;

Railroads: Build and maintain their own rights-of-way and often pay taxes on them.

These carriers are privately owned. They have different service characteristics, but share a commonality as to their capital and labor intensive nature.

One provides its own physical structure. One pays user taxes, fair share or not. The other neither pays user taxes nor provides its own physical structure; taxpayers assume that burdensome cost.

It is clear to me that reforms in the Federal Government's subsidy practices are much in need, just are those proposed by the Administration for improving motor carrier and aviation operations.

This subsidy issue has received considerable attention within the Administration, and I believe proposals should be developed to redress the inequities. In the meantime, we will continue our review of Federal subsidy policies with an eye toward eliminating existing subsidies wherever possible through establishing appropriate user charges.

President Ford's objectives in transportation -- which are treated in detail in the Policy Statement -- are to eliminate obsolete regulatory controls from today's economic environment, and to develop a rational and productive climate that will serve the Nation's current and future needs.

While I have addressed subsidy and economic regulatory reform in transportation, there is yet another element of the President's program dealing with the reform of rules and regulations administered by other elements of government. I refer to it as noneconomic regulatory reform, since it pertains to procedures generally practiced by Executive Branch agencies.

Secretary Coleman made effective on May 1 new Departmental processes that respond to the President's goals of avoiding the imposition of unnecessary costs to the industry, consumers and other governmental agencies.

The policies require the Department's managers to calculate and consider costs to the public and government, as well as other impacts, before proposing new regulations. A summary of each analysis is to be published in the Federal Register when the regulation is proposed.

In addition, the Department's officers are also required to notify the Secretary of the need for, and the substance and anticipated consequence of, costly and controversial regulations at least 30 days before they are proposed.

And, finally, each element of the Department is required to establish a systematic means of reviewing existing regulations to assure they remain effective and justifiable.

These new policy directions, I think, realistically complement the Administration's regulatory reform efforts in transportation generally. They improve the relationship between government and industry so that industry can move ahead in improving its response to the Nation's constantly growing dependence on strong private enterprise transportation.

I can assure you that we in the Department are dedicated to the principle that private enterprise transportation in America -- each and every mode -- operates at its maximum efficiency.

Through the efforts of many here tonight, the railroad industry is on its way to restoring and improving its capability to meet that challenge.

I now suggest that it is in the national interest and the railroad industry's best interest to encourage a similar revival by other components of our Nation's great transportation system.

Putting it another way, the question tonight is not whether transportation improvements will occur; the real questions are how and when. The challenge is how industry and government can strive together to make those improvements happen.

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DEPARTMENT OF TRANSPORTATION | NEWS

TAD-493

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20590

REMARKS BY ROBERT HENRI BINDER, ASSISTANT SECRETARY FOR POLICY, PLANS AND INTERNATIONAL AFFAIRS, AT A LUNCHEON SPONSORED BY THE WASHINGTON CHAPTERS OF THE NATIONAL DEFENSE TRANSPORTATION ASSOCIATION, DELTA NU ALPHA TRANSPORTATION FRATERNITY AND THE TRAFFIC CLUB, AT BOLLING AIR FORCE BASE, WASHINGTON, D. C.
FRIDAY, MAY 21, 1976

Transportation's Contributions to A Strong National Defense

It isn't often that I'm able to address such a diverse group of transportation interests at one sitting. I appreciate the opportunity to be here with you.

I've been asked to focus my remarks on the theme of "Transportation's Contributions to A Strong National Defense." And, since this is a special time in the year for transportation, I am pleased to acknowledge the contributions of our strong transportation system to a strong national defense.

Speakers all during this National Transportation Week, in all parts of this great country, have recognized the impact on our society by the men and women of the transportation industry. I add my own plaudits to the chorus. But we should not allow ourselves to be too heady about the accomplishments in transportation over the past year, which have been numerous.

Instead, we need to evaluate those accomplishments and steadily fine tune them to meet current transportation requirements. We must also apply our energies to resolving the transportation complexities of the future.

It is not the Federal government's sole responsibility to do so. The improvement process requires help from other levels of government, rom Federal and local legislators, the military, elements of the transportation industry and the public. And, a better understanding is required of differing perspectives.

Today, I'd like to focus on the Department's programs that contribute to the current transportation dialogue. I will not discourse on transportation's contributions to a strong national defense; that would be academic to this group -- like telling the farmer of the value of water in growing healthy crops.

But, I do want to sketch two key aspects of our work because they impact so heavily on defense transportation needs and those of the Nation's shippers and consumers.

By now, I'm sure most of you are familiar with Secretary Coleman's Statement of National Transportation Policy. It sets forth a comprehensive framework for policy development and implementation, and it addresses the necessity for developing improved transportation planning processes. We are moving out on both fronts.

Policy Objectives

Let's look at policy matters first.

Regulatory reform in transportation is a high priority on President Ford's agenda to revitalize the American economy. He has recognized -- and I think the Nation has recognized -- that the Federal government has increased steadily its power to regulate more and more of our economy and our way of life.

Too frequently, regulation is considered an inexpensive, easy solution to some very complex problems. We are now beginning to realize that government imposed solutions have created new problems and levied excessive costs on society.

The Administration has looked intensively at Federal regulation of the transportation industry. The industry is impressive; much of it is strong. We join with the many who fervently believe that the United States has the finest transportation system in the world.

But, we must also candidly say that there is ample room for improvement. And that is precisely the objective of the President's regulatory reform program in transportation.

Regulatory reform, of course, means many things to many people. To the motor carrier industry, regulatory reform means "deregulation" that will produce some kind of chaos. To the Interstate Commerce Commission, regulatory reform connotes a transportation paradox that does not reduce regulation, but only leads to re-regulation by different government agencies.

To water carriers, regulatory reform means more competition for their business. To railroads about to get back on the right track, regulatory reform means a siphoning of traffic to unregulated truckers.

To others, regulatory reform is something they're not sure they even want to discuss. And there are some who seem to generate public misunderstanding of what regulatory reform is all about.

Let me try to describe what I think regulatory reform is all about. It is a thoughtful attempt under President Ford's leadership to modernize and streamline the Federal transportation regulatory process where regulation is no longer useful in contemporary business conditions. The goal of regulatory reform is not devious, as some have suggested. Stated simply, regulatory reform is designed to improve transportation to meet current and future requirements.

Regulatory reform is not "deregulation," which implies the absence of regulation. Regulatory reform does not call for abolition of the Federal transportation regulatory agencies, because some of their functions are legitimately required in the public interest.

Regulatory reform is a process of weeding out that which is economically unsound and strengthening that which should be maintained.

So, I think it's time that the deregulation canard is put to rest. It is also time to retire the debate over whether there should be regulatory reform in transportation. And, it is time that members of the transportation community turn their energies toward shaping regulatory modernization that improves their efficiency and the service they render to shippers and passengers and allows well-managed carriers to earn a profit.

Should there be regulatory reform in transportation? The question has been overtaken by events.

In fact, the signs are evident to me that the President's regulatory reform initiatives are paying off. They are gaining increasing acceptance -- by the Congress, by elements of the transportation industry and by the consuming public.

To its credit, the Nation's press has developed a better understanding of Federal regulation as it pertains to transportation, following on the leadership shown over the years by an influential transportation trade press. That's my late, but no less sincere congratulations to Joe Scheleen for his recent Seley Award.

I also perceive a growing trend for editorial writers across the country to treat regulatory reform in transportation as the right way to go in the 1970s.

Congress, especially, has taken more time than ever before to study regulatory reform through extensive staff research and hearings.

That interest manifested itself in passage by the Congress of the single most important piece of transportation legislation in the industry's recent history -- the Railroad Revitalization and Regulatory Reform Act of 1976, which President Ford signed on February 5.

The so-called Quad-R Act was shaped to resolve one of the transportation industry's severest difficulties, a faltering railroad system in the Northeast and Midwest region whose financial troubles were triggered in part by an equally wavering, and outmoded, Federal regulatory system.

Now, with a measure of regulatory reform long sought by the Administration and with new financial resources, I believe the new Consolidated Railroad Corporation, ConRail, signals the beginning of a new dimension in our Nation's transportation history.

The act established a nationwide railroad rehabilitation program. Funds were provided to ConRail which will operate in the rail freight system in the Northeast and Midwest region. And, the new act activates important regulatory reforms -- more flexibility in setting freight rates, less burdensome regulatory constraints on the railroad industry, and uniform cost accounting standards.

The act, moreover, has important implications for the railroad industry's future structure, which I will discuss more fully in a few minutes.

Now that this act is in place, and the intent of Congress is clear as to regulatory reform, government agencies, elements of the railroad industry and users share a commitment to make ConRail and regulatory reform work.

The Administration's regulatory policy objectives also extend to the aviation and motor carrier industries. And Congressional action is underway.

Hearings are in process on the Administration's Aviation Act of 1975, and I am hopeful that our proposed Motor Carrier Reform Act will be the focus of Senate hearings late next month.

Behind each proposal lies our commitment to foster efficiency and competition in each mode of transportation. At present, the maelstrom of regulation fosters inefficiency and protects against competition. Rates are higher than necessary, and the growing regulatory stranglehold in the aviation and motor carrier industries has drained the carriers' competitive vitality.

Both industries have measurably suffered. You can't see that in all instances, and that is why we have backed up each legislative proposal with extensive research to identify where improvements are needed and how they can be implemented. And, the evidence is mounting that all is not well under the existing regulatory system.

Surely, one must conclude that something is not right when opportunities are denied to enterprising individuals who have the drive and capital sufficient to start a business.

Something is not right when the public -- both passengers and shippers -- is denied the opportunity to freely choose prices and services that meet their needs.

And, something is not right in a system that denies in aviation and trucking the vigor, efficiency and marketing vitality of the private enterprise system.

Clearly, changes are in order and we have proposed that they be accomplished in a way that permits a smooth transition from the old to the new.

I know that some have asked: Why doesn't the Department reform its own regulatory processes? Well, we do not regard regulatory reform in transportation as something just for the other guy. We want to practice what we preach, and Secretary Coleman launched on May 1 a regulatory reform program for the Department of Transportation. And, I can assure you that we are going to work hard to implement his objectives.

The program starts from President Ford's basic goal of avoiding the imposition of unnecessary regulation and the excessive costs it creates for the transportation industry and consumers.

The Secretary's new policies require the Department to calculate and consider costs, as well as other impacts, before proposing any new regulations. When a new regulation is proposed, a summary of our analysis of costs and benefits must be published in a Notice of Proposed Rulemaking for all to see.

In addition, the Secretary wants to know personally the need for -- and the substance and anticipated consequence of -- costly and controversial regulations at least 30 days before they are proposed. And, finally, each part of the Department is required to set up a systematic means of reviewing existing DOT regulations to assure they remain effective and justifiable.

The Administration's regulatory reform focus is not directed only to transportation, although certainly transportation accounts for a significant cut of the economic pie.

Just last week, President Ford set forth a major proposal which he calls "a declaration of independence from the needless regulations of government." It represents another major regulatory reform initiative by the Administration to get the government out of your hair.

