

Office Memorandum

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UNITED STATES GOVERNMENT

CONFIDENTIAL

(effective date)

DECLASSIFIED

(effective date)

DATE: January 25, 1946

TO : Mr. Paul T. David

FROM : E. W. Williams, Jr.

SUBJECT: Reorganization of Transportation Functions of the Federal Government

(approving authority)

The following steps under the Reorganization Act are suggested for consideration:

1. The creation of a Federal Transportation Agency headed by an administrator as an independent agency of the Executive Branch.

2. The transfer to the Agency of the following organizations:

- a. Public Roads Administration
- b. Civil Aeronautics Administration
- c. Bureau of Marine Inspection and Navigation
- d. U. S. Coast Guard
- e. Inland Waterways Corporation
- f. Panama Railroad Corporation
- g. War Shipping Administration

3. The transfer to the Agency of certain functions of other existing Federal Agencies as follows:

- a. Shipbuilding, operating, and administration of differential subsidies from the U. S. Maritime Commission
- b. Research and informational services on domestic and foreign transportation from the Bureau of Foreign and Domestic Commerce
- c. Loan functions of the Railroad Division of RFC
- d. Promulgation of air safety rules and regulations from the CAB
- e. The Alaska Railroad and possibly the Alaska Road Commission activities of the Department of Interior

4. The restatement of Executive policy regarding the clearance of Corps of Engineers projects to channel these through the Transportation Agency for study and review before submission to the President where extension of the inland waterway system is contemplated or where a substantial change in channel depth on existing inland waterways or harbor channels is involved.

The general framework of transport organization to which these proposals are designed to contribute is discussed below. The proposed changes in organization are not necessarily inclusive of all desirable changes. Others may be brought out on further consideration and discussion.

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The General Problem of Transport Policy

The reorganization act, by its exclusion of the Interstate Commerce Commission and the Board of Engineers for Rivers and Harbors, circumscribes the extent of reorganization among the transportation agencies which can be accomplished without additional legislation. It does leave open, however, some opportunities which should be taken advantage of as steps in the direction of a more logical and successful organization of Federal activities relating to transportation. Specifically, it permits consolidation into a single agency of a large proportion of the Government's promotional and operating functions in transport.

Before discussing in greater details steps which might be taken under existing authority it is desirable to outline the type of ultimate organization toward which action presently feasible should contribute. National transportation policy has developed gradually, dealing with situations as they arose, and not always with a full view of the relations of new policy developments to those long established nor of the implications for the future. Moreover, the vast development of transportation, and particularly of the newer types, has caused changes which focus attention upon the interrelations of the various elements of policy in the field and the great need for coordination. Successive revisions of the Interstate Commerce Act have tended in the direction of a coordinated administration of transportation policy which would foster a healthy competition among the several types of transport and make available to the public the inherent economy of each. But other legislation has added new regulatory and promotional agencies, usually with responsibilities extending only to one form of transport, and has introduced competition among the Federal promotional agencies paralleling that of the corresponding commercial interests. We have, therefore, neither a comprehensive national transportation policy embracing the whole field nor an administrative machinery which could administer such a policy.

The development of a comprehensive national transportation policy requires a fundamental consolidation and restatement of existing law. Any such statement will necessarily be general in character and will leave large scope for administrative and judicial interpretation. Its successful accomplishment, therefore, will depend upon the creation of satisfactory machinery within the Government, both in the Executive Branch for the promotional and operating portions of policy execution, and in the independent regulatory bodies for the semijudicial and administrative duties which require the freedom from political pressures and the group judgment afforded by the Commission type of organization.

Inherent in the problem of carrying out any more highly developed and comprehensive transportation policy is the development of a type of personnel sufficiently broad in its interest and training to embrace the whole field and deal with the vast economic problems in transportation as a whole. Few men of the caliber required are available today, for we have tended to develop specialists in each of the several types of transportation who cannot be relied upon for unbiased approach to broader issues. The problems of transportation regulation and development are, however, sufficiently

technical and specialized to compel the use in key positions of men having deep interest and long experience in transportation matters. A coordinated organization of Federal functions in the transport field will, therefore, necessarily suffer for a time from the inadequacies of its key personnel. The development of broad economic research conducted by men without special interest may, however, in time provide the breadth of view needed. A fundamental reapproach to the problems of personnel selection, compensation, and working conditions will be necessary to facilitate this development. In the selection of commissioners to serve upon the regulatory agencies there has developed altogether too much consideration of matters of political expediency and sectional representation with a sometimes striking disregard of the qualifications required for the able discharge of large responsibilities. Inadequacies at the top have come to be reflected in the quality and spirit of the staff. This factor, plus inadequate compensation for important members of the staff, has resulted in the use largely of mediocre personnel unable to deal with the more competent men retained by carriers and completely unequipped to struggle with difficult policy issues.