The proposal is called the Agenda for Government Reform Act.

Basically, the proposal creates a four-year action program premised on the principles of competition and minimal government interference in the marketplace.

Under the proposed legislation, the President is required to submit to the Congress each year in January specific reform recommendations. Those covering transportation and agriculture would have to be submitted by the last day of January 1978; they would cover the activities of the three transportation regulatory agencies, DOT and the Department of Agriculture. Proposals for other industries would follow over the next three years.

If Congress did not act on the proposed reforms by November 15 of each year, they would automatically become pending business on the House and Senate floors.

The economic pluses to this four-year approach can have a strong favorable impact on transportation. Excessive regulatory constraints on the economy can be eliminated. Better, less costly means of protecting public safety can be developed. Federal paperwork requirements now plaguing industry can be reduced. Regulatory delays can be eliminated and the regulatory bureaucracy can be streamlined.

Planning for the Future

A while ago, I referred to Secretary Coleman's Policy Statement and implications of the Quad-R Act on the railroad industry's future structure. I want to elaborate on that now to try to put into perspective the role of planning in the development of our future transportation system.

The comprehensive nature of the Policy Statement suggested that it was time to embark on a more ambitious, coordinated transportation planning effort than previously undertaken. We launched the work on it last fall and we refer to it as the National Transportation Plan.

Our goal is to develop a plan that will project transportation requirements over a long-range time frame -- up to 30 years and into the 21st century. So far, our work on it has involved all elements of the Department to be certain that it reflects all phases of transportation. We are still compiling data and some parts of the plan are in the writing stage.

We see this first full-scale planning effort -- which we hope to complete by next fall -- as the start of a continuous national transportation planning process. It will build, in many ways, on the policies described in the Policy Statement, and it will involve a cooperative implementation effort by all levels of government and the private sector.

The first NTP will relate various modal plans to one another and seek to identify where our ongoing plans would create overcapacity and where they would create undercapacity if we don't take steps to prevent it.

As this effort moves forward, the Department is also required under the Quad-R Act to conduct a number of planning studies. One of them is to develop a national rail plan, which has already begun as part of the NTP.

The need for that plan is based on the premise that the development and modernization of a nationwide, privately owned, interstate rail freight system is essential to the national interest -- certainly a matter of major importance from a defense point of view.

To achieve such a system, a basic restructuring of the railroad industry must occur through mergers and acquisitions that will provide at least two competing lines between major industrial points, cities and seaports. The Quad-R facilitates this movement by requiring expedited handling by the ICC of the merger process. It also calls on DOT to evaluate merger plans.

With this kind of action underway, it would be appropriate for all segments of the transportation industry and others to begin thinking very seriously about how they can contribute to these planning efforts. We are already working with defense representatives who are rightly concerned about the ability of the railroad industry to meet essential military requirements, and we look foward to a continuation of that dialogue.

Indeed, we look forward to a complete and productive dialogue with all of you on the policy and planning goals that have been advanced to improve transportation now and over the years to come.

Much is at stake, especially when we can see ahead an ever-growing demand for safe, efficient and accessible transportation. For example, it's realistic to expect that the Nation's railroad industry will more than double ton-miles of freight by 1990. Intercity private and for-hire truckers, too, will practically double their ton-miles by 1990. Similar growth rates are anticipated for water and air carriers and pipelines.

A spirited revival of transportation is going to be required if the industry is to meet this kind of monumental demand. We have the tools to meet the challenge. I, for one, am confident that we will use them.

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DEPARTMENT OF TRANSPORTATION | NEWS

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WASHINGTON, D.C. 20590

14-DOT-76

REMARKS BY ROBERT HENRI BINDER, ASSISTANT SECRETARY OF TRANSPORTATION FOR POLICY, PLANS AND INTERNATIONAL AFFAIRS, TO THE AERO CLUB OF WASHINGTON, MEETING AT THE ARMY-NAVY CLUB, WASHINGTON, D.C., TUESDAY, MAY 25, 1976

I very much appreciate the chance to join the others who have had the opportunity to speak to the Aero Club this year. There's no question that we are in the midst of a time of great turmoil affecting our aviation industry. Like the others who have appeared before you, I hope to add some grist to this turning mill of change and movement toward a brighter future for air carriers and the public that they serve.

Following the old army game of tell-'em-what-you're-going-to-tell 'em-before-you-tell'em, let me describe what I will cover this afternoon. First, I am going to describe some of the bases for the uncertainty that has gripped the aviation industry and has greatly affected the financial community and the manufacturing industry as well. Then I will move to a description of some of the good news that I can see around us and on the horizon that should improve everyone's attitude about the health and future of our aviation industry. And then I'm going to discuss a potential problem which most people have not yet adequately focused on, but which I think has as much implication for the health of our domestic aviation industry as any of the other issues which have had so much discussion in the press and on the Hill.

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First, let me sketch what some people might call the "bad news" as they think about the status of our domestic aviation industry and its relationship to its financiers and its suppliers.

-- The profitability of our domestic air industry was not good even before the fuel embargo, the rise in fuel prices and the recession that we have experienced. Over the past ten years, the average return on investment of our domestic carriers was only 6%. I have seen the briefings offered by Boeing and others which analyze the financial constraints on the ability of many of our domestic carriers to reequip themselves.

-- Another contribution to the disturbance these days is what I would call the antisubsidy jitters. These have been around ever since the Administration declared that it did not want to subsidize either Pan Am or TWA and would not even consider it unless it was a question of last resort. This apparent willingness of the Administration to let a major air carrier go out of business surprised some members of the financial community who had thought that the Government would not permit a carrier to die. Ever since, some members of the financial community have said that their entire attitude about investment in aviation has been changed by what they consider a change in the government's attitude about financial support for the industry.

-- Certainly we are in the midst of another movement which has created uncertainty for the industry. The regulatory reform proposals made by the Administration and endorsed as to direction by the CAB have created what I would call regulatory reform jitters among the carriers and in the financial community because it is not clear to anyone what the rules of the game will be in the future, and if those rules are significantly different, how any given carrier will react to them. Some time ago, Secretary Coleman was told by a group of major banks that the uncertainty raised by regulatory reform was causing the banking community to be most cautious about investment in aviation. That statement had particular importance then and still does since other sources of financial support such as the equity market and the life insurance industry already were beyond the point where any new financial help could be expected.

-- Also of concern to us and particularly to our manufacturers is the extent to which foreign governments are willing to subsidize the manufacture abroad of aerospace products to compete with U.S. manufacturers. It is clear that our airplane manufacturers require solid orders from our airlines to begin the manufacture of a new line of aircraft, and in a period of uncertainty and jitters that affect both the airlines and the financial community, the prospects of receiving such solid orders has obviously been dimmed, to the great concern of our manufacturers who find themselves looking at growing foreign subsidized competition.

-- Another element of the disturbing world in which our airlines live has been the fare criteria which the CAB has been using, at least until recently, as a basis to deny needed fare increases of our domestic carriers. The gap between the domestic passenger fare investigation criteria as adjusted by the Board and the actual returns to the carriers became so ridiculous that we could hardly have created a clearer example of why government agencies should stay out of the business of controlling the level of fares charged by our air carriers -- so long as the fares are compensatory, and are kept from being exorbitant by adequate competition.

-- And finally, we saw a prophetically disturbing use of discount scheduled fares in our domestic markets which a number of airlines tried to use at a time when traffic was way down. I know that the use of these fares was another reason for the concern felt in the financial community, and I will have more to say about the implications of such fares before I'm done today.

Now, I have identified a number of reasons why we have uncertainty and why many have been depressed about the economic condition of our domestic airline industry and its direction. Let me spend at least as much time on the good news.

-- Certainly the recession is over and the prospects of health and profit for our industry are better every day and appear to be brighter as we look down the road. We have estimated profits for '76 at $200-300 million, and this estimate seems to agree with ATA's.

-- The regulatory reform proposals are being heard on the Hill and are widely discussed. The Administration's Aviation Act proposes transition to allow carriers to adjust, and I am hopeful that we will have action by the Congress this year to end the uncertainty and allow carriers to understand the nature of the future environment in which they will find themselves. In this connection, let me remind you that the Department of Transportation shortly will release for review and comment a carrier by carrier analysis showing how we believe each carrier can react to the new environment that our Aviation Act would create and how they could benefit from it. I am hopeful that this will help to reduce much of the existing uncertainty, and persuade others that the changes that we propose in the law do not threaten the havoc which some have painted.

Let me say one further word about regulatory reform. Looking at what the ATA has formally proposed in the way of reform and comparing it to what the Administration has furnished, it is clear that the major difference involves the question of entry, whether it be entry opportunities for existing carriers freed from certificate restrictions, or whether it be entry of new firms into competition with existing firms. It is a clear tenet of the Administration's economic philosophy that flexibility in pricing must be accompanied by significant liberalization in entry. In listening to the rhetoric of the airline spokesmen I see no acceptance of that principle, but when the discussion is finished and the Congress has acted I am sure that there will be significant changes on the entry side as well as the pricing side. Let me suggest that government and industry begin to talk more meaningfully about the disagreements that now exist concerning the entry issue.

-- Taking very seriously the accusation that the Administration is trying to reform others but is not paying attention to itself, Secretary Coleman on May 1 issued a requirement that will affect every regulation which the Department of Transportation will issue in the future. He is requiring all elements of the Department to analyze closely the costs and the benefits of any regulatory requirement they have in mind, and to publish a summary of this analysis in the notice of proposed rulemaking. This will give all those whose ox appears to be gored a chance to see what the Government rationale is for additional regulation, and create an opportunity for those to respond and to seek the details of the analysis if that appears to be necessary. The

discipline of this process depends upon the public -- the carriers and others who would be affected by these regulations. It will be your responsibility to make it work; I hope you will take that responsibility seriously.

-- Secretary Coleman has promised to end the uncertainty about a retrofit decision. His decision is due on June 1, and we are all hard at work in the Department to furnish the information to the Secretary upon which that decision will be made.

-- The domestic industry, working with the financial community and the manufacturers, have produced a retrofit replacement plan which I understand has the support of almost every trunk carrier. We are studying this plan, and I can see that it would help in a number of areas: it would create a financial basis for our air carriers to either retrofit their aircraft or provide a lot of cash for the replacement of many planes. It would also create a basis on which firm orders could be given to our aerospace manufacturers, and that should meet their requirement of starting soon to produce a new generation of aircraft in order to remain competitive with the activities of manufacturers abroad.

-- Particularly affecting our international carriers, the Administration reaffirmed last October its Action Plan for Improved Profitability in International Air Carrier Operations, and we are continuing to press the implementation of the elements of that plan for the benefit of all our air carriers that serve points abroad. Incidentally, as we work on a new Statement of International Air Transportation Policy, the principles reflected in that Action Plan are the current policy of the Administration. I stress this because I heard Tom Taylor and Secor Browne say out in Denver last week that the Europeans are in doubt as to our policies. They shouldn't be.