The Conflict Between Regulation and Promotion

The activities of the Federal Government in transportation now fall roughly into five broad categories, viz.: economic regulation, safety regulation, business aids and promotion, operation of transport services, and provision of fixed facilities such as highways and port facilities. The three latter classes of activity differ fundamentally from economic regulation and cannot be successfully administered side by side in the same agency. Carrying out any large promotional program, whether a public works construction program, a subsidy program (with the exception of air mail payments which tie closely to regulatory policy) or the actual operation of service tends to impart to the agency concerned a commercial viewpoint often not far different from that of the private commercial interests in the same field. Such commercial considerations tend to overwhelm any effort to regulate or to engage in deep detached research into the developing economics of the segment of the industry concerned. The combination of regulatory and promotional activities in a single agency is bound to fail, for the promotional takes precedence. The agency cannot successfully regulate its own operating and promotional activities in line with broad standards of the public interest and fails likewise to give proper attention to the regulation of related private operations under its jurisdiction. No agency should be called upon to attempt two functions so fundamentally opposite in character. The functions should be separated.

On the other hand, the successful administration of a national transport policy of broad scope requires the unification of the regulatory activities in a single agency of the highest quality and reputation, free from executive interference except with respect to certain items noted below, and the unification of promotional activities (including public works in transportation, administration of subsidy policy, provision of miscellaneous aids and business information, and the operation of such transportation services as may continue under Government control) in a wholly separate, but highly competent administration, within the Executive Branch of the Government.

Safety regulation is something of a hybrid. The investigation of accidents and the preparation of recommendations to avoid similar recurrences in the future seems clearly best placed in a regulatory agency. On the other hand, the routine administration involved in enforcing safety regulations and inspecting facilities and equipment is more properly placed in an administrative body. The place for the promulgation of safety rules and regulations is not so easily determined, but on balance would seem to rest with the administrative agency leaving the regulatory body entirely free from any of the acts which might contribute to accidents coming under its review. A partial division of the safety functions has already been secured between the CAB and CAA in respect of air transport.

A Regulatory Agency

The spectacle of competing regulatory agencies attempting to regulate competing segments of the transport industry is not a satisfying one. Such competition contributes little either to coordination in the public interest or to bringing out the economic advantages of the several types of transport which, properly reflected in rates and service, should exert a powerful influence toward securing an economic distribution of traffic and an orderly transition to new technological conditions. It tends, on the contrary, toward the development of conflicting regulatory policies which gives rise to the accusation, for example, that the ICC is railroad minded (a contention difficult to support if the activities of the Commission since it has had authority over motor carriers and certain water carriers are carefully and impartially studied). It puts an individual Commission in the position of having to regard competition under the regulation of another agency as beyond its control and, therefore, a condition to be taken as fixed and justifying carriers in requesting fourth section or other relief in order to meet it. Stabilization in the public interest at differential levels reflecting differences in service is in part prevented, competitive traffic fails to bear its proportion of overhead, and less competitive traffic or traffic subject to regulatory control must carry the resulting burden. Unified regulation, however, upon broader objectives than the mere elimination of undue discrimination or unreasonableness in rates or service, might develop a solid body of knowledge concerning the varying economics of the several types of transport, give recognition to these differences, and gradually bring about a more efficient and economic transport system. The guiding considerations developed over the years in railroad rate making have a broad application throughout all domestic transport. But they must be supplemented by a greater realization of the changes brought about by the advent of competing modes of transport which may well become more and more pervasive. They must seek to permit the full economic development of these methods and of the improvements in the older types of transport which tend to follow them. And they must recognize the different economic characteristics of the several types of transport, for it appears clear that the cost functions in motor and air transport behave in a quite different pattern than those of railroads or, perhaps, steamships. Too little fundamental analysis of these differences has been undertaken to date.

An independent transportation regulatory commission should not represent merely a merger of existing regulatory bodies upon which some coordinating device would be imposed. Such a method would tend to perpetuate the specialization in individual types of transportation, thrust all of the problems of coordination upon a top board, and add a new level to which appeals might be taken in volume with the result of further impairing the ability of the regulatory body to deal with issues quickly and effectively. It would in large measure vitiate the effort to treat transportation as a whole in developing a comprehensive national transportation policy. It would be unwise, therefore, to take any step in the direction of bringing the Maritime Commission and the CAB under the Interstate Commerce Commission. The general principles underlying the regulatory task are for the most part similar, regardless of the type or types of transportation involved. The problems of mergers, pools, new financial issues, financial reorganizations and the like are much the same whatever the type of physical facility involved. The general principles of rate making govern the whole field, though their application must be modified by the varying economic characteristics of the several types of transport. The determination of the underlying economic facts will require specialized staff intimately familiar with the particular type of transport, but the application of general rate making considerations to these facts can rest in a less specialized body which is able to assess not only the immediate question, but also the broader setting of the transportation system as a whole. Finally, the vast burden of reparations cases (cases involving over- or under-charge) ought never to require the attention of the transportation commissioners save in the rare instance where new policy must be developed. Removal of this burden would contribute notably to freeing the time of commissioners for the broader and more significant issues.

It would seem wise, therefore, to organize a transportation commission in divisions, such as the ICC is presently organized. But these divisions would not specialize in the different types of transportation, but rather in the regulatory functions as is, to a considerable degree, the present practice of the ICC. In order to reduce the burden upon commissioners and free their time for the broader and more significant questions, as much work as possible should probably be delegated to boards of competent employees. The aid of a strong, well staffed research organization closely in touch with those developments affecting the economic characteristics of the various segments of the transport industries, changes in traffic flows and in commercial practices, and developments in the financial and physical condition of the carriers would be most necessary. Independence of Executive control would be maintained for the commission except in regard to international routes and operating rights which, for Maritime routes as well as air routes, would be subject to Executive review as is now done with respect to international air routes through review of CAB decisions. Decisions with respect to international routes constitute an element of our foreign policy and must be coordinated with broader policy by proper liaison particularly with the State Department with the further assurance guaranteed by Executive review. Since regulatory policy necessarily relates closely to general stabilization

and full employment policy, some coordination of the two is desirable and would best be accomplished by broadening the statutory responsibility of the regulatory agencies in the matter of criteria to be observed.

A Transportation Administration

An active transportation agency in the promotional field might look forward to eventual departmental status. It would include a great variety of activities now widely scattered among Government agencies. The more important would include:

1. Public Roads Administration
2. Civil Aeronautics Administration
3. Shipbuilding, operating, and differential operating subsidy functions of the Maritime Commission
4. Board of Engineers for Rivers and Harbors
5. Bureau of Marine Inspection and Navigation
6. Most, if not all, of the functions of the U. S. Coast Guard
7. Research and dissemination of information on domestic and foreign transportation now carried out in the Bureau of Foreign and Domestic Commerce
8. Inland Waterways Corporation, Alaska Railroad, Panama Railroad
9. Safety and inspection functions of Interstate Commerce Commission, except the investigation of accidents
10. Emergency and service powers of the Interstate Commerce Commission, except those relating to discrimination and adequacy in the public interest
11. Loan functions of the RFC as applicable to transportation and credit functions of the Maritime Commission

To these would be added a strong central administration and a powerful research organization comprehending both the broader and more theoretical research and the type of practical research, designed to meet immediate problems, which characterized the office of the Federal Coordinator of Transportation. Liaison with the Transportation Commission would be established to provide for the regular exchange of information and the coordination of research activities. The agency should be charged with the continuing task of developing and revising a comprehensive national transportation plan embracing all types of transportation in a coordinated pattern. Its individual project proposals in any type of transport should tie directly into the plan and be supported by adequate economic analysis. Unification of the Government's activities in construction and operation of transport facilities will facilitate both the development of a national transport plan and the orderly carrying out of such a plan. In time of national emergency, the administration would serve as the War Shipping Administration and the Office of Defense Transportation have during the recent war.