-- Finally, the CAB has moved to allow a number of domestic fare increases, even those which appear to violate the fare criteria which the Board has been using. In our filings before the CAB, we have urged the Board to reevaluate those criteria, and I believe that should be done promptly by the Board to cover whatever period of time the Board continues to exercise close authority over the level of fares. Of course, the real answer to this problem is our Aviation Act and the fare flexibility which it would produce, but between now and the time that that act is passed the Board should look closely at the wisdom of the criteria it has been using.

Now what I have sketched for you has covered some bad news and some good. Let me spend a few more minutes describing for you an activity which has serious implications for the health of our domestic industry but thus far has received insufficient attention. Most importantly, it is a development which is already well underway and does not require Congressional action. It involves questions which are raised by the liberalization of our domestic charter regulations and the lessons which international experience suggest may apply to our domestic carriers and cause the red ink to flow in ways that none of us want to see.

First a little bit of history.

More than a year ago, the Executive Committee of IATA formed a sub-group to meet and consider in a detached way what the basic problems were that had caused the North Atlantic international carriers to lose so much money, and what ways the carriers could think of to improve their prospects for profit in the years to come. This decision was reached by the IATA Executive Committee after a series of years in which the net losses of the North Atlantic carriers as a group increased each year. In 1971, these operating losses were $99 million. By 1974, they had climbed to an estimated $300 million, and as the carriers considered future prospects they seemed equally bleak. In fact, we believe the operating losses for 1975 may be about $250 million. Ergo, the effort to create a think tank of some of IATA members to find a path to a brighter future.

This was a prestigious group of carriers. American carriers were well represented: Pan Am, TWA and TIA. Foreign carriers aplenty: British Airways, Air France, KLM, Lufthansa, JAL and Sterling Airways. After one meeting of these carriers, they decided they wanted to add some new blood to their group and a number of academics and government officials were invited to join them. I am pleased that I was among the government group, which also included individuals from the governments of Canada, Switzerland and England.

This think tank met under the auspices of the "Institut Universitare de Hautes Etudes Internationale," Geneva, and it was more productive than most. After five sessions, it produced a draft report on a Coordinated Policy for International Commercial Aviation which came very close to receiving the agreement of all the members. Something happened on the way to the printer, though, and in the early months of this year a number of dissenting views were raised about questions which appeared to have been settled. In any event, on April 30, the draft report which did not represent a consensus, plus an intermediate report by the Chairman

have been released by Werner Guldimann, the chief of the Swiss Federal Air Office who served as the Chairman of this Think Tank. The text is available for those who are interested. What I would like to do in the next few moments is describe for you some of the questions that this group discussed and the implications that these questions may have for the U.S. domestic aviation market.

First of all, the intermediate report of the chairman describes the consensus which the group did reach in various areas. These include the following:

1. The regulatory system should be considered to be a whole embracing all types of carriers and services.

2. The total capacity operated by scheduled and non-scheduled carriers should be related to the volume of market demand and significant excess capacity should be avoided.

3. The prime principle governing tariffs should be that overall they are compensatory for the service being offered and that they enable efficient carriers to make a reasonable overall profit. The group saw a need to ensure a proper relationship between tariffs for scheduled and non-scheduled services and carriers.

4. The regulatory machinery should provide a coordinated framework for all scheduled and non-scheduled services and carriers.

5. It would be worthwhile to aim at a multilateral coordination if not at first by binding agreements then at least through recommendations.

6. It was best to try to rely in the first place on the self-regulatory efforts of carriers combined with appropriate government surveillance. Tariffs should remain primarily a matter for carriers subject to governmental approval, and projected improvements in IATA voting procedures were welcomed.

7. Bilateral carrier agreements on capacity and related matters were found to be useful, efficient and flexible tools for improving the economic viability of carriers while maintaining adequate service to the public.

The issue that the group disagreed about most was the rights and duties of scheduled and non-scheduled carriers and the place of discount fare traffic on scheduled services.

Let me explain to you the two main approaches that were discussed by the group.

The first I would call the part-charter or fill-up approach. Scheduled carriers would be free to sell seats on very much a charter basis; charter-level rates, advanced purchase terms, possibly through intermediaries that would pre-package groups of varying sizes. The whole idea would be that the empty seats on a scheduled flight could be filled up at the last minute from a pool of people traveling under charter conditions. Carriers that favor this approach believe that it's the answer to future profitability. Those who question this approach suggest that the use of this type of discount fare is not that different from prior low scheduled fares of the GBIT and APEX variety, and therefore does not contain enough of a change from the past to prevent the carriers from continuing to lose money in their efforts to compete with charter carriers for passengers who want to pay charter level prices.

The other approach discussed by the group focused on the proportion of full-fare and discount traffic on scheduled flights. It saw that over the last ten years across the North Atlantic this proportion had shifted from 70% full fare and 30% discount to the reverse--30% full fare and 70% discount. This group understood that this had happened as the scheduled carriers attempted to compete with the growing charter operations, by offering charter level fares and very much charter type conditions, all resulting in an erosion of yield on scheduled flights to the point where most of the carriers crossing the North Atlantic were losing money even before the oil embargo and the recession. Therefore this group felt that a way had to be found to increase the proportion of full fare traffic, and decrease the proportion of discount traffic, on scheduled flights. To this end, it was felt that scheduled capacity would have to be reduced to a point where it would constrain the amount of discount traffic that could get seats on scheduled flights.

Of course, even with this constraint, many discount passengers would continue to travel on scheduled flights. Indeed, the Think Tank accepted the idea of fill-up fares--including part charter--so long as the number of seats that were being filled up by the use of these fares was reduced, reduced because that reduction meant an improvement in the economic health of the scheduled carriers and because that reduction meant less of a threat of undesirable impact on planeload charter operations.

Now is this an anti-passenger approach? Not at all. The passengers who no longer could find seats at discount fares on scheduled flights would be able to fly on planeload charter flights, perhaps operated by the same carrier. What do some see as the bright promise of this approach? Those who favor it see several potential benefits: a profitable scheduled industry still providing adequate frequency and capacity for those who require that type of service; a further liberalized planeload charter industry offering the lowest compensatory fares possible to those who wish to take advantage of that price quality option--a planeload charter industry free to grow without constaint in response to market demand. This charter growth should not have a significant adverse competitive impact upon scheduled operations because the scheduled carriers -- at a reduced level of capacity -- are proportionately less sensitive to the diversion of their discount traffic. This could mean an end to the near paranoia of some IATA carriers about charter competition.

Those carriers who question this approach argue that it is impractical. They say that in many markets scheduled frequencies are already only once a day and you cannot consider decreasing them. They also argue that the amount of capacity and frequency reduction in other markets would have to be so significant as to be a revolutionary change in the way scheduled airlines are operated.

Now I can't tell you with any certitude which of these approaches makes the most sense for the future health of the international carriers across the North Atlantic. What does seem disturbing is that the IATA meetings aiming at a new fare package next November are considering only the unconstrained fill-up approach. However, there will be further study of these alternatives and further meetings of the think tank to try to sort through different approaches and others if we can identify them.

I hope you see how these economic issues that have plagued and are plaguing the North Atlantic carriers may very well become issues that affect our U.S. domestic system in the days to come. The liberalization by the Board of domestic charter regulations -- which we in the Department of Transportation fully endorse -- may cause an increase in domestic charters on many routes which will pose the same type of competitive threat to the scheduled airlines as the international airlines have faced across the North Atlantic over the past ten years. And as domestic charter activity grows, the domestic scheduled carriers are going to have to decide what to do about it. I can't tell you what they will do, but if they start to compete with these charters by offering increasing quantities of discount fares on scheduled services, I can see only a repetition of the North Atlantic experience and the threat of as much red ink for the domestic carriers as our international carriers have suffered from for years.

Let me say that the remarks which Bud Maytag gave to this Club on April 26 made me think that I ought to discuss the Think Tank today and its implication for our domestic carriers. He pointed out that fully 60% of domestic passengers today travel for pleasure or other discretionary purposes, and then said the following: "While the scheduled airlines in the scheduled system itself have grown increasingly dependent upon the pleasure travelers, a trend is developing to divert those passengers to charter flights. This is a policy contradiction I simply do not understand. For if the pleasure component is removed from the scheduled system, then those services must be slashed. There is no alternative."

He went on: "The only basis for the flurry of liberalized charter proposals is an untested thesis of tremedous elasticity in the pleasure market. The theory is that charters can grow independently and separately from the scheduled market, that they will not divide that market. As an airline manager, I say that kind of thinking is nonsense. It crumbles under even the most cursory examination. Charter programs that are so liberal that they can virtually duplicate the reliability of trunkline operations at lower prices must inevitably divert a large portion of passengers from today's scheduled services."

Now I respect Mr. Maytag's knowledge and ability as a general manager. I also respect the knowledge and ability of the general managers of Pan Am and TWA as well as their foreign competitors. But it's clear that all those excellent general managers have suffered in their efforts to compete with a growing international charter market to the point that a think tank effort was begun to find a way to resolve their competitive problems. I would like to find the international answer in time for the domestic carriers to know about it. In a sense, the international market has ten years of experience for the domestic air carriers to look at, and I think there's a lesson there. What I'm trying to do with other members of this think tank is find that lesson so that we can all use it for our potential benefit if the increase in domestic charter operations threatens to affect the domestic scheduled carriers in the way that Mr. Maytag has described.

Let me say again that I've appreciated this opportunity to share some thoughts with you. In the policy development business, clear answers to difficult industry problems are rare. But it's important that we continue our dialogue on these questions.

Let me close by saying that I am optimistic about the future of our airlines, both domestic and international. We are on the edge of an improvingly bright future, and I am hopeful that the speakers which will have the opportunity to speak to this club as the months pass will be able to report to you on how true my optimism has proven to be.

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TESTIMONY OF ROBERT H. BINDER, ASSISTANT SECRETARY FOR POLICY, PLANS AND INTERNATIONAL AFFAIRS, U. S. DEPARTMENT OF TRANSPORTATION, BEFORE THE HOUSE SUBCOMMITTEE ON TRANSPORTATION AND COMMERCE, ON LEGISLATION CONCERNING DAYLIGHT SAVING TIME, JUNE 8, 1976.

Mr. Chairman and Members of the Committee:

I am pleased to appear before you today to discuss the results and recommendations contained in the Department's final report on daylight saving time (DST). I am accompanied by Robert I. Ross of the General Counsel's office, which has the responsibility within the Department for interpreting the various time laws; by Nancy Ebersole of my Transportation Energy Policy Staff, and by David Rubin and Eugene Darling of the Transportation Systems Center. These last three people served as Study Co-Directors for both the interim and final reports on daylight saving time.

Before discussing the findings of our final report, I would like to briefly summarize the nation's history with DST and the issues involved in future decision-making on this subject.

With the exception of the two world wars when daylight saving time was observed on a national basis, it was not until 1966 that Congress through its enactment of the Uniform Time Act provided for the general observance of nationwide DST for six months of the year (from the last Sunday in April through the last Sunday in October). This system remained in effect until 1973 when Congress enacted the Emergency Daylight Saving Time Energy Conservation Act to help conserve energy during the fuel shortage. The 1973 Act switched the nation from the

historic six-month May to October DST cycle to a year-round observance of DST for a two-year trial period. The DOT, after evaluating the effects of the first four months of the experiment from January to April 1974, reported to Congress that the public opposed DST in January and February but favored its use in March and April. We therefore recommended and Congress subsequently adopted an eight-month system of DST (March through October) for the second year's experiment under the 1973 Act, as amended. Following our second year of analysis, which focused on the operation and effects of DST in the months of March and April, we recommended to Congress that the experiment with the eight-month system of DST be continued for two more years. This recommendation was based on indications of small but beneficial savings in energy use, traffic fatalities and violent crimes and favorable public reaction as measured in public opinion pools during both years of the experiment. Furthermore, there was no evidence that DST in March and April increased the risk of school-age children fatalities.

I must say that when the results of the analysis were presented to me, it was my responsibility to decide whether to recommend that there was no point in continuing the experiment, or whether it looked as though we had sufficient evidence to recommend a continuation of the experiment. I concluded the latter, notwithstanding the fact that some of the data are not as comprehensive as I would have liked, and that the results are not as conclusive as I would have liked.

So, I would say we have done what Congress asked us to do-- we have examined the impacts of DST on a nationwide basis and have tried hard to measure the benefits and costs; we have used the best data available, but for some impact areas the data are limited to only one or two years of observations and provide an insufficient basis for final conclusions; and we have concluded that there are potential benefits that we think offset the costs. However, we would like to make sure. We are not asking Congress at this time to permanently change the six-month DST system to an eight-month DST system; we're saying, it looks as though beneficial savings exist in March and April, additional savings may be disclosed, and we think it worthwhile to validate these benefits.

One further point bears mention regarding the two months at issue in the debate over the eight-four system versus the six-six system. The sunrise and sunset times for March and April are quite similar to the months of September and October yielding approximately equal amounts of sunlight throughout these four months. This gives us the feeling that we are not moving into strange territory when we suggest that the change from the six-six system to an eight-four system may be warranted. One would think that all of the arguments raised about March and April would have been raised also about September and October since these two months have been included in the daylight saving time cycle since 1966. But objections about September and October were not raised, except by a few States who were exempted entirely from the DST system.

Therefore, we don't believe we're pushing Congress to do something that is tremendously different from what the public has experienced and accepted in the past. On the basis that March and April lighting conditions are similar to September and October, plus our impact analyses, we are asking for two more years of experimentation to confirm or deny the benefits and public acceptance of the eight-four system. Unfortunately, since no action was taken this year to continue the experiment, we have lost the opportunity to collect data this year and to preserve continuity in the experiment which is bound to cause some confusion on the part of the public in future opinion polling. Nevertheless, we are prepared to start anew and hope that the Congress will grant us a sufficient period of uninterrupted experiment in which to collect data and give the public time to readjust to the change. Until the experiment resumes and we are able to collect and analyze additional data concerning the use of DST in March and April, no final judgments by our agency of any others can be made on the merits of altering or retaining the historical May through October six-month daylight saving time system.

Having stated the issues and our position, I will turn now to a discussion of the findings in our final report concerning the main impact areas.

Energy Savings

The final report concluded that daylight saving time results in probable electricity savings of 1% in March and April, equivalent to roughly 100,000 barrels of oil per day over the two months. Approximately one-half of this savings is in coal. These savings were computed from Federal Power Commission data for DST transitions in the Winter, Spring and Fall. Furthermore, even larger savings due to DST would be expected in the Summer for the light sensitive portion of the load because of the reduced demand for lighting in both the morning and evening.

Evidence of peak shaving for electric power companies was found in the DST weeks preceding the Fall transition, but not at the Spring transition.

Savings in home heating fuel consumption due to DST were found to be minimal. Also, DST appears to have no discernible effect on either travel demand or gasoline use.

Motor Vehicle Fatalities, Total Population

In the interim report, we were unable to isolate the influence of DST on motor vehicle fatalities from other causal factors such as reduced speed limits and the reduced trip-making associated with gasoline supply constraints during the 1974 DST experiment. Most

of the available data covered only a single year; thus comparisons between two successive years were not possible. Furthermore, the time of day data required to detect a DST influence was only available for a limited number of states. However, in 1975 we were able to obtain 1973 and 1974 fatality data which were approximately 80% complete for the entire U.S. Also, the additional time available for the 1975 study made it possible to apply more sophisticated techniques which are capable of removing long-term seasonal trends and other effects, such as the reduced speed limit, which mask the small DST effect.

A comparison between national motor vehicle fatal accidents in March and April 1974 (a period with DST) and March and April 1973 (the corresponding period without DST) revealed a reduction in traffic fatalities of 0.7% during DST, which corresponds to a savings of about 50 lives and 2,000 injuries. Moreover, an analysis of fatalities before and after the Spring and Fall transitions in 1973 revealed an approximate net reduction in fatalities of 1% during DST. I should add that our analysts believe that these results are conservative and that further study may reveal reductions in fatalities of 1.5% to 2% due to DST.

School-age Children Safety

The interim report findings regarding DST effects on school children fatalities were inconclusive, due primarily to lack of data. As a result of public apprehension over the safety of

children traveling to school on dark mornings, we recommended the elimination of the four darkest winter months from the second year's experiment. Our recommendation to retain March and April in the second year's experiment was based on our belief that sunrises in those months occurred early enough to alleviate concern about school children safety. Judging from the substantial decline in public correspondence on this issue during the second year, we feel that public concern has subsided. Our conclusion is supported by the results of the 1975 public opinion poll in which only 7% of the respondents expressed concern for school-age children safety, a substantial reduction from the 38% who expressed concern for school-age children in the 1974 poll.

Two studies of school-age children traffic fatalities are contained in the final report: A DOT study and a study conducted by the National Safety Council at DOT's request. The theory underlying both studies was that if daylight saving time had a special effect on the number of school-age children fatalities, then the change in school-age children fatalities would be significantly different from the change observed in the total pedestrian/pedalcyclist and motor vehicle fatalities. DOT's study indicated that for the daylight saving time period of January through April 1974, school-age children were not subject to a greater involvement in fatal accidents than the general population at any period of the day. The National Safety Council

reported that the inclusion of March and April in the DST period would not have an appreciable effect on the number of school-age children killed while traveling to and from school.

Thus, we conclude that there is no statistically apparent DST impact on fatal accidents involving school-age children.

Changes in School Hours

The Department of Health, Education and Welfare advised us that only a small number of schools in two Midwest and Western States adjusted school hours during March and April 1975 as a consequence of DST.

Public Preference

Public opinion was mixed in two polls conducted during the 1974 experiment with year-round DST. In a February 1974 poll, 50% of the public opposed year-round DST and 42% favored it. A reversal of opinion was evidenced in a March 1974 poll where 54% of the public favored year-round daylight saving time, while 38% opposed it. Also, a national opinion poll conducted during the 1975 eight-four DST experiment indicated that a majority of the public approved of DST for the eight months of March through October. In fact, the ratio of favorable to unfavorable opinion was nearly 2 to 1.

Crime

The Law Enforcement Assistance Administration (LEAA) of the

Justice Department conducted a study of the impact of DST on the incidence of crime. Because of time constraints, only data for Los Angeles and Washington, D. C. were obtained. Their analysis of the Washington, D. C. data showed reductions in violent crime of 10 to 13% during DST periods compared to standard time periods from January 1, 1973 to March 31, 1975. No impact was found in Los Angeles because the data were not sufficiently detailed by hour of the day to reveal a DST effect. LEAA cautions against any generalizations from the limited data base of this study.

Other Effects

There were no measurable effects of DST reported by Federal agencies in the areas of agriculture, labor and Federal park and recreational activities. Neither were there any reported effects on domestic or international commerce, with the exception of opposition to year-round DST by the construction industry, which favors an April through October DST period.

The Federal Communications Commission (FCC) reported that DST caused audience losses of 2.5% of AM daytime radio stations from January through April 1974 and 1.5% during March and April 1975. Revenue losses were experienced by 500 of the 2,300 AM daytime stations with an estimated average station loss of $1,500 for the 1974 winter and $464 for March and April 1975. Since the FCC's prime concern is the curtailment under DST of AM morning radio

service to listeners in certain areas of the country served by approximately 500 daytime stations operating on U.S., Canadian and Mexican clear channels, the Commission supports a return to the historic six-month DST system.

With respect to time zone boundaries, Governors of the 25 States bordering or divided by time zone boundaries were queried regarding the need to change existing boundaries. Every response favored the present time zone boundaries, except one which advocated only two continental time zones. Based on this survey, we do not recommend any change in the existing time zone boundaries.

Finally, extending daylight saving time in the Fall to include Election Day would increase the amount of daylight during existing polling hours in thirty four states. However, an eight month and one week system of daylight saving time, with a Fall transition on the second Sunday in November, would be required to include all Election Days.

Reviews of the DOT Final Report on DST

During the past several months, the DOT final report has been reviewed, independently, by a number of individuals and groups. The entire report was scrutinized by Dr. Marvin Kahn of the MITRE Corp. and by the Congressional Research Service -- both reviews being conducted at the request of the Senate Commerce Committee. DOT's motor vehicle fatality analysis which employed the techniques

of Fourier analysis was studied in depth by Dr. Douglas Scott of GSA at the request of DOT. Finally, a portion of the DOT report was analyzed by the National Bureau of Standards (NBS) at the request of this Subcommittee. Except for NBS, all reviewers in general approved of our analytical methods and agreed with our conclusions -- the few points of disagreement being due to minor misunderstandings of our approach.

Let me now turn to a discussion of the NBS review of our report so that we can better understand the basis for their findings.

The NBS Review

First of all, it must be noted that you did not request NBS to review our entire report, but rather you asked them to consider only four of the study areas in which DST impacts were measured. Particularly notable among the areas omitted were crime, where we found evidence of potential reductions in violent crime due to DST; and public opinion, which favored DST in March and April in two separate polls (1974 and 1975). Thus, two factors favoring DST in March and April were not reviewed by NBS since these areas were not part of their charge.

The areas which NBS did consider, at your request, were regional effects of proposed DST periods, electricity, motor vehicle fatalities and school-age children fatalities. It is significant

that NBS found no disbenefits of DST with respect to either electricity usage or motor vehicle fatalities. Furthermore, in agreement with us, they found no adverse impact of DST on school-age children in March or April. The issue between NBS and DOT can thus be simply stated: we found small benefits of DST in both electricity usage and motor vehicle fatalities; NBS found no DST effect in either area. Why this difference? To answer this question, we must examine the general character of DST effects and see what this tells us about how such effects must be analyzed.