The combination in a transportation agency of the Bureau of Public Roads and other organizations having large public works responsibility would conflict with an organization designed to bring together all Federal activity in public works. The development of an adequate and

well balanced transportation system, and one whose parts are properly coordinated, requires, however, the unification of Federal-aid and direct public works activities in transportation and their close juxtaposition to the general transportation research and policy making which would be set up effectively for the first time in the proposed transportation agency. This is of a public importance so great as to compel the merger of public works activity in transportation with the agency to be given primary responsibility in this area. As a part of general administration policy, one of the guiding considerations in the timing of the work would be the general stabilization policy. The transportation agency would itself develop advanced planning with a view to securing a "shelf" of projects ready for construction as the needs of stabilization policy might dictate. A proper coordination with other public works planning and policy would be an obvious necessity.

Steps Possible Under the Reorganization Act

Coming to steps feasible under the present reorganization act, little can be done in the regulatory field except to remove from the Maritime Commission certain of the operating and subsidy functions which would leave the Commission a more single purpose organization confining itself to the regulatory activities. The line of demarcation between the Commission's regulatory and promotional activities is not clear-cut. Certain functions in connection with construction subsidies, operating subsidies, and the recapture of excess profits are more appropriately handled by a regulatory commission than by a transportation agency primarily of promotional character. These include findings of fact as to the relative cost of construction in foreign and American yards, the comparative operating costs under the American and representative foreign flags, and the determination of carriers' capital investment for recapture purposes. Such findings might be made by the Commission and certified to the transportation agency administering subsidies. The determination of the routes and services required by the public interest in the foreign trade is less a matter for a regulatory body than for the policy-making branches of the Government. It requires close coordination with the foreign policy being pursued contemporaneously through the State Department. Other Departments, including Commerce, are vitally interested. Thus, a distinction may be noted as compared with the process of granting certificates of convenience and necessity to domestic carriers where the question at issue is the adequacy and effectiveness of existing carriers in a purely domestic traffic free from foreign competition where national policy affecting the relative position of U. S. shipping for defense and other broad considerations does not apply. The determination of routes and services required in the foreign trade, it may be argued, should be vested in the transportation agency though controls on entry into domestic services are left in regulatory bodies. If this is not done and the function remains in the regulatory body, Executive clearance will be needed as noted earlier to secure proper policy coordination.

If a separation of the Maritime Commission's functions be accomplished by transfer of the large segment indicated above to a transportation agency and if the War Shipping Administration, Bureau of Marine Inspection and Navigation, and Coast Guard are likewise transferred there will have been established a firm foundation for the marine division of such an agency. Of other important promotional agencies, only the Bureau of Public Roads and the Civil Aeronautics Administration can be added to the transportation agency under the present reorganization act. To these should be added the transportation research of a general policy nature now in the Bureau of Foreign and Domestic Commerce with a view to strengthening it and expanding it into a strong transportation research organization with which can be consolidated much of the research work of the several other organizations brought into the transportation agency. The Inland Waterways Corporation, the Alaska Railroad, and the Panama Railroad as operating organizations might be brought under the transportation agency. The loan functions of the RFC have resulted in the exercise of considerable influence by that agency in certain solvent railroads and in the reorganization of a number of carriers in trusteeship or receivership. While the desirability of making Government loans which result in a measure of control over railroad management may be questioned, the influence resulting from such loans should surely rest in the transportation agency rather than in RFC. A transfer of administration of loans to carriers to the transportation agency is indicated.

Finally, a clarification of the safety functions now split between the CAB and the CAA would be feasible and desirable. The investigation of accidents and the preparation of reports thereon should definitely remain with the CAB, though a clarification of the Board's responsibilities to set forth the classes of accidents which it must investigate would be desirable. On the other hand, the promulgation of safety rules and regulations should be transferred from the Board to the transportation agency. ¶ Since air transport is still in a developmental stage, the determination of routes to be served, particularly in connection with a policy for developing feeder services, is in large measure a promotional function. Likewise the determination of the extent to which the Government shall go in subsidizing such development is a policy question more properly belonging in an executive agency than in a regulatory agency. As the industry approaches maturity both of these matters will become chiefly regulatory in character. During the developmental period, however, the transportation agency should be charged with the development of a plan for the expansion of air routes and service and for the development and justification of a subsidy program. Findings of fact regarding the ability and willingness of carriers to serve, their demonstrated earning power, and their need for subsidy to continue development in accordance with plan should remain with the CAB as also the actual issuance of certificates of convenience and necessity and the determination of rates of mail pay to be granted to individual carriers. The Board should, however, operate within the policy framework laid down by the transportation agency.