First of all, it is important to understand that DST impacts are likely to be small because DST affects at most one hour in the morning and one hour in the evening. Furthermore, the DST impact is often masked by other larger effects (e.g., the energy crisis, the 55 mph speed limit, energy conservation practices). Since the DST effect is expected to be small, it has the character of what statisticians call "noise" superimposed upon the trend of any parameter being studied. It was thus apparent to the DOT investigators from the beginning that conventional statistical methods which smooth out noise in the course of discovering trends could not be used to analyze the DST effect because such techniques would actually remove the DST component.

We thus adopted methods that had the potential for ferreting out the small DST effect. These techniques are Fourier analysis

and filtering, and equivalent day normalization, both of which can remove trends and prove for the DST influence. Using these methods, we found small but consistently favorable impacts of DST on electricity usage and motor vehicle fatalities. As stated in our report, these results should be considered as indications of a beneficial DST effect. These indications are not conclusive. That is why we recommended a further experimental period.

NBS was given the task of reviewing the analyses contained in certain sections of the DOT DST Study. Rather than conducting such a review, NBS indicated their belief that the DOT methods used to analyze electricity and motor vehicle fatalities were not acceptable and then conducted a separate analysis, using the conventional statistical techniques. Unfortunately, NBS, using these statistical techniques, actually removed the DST effects. In our view, the conventional techniques used by NBS lacked the sensitivity required to discern the presence of small DST effects.

We have attached to our statement detailed comments discussing the NBS treatment of our study. We believe that the NBS findings throw no light on the DST impacts on electricity usage or motor vehicle fatalities because of the different analytical methods they used to study

these areas. Thus, we believe that the DOT report provides the only valid basis for decision-making even though the findings are admittedly inconclusive. Therefore, DOT stands by its initial position.

Summary

Let me close now by summarizing our arguments favoring the extension of DST into March and April:

(1) No disbenefits of DST in these months were found in any impact area studies.

(2) Two separate public opinion polls in 1974 and 1975 indicated a favorable reaction to the observance of DST in March and April.

(3) In the key impact areas of electricity usage, motor vehicle fatalities and crime, we found a consistent pattern of small, favorable DST effects. Furthermore, we found no adverse impact of DST on school-age children pedestrian/pedalcyclist or motor vehicle fatalities in March or April.

(4) DST has been generally accepted throughout the U.S. in September and October since 1966 when the Uniform Time Act went into effect. Because sunrise and sunset times in March are similar to those in October and sunrise and sunset times in April are similar to those in September, symmetry considerations suggest why there is public acceptance of DST in March and April.

Recommendations

Since our key findings of DST benefits are based on the analysis of relatively small data samples, these findings cannot be considered conclusive, as stated in our final report. Nonethe less, we believe the consistent pattern of small DST benefits which we found in several key impact areas is sufficient evidence to support a return to the eight-four system for two more years to permit further analysis and more effective measurement of public opinion. Unless the experiment is resumed, it will not be possible to gather additional data needed to improve our confidence in our knowledge of the impacts of DST in March and April, particularly in the areas of crime, traffic fatalities, school children accidents and electricity use. Furthermore, under the renewal of the experiment which we propose, the public will have the opportunity to experience a two-year uninterupted exposure to an eight-month DST System, and therefore should be in a position to state a more informed and reliable preference among alternative permanent time systems.

We do recommend a change from the transition days which were in effect during the eight-four system used in 1975. Since the best transition days to minimize late sunrises in the entire conterminous United States under an eight-four system are close to the first Sunday in March and the first Sunday in November, we recommend that these days be adopted as the starting and ending

days of the DST period.

We further recommend that the eight-four system by put into effect during the current calendar year before the proposed fall transition date of November 7 (i.e., the first Sunday in November). This action would cause Election Day to occur in the DST period with the favorable result that the amount of daylight during polling hours will be greater in 34 states than would be the case under standard time, which would be in effect on Election Day under the present six-six system.

Due to the long lead times involved in collecting data, we request that an interim report requirement be waived and that the final report date be set for August 31, 1978.

This concludes my prepared statement, Mr. Chairman. I and my colleagues will be happy to answer any questions you or other members of the Committee may have.

COMMENTS ON THE NATIONAL BUREAU OF STANDARDS REPORT
ENTITLED, REVIEW AND TECHNICAL EVALUATION OF THE DOT
DAYLIGHT SAVING TIME STUDY, APRIL 1976

Chapter 2 - Regional Effects of DST

The National Bureau of Standards (NBS) undertook an analysis of 6, 7 and 8 month DST periods to assess the variance of sunrise and sunset times, and selected a DST base period of April through September. However, this period has never been observed by the nation as part of the uniform time system. The NBS rationale for using this base period, on page 44, that "September has been accepted for years as a DST-month, so there are apparently few problems with clock-advanced sunrises during this period", applies equally to October, as DST has been observed in both months since passage of the Uniform Time Act of 1966. Similarly, the NBS rationale that "April has more daylight and standard time sunrises earlier than Septembers' standard time sunrises", can also be said for most of March vs. October. Thus, we believe the use of April through September as the base period for the NBS analysis presents an inadequate base for comparison.

The NBS analysis found that "late sunrises" are added and "early sunsets" are subtracted when groups of days (March 1-15 and 16-31 and October 1-15 and 16-31) are added to the April through September "base period." This only states the obvious. Of course, the lengthening of any DST period will result in adding days with later sunsets and later sunrises than if those days had had Standard time. Thus it is hardly surprising that adding days in March or October to the NBS arbitrarily-defined base DST period results in days with "later sunrises" and "later sunsets." However, we believe the use of the terminology "late" as applied

to sunrises and sunsets in March and October is ambiguous and we have difficulty understanding the justification for applying this definition to evaluate longer periods of DST, including the historic May to October cycle.

In reality, there is only one valid DST base period (last Sunday in April to the last Sunday in October), which has been in effect for a sufficient number of years to constitute an adequate basis for comparison. This is the historic six-month DST system set by the Uniform Time Act of 1966. Moreover, it would be a simple matter to define an acceptable new time system in terms of the nation's experience with the historic System, as explained below.

In the DOT DST Study, Volume 2, Section 5.4, a method for selecting alternative DST periods called the "Sunrise-Limited System" is discussed. Under this System, the DST transition days are selected by restricting the DST period so that sunrises during the year are never later (or never more than a 10 or 15 minute tolerance later) than the latest sunrise under winter standard time.

First of all, it should be noted that the DOT restriction of allowable sunrise times under the Sunrise-Limited System is very conservative since all areas of the country south of 43°N (including all the NBS "worst-case" extreme southern regions) have experienced actual sunrises later than the latest winter standard time sunrise in at least one year since 1967. This is due to the fact that since 1967 when the Uniform Time Act took effect, the Country has been on national DST (under the Historical 6-6 System, until the Act of 1973 with amendments increased the DST period for 1974 and 1975). But under the Historical 6-6 System, south of 38°N the latest sunrise of the year always occurs at the end of the DST period

(i.e., in the last week of October), and between 38° and 43°N the same was true in one or more years. Only north of 43°N does the latest sunrise of the year always occur during the standard time period.

Therefore, the original DOT definition of Sunrise-Limited System is really unnecessarily conservative since the southern part of the country apparently had no difficulty in adjusting to the latest sunrise of the year, which occurred in late October under the Historical 6-6 System. It is thus more reasonable to redefine the Sunrise-Limited System as one which has no sunrise later than the latest sunrise under the Historical 6-6 System. This definition results in a fall transition date at least as late as the end of October as shown in Table 1. This Table also shows transition dates for tolerances of 5, 10, and 15 minutes later than the latest sunrise under the Historical 6-6 System. Note that only for latitudes 43°N and above are the transition dates the same as in the original Sunrise-Limited System (Volume 2, Figures 5.4-1, 5.4-2 and 5.4-3). For all latitudes south of 43°N the new definition results in an extension of the DST period in both the spring and fall.

Table 2 shows the best transition dates for the country for: (1) The Geographic Center Latitude (40°N), and (2) The Conterminous United States. Note that the DOT recommendation for DST from the first Sunday in March to the first Sunday in November is approximately at the 5-minute tolerance for the Geographic Center of the country and at about the 15-minute tolerance for the entire Conterminous United States. Thus, the adoption of this system would make the latest sunrise only 5 to 15 minutes later than the latest sunrise under the Historical 6-6 System, depending upon which base latitude is used.

DST DATES TO HAVE SUNRISE NO LATER THAN THE LATEST SUNRISE UNDER THE HISTORICAL 6-6 SYSTEM

Latitude (degrees N)	Tolerance (minutes) 0	5	10	15
49	2/23-11/6	2/22-11/9	2/18-11/13	2/15-11/16
43	3/4-10/31	3/1-11/4	2/26-11/8	2/23-11/12
40 Geographic Center	3/6-10/31	3/3-11/5	2/28-11/9	2/24-11/13
36	3/9-10/31	3/5-11/5	3/2-11/10	2/26-11/15
31	3/13-10/31	3/9-11/6	3/5-11/12	2/28-11/18
25	3/18-10/31	3/14-11/8	3/9-11/15	3/3-11/23

TABLE 1 - Alternative Sunrise-Limited System for Selected Latitudes

DST DATES TO HAVE SUNRISE NO LATER THAN LATEST SUNRISE* UNDER THE HISTORICAL 6-6 SYSTEM

Tolerance (minutes)	Geographic Center Latitude (40°N)	Conterminous U.S. (25°N to 49°)
0	March 6-October 31	March 18-October 31
+5	March 3-November 5	March 14-November 4
+10	February 28-November 9	March 9-November 8
+15	February 24-November 13	March 3-November 12

TABLE 2 - Revised Sunrise-Limited System

*That sunrise which occurred at least once during the period 1967-73

Chapter 3. - Effects of Daylight Saving Time on Electricity Consumption

DOT considers that the most reliable estimates of the DST impact on electricity usage are those obtained by applying the equivalent day normalization to the data which the FPC furnished for 15 power companies. The great advantage of this method is that it contains a built-in reference (i.e., the DST uninfluenced period) to which changes in the DST influenced part of the day can be related. Only by introducing such a reference period can the unwanted effects of temperature, cloud cover, precipitation, etc. be removed.

NBS questioned the equivalent day normalization procedure on the grounds that the influence coefficient, C_I, is sensitive to the selection of the influence period. In an APPENDIX to this section, we show that the sign of the DST effect does not change, provided that the definition of the influence period meets a certain criterion. DOT adopted a reasonable definition of the influence period, namely that period which contains all the sunrises and sunsets in the U.S. Using this definition, savings of electricity due to DST were found at five DST transitions, occurring in the winter, spring and fall. Allowable changes in the length of the influence period would also have shown DST savings, but the magnitude of the savings would have changed. Thus, the equivalent day normalization, while it always gives the correct sign of the DST impact if properly used, can only approximate the magnitude of the impact unless there is an a priori basis for choosing the influence period.

The key DOT results on electricity are contained in Table 7.2-5, Volume 2, which shows a saving due to DST at five transitions using the equivalent day normalization approach. There are three sources of error

in the data DOT used to calculate these results:

(1) Keypunch errors.