Our exploration of reorganization is still in its preliminary stages. The presentation of the ideas contained herein is made in the hope of inducing further thought and discussion which may well produce other and, in some instances, more workable alternatives.

Office Memorandum

TO : Mr. J. Weldon Jones

FROM : Paul T. David

SUBJECT: Attached Memorandum on Reorganization of Transportation Functions

DOWNGRADED TO:

SECRET

UNITED STATES GOVERNMENT

CONFIDENTIAL

DECLASSIFIED

(effective date)

DATE: January 30, 1946

(effective date)

(approving authority)

The attached memorandum by Mr. Williams on the reorganization of the transportation functions of the Federal Government has been prepared in response to Mr. Hoelscher's circular memorandum of December 28, 1945. I fully concur in the basic proposals of the memorandum. As you will note, we propose the creation of a Federal Transportation Agency of considerable importance, but which would omit the economic regulatory functions of the Interstate Commerce Commission, Maritime Commission, and CAB.

The memorandum should provide an adequate basis for initial staff discussion within the Bureau. We are not wedded to the details of the proposal and many need extensive further study.

The distinction between functions of economic regulation and functions of promotion, aid, operation, and provision of fixed facilities is fundamental to the analysis. We believe that it would be unwise to create a single agency combining functions of economic regulation with the other functions named, even if the Reorganization Act permitted this course.

While we favor the eventual creation through legislation of a separate single agency for economic regulation, we do not favor transferring all or portions of the Maritime Commission and Civil Aeronautics Board into the Interstate Commerce Commission under the authority of the Reorganization Act. Major changes in the statutory organization and mandate of the Interstate Commerce Commission and a considerable revitalization of its personnel would be essential before the transfer of other agencies to it could be considered desirable.

Notwithstanding the limitations imposed by the Reorganization Act, it seems clear that it would be possible to create a Transportation Agency with great breadth of scope and important powers. The potential field of usefulness for this agency seems to us of sufficient importance to warrant early action by the President.

In view of its subject matter, the memorandum presumably should be treated as strictly confidential and its circulation within the Bureau should probably be controlled.

Attachment

Office Memorandum

DOWNLOADED TO:	SECRET
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CONFIDENTIAL	(effective date)
DECLASSIFIED	2/26/70
(effective date)	January 30, 1946
(approving authority)	Arthur D. Long OMB

TO : Mr. J. Weldon Jones

FROM : Paul T. David

SUBJECT: Reorganization of Transportation Functions

With further reference to my memorandum of January 30 on the matter of reorganization of transportation functions of the Federal Government, it appears advisable to add to the schedule of agencies and functions to be transferred to the proposed transportation agency the U. S. Coast and Geodetic Survey and Weather Bureau.


The Coast and Geodetic Survey is charged primarily with functions relating to marine and aerial navigation, including the preparation of necessary charts and maps. Only two minor functions of the Survey relate to nontransportation matters. These are its seismological observations and investigations and its magnetic observations which provide useful information for various groups outside the transportation industry.

A large portion of the functions of the Weather Bureau have come to relate to transportation, particularly to marine and aerial navigation. Close coordination of its work in connection with air navigation along with the functions of the CAA is most essential. Substantial use is made of Weather Bureau forecasts by other groups and particularly by agricultural interests. Primary factors, however, covering the work of the Bureau relate to the needs of transportation thus establishing a logic for its inclusion in the proposed transportation agency.

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. David

DATE: Feb. 8, 1946

FROM : C. H. Schwartz, Jr. 

SUBJECT: Replies of ICC and ODT to Budget Bureau Bulletin 1945-46:15 and proposal advanced for the establishment of a Federal Transportation Agency.

I am transmitting to you the information furnished us by Mr. Miles regarding the subject referred to above together with Mr. Holl's comments. I am also attaching a short memorandum which I have prepared on establishing a Federal transportation agency.