(2) Errors in the February 1975 and April 1973 computations due to the fact that four companies entered a zero in the hour, 1 a.m. to 2 a.m., on the transition Sunday rather than in the 2 a.m. to 3 a.m. hour, as assumed by DOT. The effect of the DOT treatment of these four companies was to reduce the electricity on this day from 23 to 22.5 hours, rather than to increase it from 23 to 24 hours as intended.

(3) Errors in the South Western Electric Power Co. data for April 1973 and October 1974.

Subsequent to discovering these three error sources, the following steps were taken to correct them:

Error sources (1) and (3) were removed by smoothing the data. Six consecutive data points were considered at a time and each point was compared to the average of the other five. If any point was N times this average (N, an arbitrary number) it was divided by $N+\varepsilon$, $\varepsilon << N$, and the process was continued until all six points were less than N times the average of the other five. The application of this smoothing technique, with various values of N, to the April 1973 and October 1974 data resulted in the following equivalent day results:

	% Change in Usage After vs. Before	
Date Smoothing Criterion	April 1973	October 1974
None	-0.86	+1.73
N=1.75	---	+1.13
N=2.0	-1.17	---
N=7.0	---	+1.08
N=9.0	-1.24	---
N=10.0	-1.24	+0.79

It is apparent that various degrees of data smoothing do not change the sign of the DST effect on electricity although they do alter its magnitude.

Error source (2) was removed by making the proper data corrections to the Sunday data at the February 1975 and April 1973 transitions (both, without temperature correction) and then applying the equivalent day normalization:

	% Change in Usage After vs. Before	
Transition	Data Uncorrected	Data Corrected
February 1975	-0.70	-0.76
April 1973	-1.17	-1.28

(Note that the April uncorrected value is calculated from smoothed data with N=2.0, which is essentially the approach taken by NBS.)

It is clear that this correction enhances the DST effect.

Table 3.5 in the NBS report relates the DST load to the standard time load at four DST transitions and compares their findings to the DOT equivalent day normalized results. We believe this is an improper comparison since the DOT results have the effects in the uninfluenced period removed. However, from the data in Tables 7.2-6 through 7.2-9 in Volume 2 of the DOT report, it is possible to obtain unnormalized values which can properly be compared with the NBS numbers. Adopting the NBS convention that a minus sign means a lower load under DST:

	% Change in Usage, After vs. Before		
	Unnormalized		Normalized
Transition	NBS	DOT	DOT
October 1972	-1.08	-4.71	-0.91
April 1973	-0.03	-0.58	-0.86
October 1974	+3.73	+4.52	-1.73
February 1975	+1.03	+1.01	-0.65

Note that, in spite of all the data manipulations performed by NBS, their unnormalized results agree very closely with the corresponding DOT numbers. Also, observe that the equivalent day normalization produced a change in the sign (compared to the unnormalized results) of the DST impact at the October 1974 and February transitions.

In summary, when errors (pointed out by NBS) in the electricity data used by DOT were removed and the equivalent day normalization was applied to the corrected data, the small changes in the results did not alter our original conclusions that:

(1) There is a saving in electricity usage due to DST at DST transitions, and

(2) The magnitude of this DST saving is about 1%.

APPENDIX

Sensitivity of the Influence Coeeficient, C_I, to Choice of the Influence Period

Definition

$$C_I = \frac{\frac{I_D}{I_B}}{\frac{U_D}{U_B}}$$

I, influence period value

U, uninfluenced period value

B, base period

D, DST period

For the case where DST causes a decrease

$$C_I < 1.0$$

or $$\frac{I_D}{I_B} < \frac{U_D}{U_B}$$

but the value for the entire day, T, for the two periods is:

$$T_D = I_D + U_D$$

$$T_B = I_B + U_B$$

thus $$\frac{I_D}{I_B} < \frac{T_D - I_D}{T_B - I_B} \quad \text{and} \quad \frac{T_D - U_D}{T_B - U_B} < \frac{U_D}{U_B}$$

hence $$I_D \; T_B < T_B \; T_D \quad \text{and} \quad T_D \; U_B < T_B \; U_D$$

or $$\frac{I_D}{I_B} < \frac{T_D}{T_B} < \frac{U_D}{U_B}$$

Thus, any influence period meeting the criterion that the ratio of values (DST to Base) is less than the ratio for the entire day will show a decrease due to DST. Of course, as the influence period approaches the length of the day C_I approaches 1.0 and the DST effect disappears.

Therefore, if a reasonable definition of the influence period is adopted (such as the one used by DOT which required that the influence period contain all sunrises and sunsets in the U.S.) and a saving due to DST is found with that definition, then savings will also be found for other definitions of the influence period, provided that the above criterion is met. However, it is true that the magnitude of the DST savings will depend upon the length of the influence period, thus the equivalent day normalization can only yield an approximation to the amount of the DST savings unless there is an a priori basis for choosing the influence period.

Chapter 4. - School-age Children Traffic Fatalities

In analyzing school-age children traffic fatalities for January-April 1974 vs. 1973, NBS considered only pedestrian/pedalcyclist (i.e., non-occupant, in their terminology) fatalities. They thus eliminated motor vehicle (i.e., occupant) fatalities of school-age children which decreased at all times of day from 1973 (Standard Time) to 1974 (DST). They also eliminated total fatalities of school-age children, for which there was a statistically insignificant increase in the morning, and a decrease in the midday and evening. We thus consider the NSB analysis incomplete.

Furthermore, NBS considered school children separately, in isolation from the total population, when they tested for a DST impact on fatalities.

Since school-age children fatalities constitute only 14 to 18% of the total fatalities during this period, the actual number of children killed is quite small so that reliable statistical inferences cannot be made by analyzing the child fatality population alone. It was in acknowledgement of this fact that both DOT and the National Safety Council (NSC) independently adopted the procedure of relating school-age children fatalities to those in the total population. By doing so, the population analyzed was increased by a factor of 6. It is our opinion that the DOT/NSC approach is far more reliable than the NBS method and that the DOT finding of no special hazard to children in January-April due to DST is correct.

We have similar problems with the NBS analysis of child fatalities at the Spring and Fall DST transitions of 1973. Again NBS treated school-age children in isolation from the total population and performed what we believe is an incomplete analysis by considering only non-occupant fatalities. The DOT considers its analysis relating total child fatalities to the total of all fatalities to be a more reliable result. This approach revealed no statistically significant change in child fatalities at the Spring transition and a significant decrease at the fall transition.

Using a cleaned up data base of 34 states, NBS performed a month-by-month comparision of January-June 1974 vs. 1973 which showed significant increases in school-age children fatalities in January and February 1974 vs. 1973, but no significant change in March and April between the two years. Considering the small numbers of child fatalities in both winters (i.e., the January increase was from 18 to 27 and the February from 8 to 25), these results have a low reliability. However, even if the January

and February increases are real they are not pertinent to our investigation, since DOT is not proposing that DST be in effect during those months. On the other hand, DOT is advocating DST in March and April, when NBS agrees that there is no adverse impact on children.

Chapter 5. - Motor Vehicle Fatalities

Rather than reviewing the DOT analysis, NBS conducted an entirely different analysis. The NBS approach to analyzing motor vehicle fatalities was to compare events occuring during periods of one or more weeks before and after DST transitions. They thus considered frequencies of 1/5 = 0.2 cycles per day (CPD) or less. These are precisely the frequencies which contain the long term trends that obscure the effect of DST. DOT filtered out all fatalities in this frequency band because it was apparent at the outset of our study that DST effects could not be detected there. The NBS findings of not DST effect in this frequency region thus merely confirm what the DOT investigators found at the beginning of their study. In fact, it was this knowledge which prompted DOT to adopt the Fourier approach.

In the belief that a State must report throughout the eighteen month study period for its data to be acceptable, NBS eliminated 40% of the original Fatal Accident File (FAF) data base. When looking for a small effect the elimination of 40% of the data can be of great importance. (In fact, the DST effect could very well have been eliminated by this process). The following points are critical to a proper evaluation of the DOT analysis:

(1) The DOT methodology did not require complete data reports from each State. Each transition was analysed independently of all others and had its own unique data base. (for example

data processed for the fall transition were not used to analyse the spring transition).

(2) With few exceptions, all States reported consistently across the transition, (Table S.2-6). Since DOT computed the relative number of filtered fatalities before and after a transition, biases should not have a significant effect.

(3) Biases will most likely influence the significance of the statistical test at the transition points. Hence, inclusion of biases would tend to obscure DST effects, not create them.

Rather than eliminating 40% of the data as NBS did, DOT included all valid data, eliminating only those entries where there was an obvious coding error.

Biases in the FAF data would tend to change slowly with time and thus can be viewed as pulses with maximum amplitude occurring at 0 CPD. These frequencies were filtered out by DOT. Whatever small spectral components of the bias effect remain in the high frequencies would tend to obscure the DST effect. However, the fact that the Fourier method used by DOT consistently detected a DST effect at transition dates, but not at dates ehre there was no transition, we believe argues for the interpretation that the effect of biases is minimal.

Furthermore, since the filtered fatalities calculated by DOT are always divided by the total unfiltered fatalities in computing percent changes in fatalities both before and after a transition, we believe the

fact that some states reported before but not after, or vice versa, is irrelevant.

We believe NBS's decision to analyze periods of only one week or longer, placed in a position where no methodology could produce a meaningful answer. The Poisson and Binomial Distributions and the K-factors are all useless, when applied to one week periods or longer, these techniques can only measure the characteristics of the trends, but the DST effect is not to be found in these trends. In fact, the NBS approach is the one often used to analyze economic and social data where the objective is to determine trends. In such studies it is entirely appropriate to remove the noise in the course of calculating the trend. We believe that the effect of DST on fatalities is the reverse problem. Here the trend must be removed so that the "noise" (i.e., the DST effect) can be analyzed. This can be accomplished by Fourier methods used by DOT.

We believe the NBS dismissal of the Fourier approach is contrary to the widespread application of this method to the analysis of data with small signal to noise ratios. Indeed, the Fourier method is ideally suited to problems where the data have this character, as in the case of DST-related motor vehicle fatalities. Furthermore, the DOT Fourier approach has been reviewed independently by Dr. Douglas Scott, GSA (at the request of TPI), by Dr. Marvin Kahn of MITRE and by the Congressional Research Service (the last two at the request of the Senate Commerce Committee), and none of these reviewers has questioned either the applicability of the technique or the manner in which it has used. Moreover, several years ago Fourier analysis was applied to

motor vehicle accident time series by the Highway Safety Research Institute of the University of Michigan (HIT Lab Reports, Volume 2, No. 1, J. Green, September 1971). We conclude there is little basis for the NBS criticism of the DOT use of Fourier methods.

STATEMENT OF ROBERT HENRI BINDER, ASSISTANT SECRETARY OF TRANSPORTATION FOR POLICY, PLANS AND INTERNATIONAL AFFAIRS, BEFORE THE SUBCOMMITTEE ON INTERNATIONAL RESOURCES, FOOD, AND ENERGY OF THE HOUSE INTERNATIONAL RELATIONS COMMITTEE, ON RESOURCE DEVELOPMENT IN SOUTH AFRICA AND U. S. POLICY, WEDNESDAY, JUNE 9, 1976.

Mr. Chairman and Members of the Subcommittee:

Thank you for your invitation to appear and discuss activities of the Department of Transportation which affect the Republic of South Africa.

As you know, the Department's principal mission involves both improved transportation and safety. DOT is composed of eight constituent administrations: the U.S. Coast Guard, the Federal Aviation Administration, the Federal Highway Administration, the Federal Railroad Administration, the National Highway Traffic Safety Administration, the Urban Mass Transportation Administration, the St. Lawrence Seaway Development Corporation, and the Materials Transportation Bureau. The Office of the Secretary coordinates their activities and the development of transportation policy.

The Department's international activities are conducted both bilaterally and through multilateral organizations. The bilateral programs involve cooperative projects and exchanges. They reflect an appreciation of the fact that many nations have similar transportation problems and that sharing research,

technology and common experience can be mutually beneficial in helping nations meet both domestic and international transportation needs.

Our cooperative programs cover a wide range of transportation problems in all modes, and we have gained substantial benefit from them. We do not maintain such a program with the Republic of South Africa. With regard to multilateral bodies, we participate in a number of international organizations concerned with transportation problems. This work is predominantly technical in character, such as harmonizing and improving safety standards in civil aviation, ocean shipping, motor vehicle construction, or the movement of dangerous materials. Another element of this work is procedural -- finding ways to reduce unnecessary obstacles and paperwork to expedite the flow of international shipments and to reduce their cost. Many of the organizations involved are part of the UN family, such as the International Civil Aviation Organization (ICAO), the Intergovernmental Maritime Consultative Organization (IMCO), and the Economic Commission for Europe.

The main Department involvement with South Africa -- outside international organizations or conferences in which both nations participate -- has been confined to several activities of the Coast

Guard and the Federal Aviation Administration. Let me first discuss generally the international programs of each administration in the context of Africa and then focus on the specific incidents of assistance.

Since 1945, the FAA has provided various forms of technical assistance and training in civil aviation to countries throughout the world. This assistance, primarily rendered under the auspices of the Agency for International Development (AID) but also through other U.S. and international organizations as well as on a direct-country reimbursable basis, covers a wide spectrum. For example, typical forms of FAA technical assistance and training are in air traffic control, air navigation facilities, radar and communications facilities, aircraft inspection and certification, flight inspection, and airman and aircraft safety regulation and certification. The FAA makes use of its equipment and personnel to assist other countries in the development of their civil aviation programs.

At present the FAA maintains an office in Lagos, Nigeria, to fulfill its regulatory responsibilities with respect to U.S. air carriers crossing the African continent. Although the primary function of the FAA office is regulatory, the FAA representative who travels throughout the continent is also alert to any request by a

country regarding technical documents that can be furnished by the FAA or technical assistance requiring civil aviation expertise that can be provided by the FAA.

We recognize the importance not only of providing information and equipment, but of training local personnel. For fiscal years 1951 through 1975, 347 individuals from 23 African countries received training under the FAA auspices. While the majority trained at the FAA's Academy in Oklahoma City, some received training arranged by the FAA with universities, flight schools, mechanic schools, etc. Of the 347 training recipients, 212 were sponsored by AID, 42 were sponsored by the International Civil Aviation Organization, 91 were country-financed, and 2 were sponsored by the U.S. Air Force.

It has been 17 years since an individual from South Africa participated. Our records show that two individuals received training from August 4, 1952 through January 14, 1953, and 2 received training from April 20 through July 10, 1959. Except for the 4 individuals who received training, FAA records do not disclose other instances of technical assistance provided the Republic of South Africa. FAA has, however, provided technical assistance to other countries in Sub-Sahara Africa.

There are two principal bilateral international agreements in force between the U.S. and South Africa which relate to civil aviation. One is a standard Bilateral Air Transport Agreement dating from 1947. This agreement regulates scheduled air transportation between the two countries. The other is a Bilateral Airworthiness Agreement that provides for the mutual recognition of certificates of airworthiness for imported aircraft. Since South Africa is not an aviation manufacturing country of any significance, this agreement is not a factor in allowing South African products into the U.S. It does, however, benefit U.S. manufacturers who export aircraft and parts. Two other agreements involve air navigation and pilot certifications.

The Department has been responsible for one final program relating to aviation in Africa -- the implementation of Rhodesian sanctions. As you are aware, in response to U.N. Security Council 232 and 253 resolutions, Executive Orders 11322 and 11419 were issued by the President. The latter Order resulted in the FAA promulgating Special Federal Aviation Regulation 21 in 1968. SFAR 21 prohibits U.S. registered aircraft from flying to or from Southern Rhodesia, U.S. airlines from entering into agreements

with Rhodesian airlines, and carriage of Rhodesian products on U.S. registered aircraft without permission of the Treasury Department.

The Coast Guard's international activities are an outgrowth of its domestic responsibilities. They include maritime safety, marine pollution, aids to navigation, search and rescue, and training of foreign nationals. Most of the Coast Guard's international activities involve participation in the Intergovernmental Maritime Consultative Organization (IMCO), a U.S. agency. South Africa is not a member.

Those DOT activities which have involved the South African government have been very limited and then only in areas categorized as humanitarian in nature. The primary example is participation in international search and rescue regimes such as the Automated Mutual Assistance Vessel Rescue System. AMVER is a computerized system operated by the Coast Guard in which merchant vessels voluntarily report their positions. The positions and other data are then relayed to a computer and plotted so that rapid assistance can be made available by or to vessels in time of emergency. The radio station in Captetown is the only AMVER link on the African continent which covers the key route around the Cape of Good Hope. It relays marine information to our headquarters and SOS information to ships in the area. Over 40 South African merchant vessels

have voluntarily participated in the system. In addition, in conjunction with South Africa's international search and rescue responsibilities as part of their ICAO membership, one South African military officer attended the Coast Guard's Search and Rescue School in 1971 and four South African officials participated in a Coast Guard sponsored search and rescue seminar held in New York in 1975.

Technical information was furnished to non-governmental interests in South Africa on four occasions in the past three years. The subjects involved oil pollution detection devices and operations, search and rescue small boat operations, and OMEGA navigation information. More recently a private shipbuilder from South Africa has been granted permission to visit the Coast Guard yard in Baltimore to view our construction techniques for small boats.

Finally, we have been able to find two other instances of Department contact with South Africa. The Federal Railroad Administration purchased there 375 concrete railroad ties for testing at the DOT Pueblo Test Center in Colorado. This is part of a broad testing program, designed to evaluate railroad ties of all types and materials. In addition, a South African government official attended a conference on tunneling technology sponsored last

Fall by the Department's Transportation Systems Center at Cambridge and there was a subsequent exchange of some related scientific information.

In short, with the exception of participation in international organizations, the Department has no continuing active relationship with South Africa and few dealings. Our policy is to continue to cooperate with other countries by providing such information and assistance for projects that have humantarian or international safety application, dependent of course upon availability of resources and Department of State concurrence. But in the case of South Africa, this means responding on a case-by-case basis rather than through any continuing program.

That completes my prepared statement, Mr. Chairman. With me today are Ray Bronez, Director of my Office of International Transportation Programs, George Luecker, Chief of the Technical Assistance Division of FAA's Office of International Aviation Affairs, and Cdr. James R. Costello, Assistant Chief of the International Affairs Division of the Coast Guard's Office of Public and International Affairs. We will be happy to respond to any questions you may have.

18377

STATEMENT OF ROBERT H. BINDER, ASSISTANT SECRETARY FOR POLICY, PLANS AND INTERNATIONAL AFFAIRS, DEPARTMENT OF TRANSPORTATION, BEFORE THE SUBCOMMITTEE ON WATER RESOURCES OF THE SENATE PUBLIC WORKS COMMITTEE, CONCERNING THE REPLACEMENT OF ALTON LOCKS AND DAM, THURSDAY, JUNE 17, 1976.

Mr. Chairman and Members of the Subcommittee:

Thank you for this opportunity to testify on the proposed replacement of Alton Locks and Dam, known as L&D 26, and on S. 3425 and S. 3506, two bills which deal with this issue.

Let me briefly set the stage for the involment of the Department with this project. As I am sure you know, in 1969 the Secretary of the Army approved the Corps of Engineers' proposal for replacing the existing facility at Alton with a new dam and two 1200-foot locks. In 1970 and 1974 the Congress appropriated planning funds for that project. Subsequently legal action brought by environmental groups and by railroads resulted in a preliminary injunction on September 2, 1974, that stopped work on the project.

Early in 1975 the Chairman of the Senate Commerce Committee wrote the Secretary of Transportation to express his concern that the Alton Locks and Dam replacement project might

become both a way of, and a reason for, expanding the capacity for navigation on the entire upper Mississippi River system. He asked the Department to review this project and to provide his Committee with an assessment of the existing transportation facilities in the area and the effects of expanding the upper Mississippi waterway navigation system. The Department provided its views on the Corps' proposal in a September 1975 Advisory Report to the Senate Committee on Commerce. Then, early this spring, the Board of Engineers for Rivers and Harbors, having received the previous recommendations of the Corps and having asked for and received various comments on those recommendations, including ours, issued its own Report. We, in turn, have commented on the Report of the Board of Engineers for Rivers and Harbors at the request of the Chief of Engineers. I have a copy of those comments with me and I would be happy to provide it for the record, if you so desire.

In developing our Advisory Report of last September, we decided to focus our efforts on a review and critical analysis of the previous work done by the Corps of Engineers leading to a proposal for a new dam and two 1200-foot locks. Because of the constraints on

time and resources, we were not able to initiate any major new research. A complete benefit-cost analysis of this project, taking proper account of its effects on the entire river system and relative efficiencies of other modes, primarily the railroads, in handling the same traffic, would be a major, multi-year effort.

The conclusion that we reached in reviewing the Corps' analysis, and that we expressed in the Advisory Report, was that the Corps' economic analysis contained weaknesses of sufficient magnitude that no useful inferences could be drawn from it with respect to the economic desirability of carrying out the Corps' recommended project at Alton. Three major problems can be pointed to in this respect. Two have to do with the manner in which the Corps calculated the benefits of the project, and the third has to do with the commodity flow projections.

The heart of the Corps' benefit calculation is an estimate of the difference between rail rates and barge rates for moving the same traffic. DOT does not have any problem with this approach conceptually, provided the costs of operating the waterway system are reflected in the cost side of the analysis (which the Corps attempted to do). Rather, the difficulties are in the manner

in which the rates are calculated and used as surrogates for transportation costs. With respect to rail rates, the problem is simply that the Corps' analysis assumes that rail movements (largely of grain) follow the same route, i.e., the river, as do water movements. Since rail movements manifestly do not follow the same routes as the barges, and since rail routes will, in some cases, reflect shorter distances, the Corps' procedures must, to that extent, overstate rail costs and, hence, understate benefits.

The second difficulty is that, in calculating water movement costs, the Corps' analysis does not include the trucking costs that must be incurred to move the grain from the elevator to the river. Unless the costs of prior and subsequent truck movements are the same for both rail and river and thus constitute a "wash"--which seems on its face highly unlikely--such an approach must result in an understatement of benefits. DOT does not have any clear notion as to how far off the analysis is thrown by these flaws. For this reason it is not possible to draw confident conclusions from the Corps' analysis as it stands.

The third problem has to do with the Corps' 50-year forecasts of commodity flows. Let me say at once that we fully

recognize the near impossibility of accurate forecasting that far ahead in time, and we are not claiming to be any better at prophecy than anyone else. There are, however, a couple of specific problems that give us pause. Both concern the movements of fossil fuels. As you know, there is currently a substantial amount of activity associated with expansion of coal output in the West. The scope and likely impact of this activity was not as apparent when the Corps made its forecasts as it is now. Major coal flows on the river today reflect Mid-Western coal coming to the river by rail or truck and then moving up to utilities in the Midwest and upper Midwest by barge. If Western coal mines were to become larger producers, the present flow of coal from Appalachia and Illinois to the upper Midwest probably would be replaced by movements from the West which would not be likely to use the river.

The commodity flow projections included large petroleum shipments going by barge to various utility companies for electrical power generation. Any substantial shift from petroleum to coal as fuel for electrical generation would, of course, greatly diminish the future flow of petroleum on the river from that which could

otherwise be expected. As noted above, that coal could well come from Western sources so that it would not replace the oil as river traffic.

Again we recognize that uncertainty is an inherent characteristic of any long-range forecast, but we do believe that the two points I just mentioned are ample grounds for wanting to see these factors taken into account in these commodity flow projections before making any final decision on the kind of major expansion of river capacity that two 1200-foot locks at Alton would create.

The Board of Engineers for Rivers and Harbors reviewed the Corps' previous work and the comments in our Advisory Report. It also did some further analysis. In our study of the Report of the Board of Engineers for Rivers and Harbors, we found that the criticisms that I just stated are still applicable and we have so stated in our comments to the Corps. While we adhere to the view that conclusions regarding major investments cannot be drawn from the benefit-cost analysis done to date, we have found that there are persuasive arguments for replacement of the dam and construction of one 1200-foot lock, provided that one accepts the Corps' engineering and engineering cost analyses. The finding of the Corps'

engineering analysis is that the dam at Alton should be replaced. If the dam is to be replaced, a new lock of some size must be constructed. A 1200-foot lock, compared with a smaller lock, adds only a slight increment to the total cost of the dam replacement project. Inasmuch as there are clear advantages in terms of waterway capacity and ease of operation to be gained with a 1200-foot lock, there would appear to be a very strong case for building such a lock once the decision is made to replace the dam.

This analysis brings to the fore the critical role of the Corps' engineering and engineering cost conclusions in the decision now before you. The Corps' engineering studies deal with the extent of the deterioration of the existing dam, with their choices for correcting that deterioration, and with the costs of various approaches to rehabilitation and replacement. It is in this analysis that the Corps finds that the cost of rehabilitation is so close to the cost of replacement that replacement becomes the preferred alternative. Let us examine the impact of this finding on the options.

Fundamentally, we see three choices:

Option 1: Postpone any corrective action until further major studies are undertaken.

Option 2: Go forward with a new dam and 1200-foot lock but take no action on a second lock without further study.

Option 3: Go forward with a new dam and accept the Corps' justification for two 1200-foot locks.

If we accept the Corps' engineering analysis, we must endorse Option 2. If the Corps' analysis is rejected, Option 1 should be embraced. This Department cannot find any justification for proceeding with Option 3 on the existing record. Option 2 is essentially the approach reflected in S. 3506. Option 1 is the approach contained in S. 3425.

The Department of Transportation does not have a technical basis from which to offer you advice as to whether the engineering analysis done by the Corps in this case should be accepted or rejected. We are aware that there may be some controversy on this point and that some interested parties are prepared to offer strong criticisms of the Corps' engineering judgments, but we are not in a position to evaluate those criticisms. The Department of Transportation would be very pleased to conduct, or participate in, any comprehensive economic analysis or other studies that the Congress

may direct. Please bear in mind, however, my earlier remarks that a complete economic study is a considerable undertaking and could easily require two to three years.

Let me turn now to the question of the potential impacts on the region's railroads of an increase in the river's capacity and the improvements in its operation. I have two points to make in this regard. The first is that, at this time, we do not have any precise idea as to whether these impacts might be great or small. Good estimates on this point can only be developed in the kind of large-scale study referred to previously. The second point is that we must be careful as to how we treat a finding of negative financial impact on the railroads. We are strongly of the view that such a finding, in and of itself, would not be a reason to hold back from any waterway investment that was otherwise found to be in the public interest. On the other hand, because of the potential for such negative impacts, we should be confident that any waterway investment we are contemplating is well justified economically before proceeding with it.

Finally, let me turn to a matter of considerable importance, but one which was outside the scope of both our Advisory Report and our comments on the Report of the Board of Engineers for River and Harbors.

That matter concerns the recovery of public costs on the inland waterway system, i.e., waterway user charges. I doubt if anyone here needs to be reminded that the Administration has taken a strong stand in favor of recovering at least a part of the public expenditures now being made on the waterways. Secretary Coleman in his Statement of National Transportation Policy made clear that recovery of these costs stands high on his personal list of goals. To have private firms operating profitably with some very large portion of their costs being borne by the general taxpayer is an inequitable and inefficient arrangement which we should soon start to correct.

As strongly as we hold this view, however, we do not feel that the Alton Locks and Dam question and the user charge issue should become entangled with each other. Waterway improvements that can be shown by objective economic analysis to be in the best interest of the country should go forward without having to wait for a resolution of the inequities now present in the public financial support of the waterways. In the same breath, I urge this Committee and the Congress to address seriously this matter of cost recovery.

In conclusion, Mr. Chairman, the Administration believes that the Congress should defer legislative action respecting the locks and dam at Alton until after completion of the Environmental Impact Statement and the Corps' final report and satisfactory resolution of the questions raised about capacity and costs.

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

STATEMENT OF ROBERT HENRI BINDER, ASSISTANT SECRETARY FOR POLICY, PLANS AND INTERNATIONAL AFFAIRS, U.S. DEPARTMENT OF TRANSPORTATION, BEFORE THE SUBCOMMITTEE ON MERCHANT MARINE OF THE HOUSE MERCHANT MARINE AND FISHERIES COMMITTEE, ON WEDNESDAY, JUNE 30, 1976, CONCERNING A FEDERAL GRANT PROGRAM FOR PUBLIC PORTS

Mr. Chairman and Members of the Subcommittee:

I am here today to present the views of the Department of Transportation on H.R. 1084, a bill "To amend the Merchant Marine Act, 1920, to establish a grant program to enable public ports to comply with certain Federal Standards, to direct the Secretary of Commerce to undertake a comprehensive study of the present and future needs of public ports in the United States, and for other purposes."

This bill, which would add a new Section 8A to the Merchant Marine Act of 1920, has two principal features. The first, or Subsection (a), would authorize the Secretary of Commerce to make financial assistance available to state, local government, or interstate agency or other public port authorities to bring ports into compliance with any requirements relating to environmental protection, the public health and safety, or port or cargo security which may be imposed by Federal law.

The Department of Transportation does not believe that there is a need for the proposed grant program. This bill itself seems to recognize that the need for the grant program is uncertain, inasmuch as it calls for a study of the issue. Moreover, as a general principle, we think it is

undesirable to provide grant programs for the sole purpose of meeting specific statutory standards. A grant program for the specific purpose of meeting environmental and other requirements mentioned in this bill suggests that meeting these requirements is the responsibility of the Federal Government and not the port operator when in reality the cost of meeting such standards should be part of the cost of doing business. For these reasons, the Department does not support the proposed grant program for public ports.

In regard to the other key feature of H. R. 1084, Subsection (b) would require the Secretary of Commerce to "... undertake a comprehensive study to determine the immediate and long-range requirements of public ports in the United States (A) for expansion and modernization in order to meet adequately the economic and defense needs of the United States, and (B) to meet such standards as may be imposed by law for purposes of environmental protection and port safety and security. Such study shall also include a comprehensive evaluation and analysis of the amount and kinds of funding which public ports have available to them for purposes of implementing current and projected expansion, modernization and other improvements."

It is the Department's position that the study portion of the bill is not necessary at this time because of efforts which have been and are already being undertaken within the Executive Branch.

DOT efforts include the following: A comprehensive policy support study by the Massachusetts Institute of Technology entitled Federal Port Policy in the United States has just been published and will be released next month. Another MIT study concerns potential offshore port facilities for liquified natural gas. Also, DOT financed the proceedings of a recent conference at the University of Wisconsin which was published under the title of Port Planning and Development as Related to Problems of U.S. Ports and the U.S. Coastal Environment. Finally, the Coast Guard and the Saint Lawrence Seaway Development Corporation recently participated with the Maritime Administration and the Army Corps of Engineers in a United States Great Lakes-Seaway Port Development and Shipper Conference which explored, among other things, the Federal role in Great Lakes port development.

In addition to DOT efforts, a major port study by the Maritime Administration is expected to be completed within ten months. Once this work, which was requested by the American Association of Port Authorities, is completed, we will be in a better position to decide whether the data are sufficient to determine what are the "immediate and long-range requirements of public ports in the United States."

If, at that time, an interagency study is found to be necessary, there are a number of other agencies which are also heavily involved with the administration of the standards to which this bill refers. Among these

are the Corps of Engineers, the Occupational Safety and Health Administration at the Department of Labor, the Environmental Protection Agency, and the Office of Coastal Zone Management at the National Oceanic and Atmospheric Administration. Accordingly, we do not believe the study called for under H. R. 1084 should be undertaken at this time.

While we do not support the enactment of this legislation, the immediate and long-range requirements needed to meet Federal standards for environmental protection and port safety and security, as well as those related to economic and defense needs, are of concern to the Department. Many of these standards are administered by DOT agencies, such as the Coast Guard, and their impact on the economic well-being of the ports of this Nation is of great interest to us. In this connection, last March the Secretary of Transportation directed the Department to review all proposed regulations affecting the public as well as existing regulations in the context of their economic costs. This is a key part of the President's regulatory reform program.

With respect to the general aspects of Federal port policy, the Department believes that the question of port development is one which should be considered within the perspective of the national transportation system as a whole. Secretary Coleman, in his September 1975 Statement of National Transportation Policy, highlighted the needs and concerns that we at DOT perceive in this area, particularly with respect to the

effective coordination of the different modes of transport. In this respect, we view a port as being much more than a facility for ships. Rather, a port should be viewed as a vital connecting link between marine and all other transportation modes. This essentially intermodal nature requires, in our opinion, that any examination of port development and operations should reflect the needs and interests of all transportation modes involved.

This concludes my formal statement, Mr. Chairman, and I would be pleased to try to answer any questions the members of the Subcommittee may have.