Attachments

Mr. Schwartz

February 6, 1946

W. K. Holl

ODT Reply to Budget Bureau Bulletin 1945-46:15

Director Johnson of ODT has made the same proposal that the ICC made about transferring all quasi-legislative and quasi-judicial functions relating to air transportation to the ICC. (See my memo about the ICC proposal.) Colonel Johnson has gone one step further and proposed that executive and promotional functions relating to transportation be transferred from ICC, CAA, CAB, and other Government agencies to a new department in the Executive Branch of the Government in the charge of a member of the President's cabinet.

The loose meaning of "quasi-legislative", "quasi-judicial", "executive functions", and "promotional functions" make it difficult to be concrete about these proposals. The first thing that will have to be done if the proposals are considered seriously is to arrive at a definition of terms and to establish what organizational units of the various agencies are affected.

Colonel Johnson has attached to his reply to our Bulletin his reply to the questionnaire of the Lea Committee. Although a considerable part of the material for the Lea Committee does not directly affect Government organization, it is highly important to consider the material along with organization problems. This material points up the fact that we do have an adequate National Transportation Policy, but that the policy is being defeated to a considerable extent by the Federal Government's own program and by the programs of various State and local governments. It is senseless to talk about regulating so that each carrier performs the transportation service for which it is economically most fitted, if at the same time the various governments are going to make a farce of the relative economy and fitness idea by indiscriminate aides and inequitable taxation.

In the last paragraph of page 2 of the report to the Lea Committee the advantages of a Transportation Authority are described. According to this paragraph such an Authority could (1) eliminate the competition which now exists among various agencies of the Government in the promotion of particular forms of transportation and (2) develop and make effective a National Transportation Policy. The next paragraph, however, states that no major reorganization of the ICC is desirable or needful. To me these two ideas are completely inconsistent. If the ICC is to function much as it now does as a regulatory agency, it will inevitably have a major voice in transportation policy. On the other hand, the Transportation Authority would be doing such things as operating airways, inspecting locomotives, and performing other functions which are not policy determining.

In arriving at a conclusion as to what agencies we desire to have in the transportation field and as to how they should function we should raise our sights high enough to include in one place all the elements that go into relative economy and fitness. I believe that it may be possible to do this by simply imposing upon the ICC the obligation of conducting continuous research and making annual reports and recommendations to the Congress about promotional expenditures, public aides, and taxation. The relative economy concept is such an integral part of ICC regulation that the Commission is the only logical place for this responsibility. The Commission is doing a considerable amount of cost work and it will continue to do more and more cost and research work in connection with its day by day regulation. The addition of studies and reports about public aides and taxation would be comparatively inexpensive.

I believe that the Commission should be charged with responsibility for carrying out the National Transportation Policy. It should be given control over all carriers and it should be required to make studies and reports concerning aides and taxation to assist in carrying out the policy. The Commission should be a quasi-legislative and quasi-judicial body which acts administratively through an administrator. The administrator should serve at the pleasure of the President. It would be entirely proper, and probably advantageous, to have the running of airports, inspection of locomotives, and some of the public roads functions performed by an operating agency.

CONFIDENTIAL*Office Memorandum* • UNITED STATES GOVERNMENT

TO : The Director

DATE: April 2, 1946

FROM : D. C. Stone (Miles, Burton)

SUBJECT: A Reorganization Plan on Transportation

The attached memorandum for the President has been developed in cooperation with David and Williams of the Fiscal Division, and Schwartz, Holl, Holt, and Horn of the Estimates Division. The following questions are submitted for your decision:

1. Should the paragraph on the bottom of page 2 on the transfer of functions into ICC be omitted?
2. Should the memorandum suggest to the President that he recommend legislation in his reorganization plan message to round out that part of the organization which cannot be touched under the Reorganization Act?
3. Should there be any reservations as to transferring agencies out of the Commerce Department?
4. Shouldn't you be prepared to make a definite recommendation to the President?

Attachment

~~CONFIDENTIAL~~

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON, 25, D. C.

MEMORANDUM FOR THE PRESIDENT

SUBJECT: A Reorganization Plan on Transportation

In our discussion on March 7 regarding the preparation of plans under the Reorganization Act, you expressed great interest in possible action in the transportation field. I then promised you an early memorandum on the subject. The following presents for your comment our views as to the objectives, limitations, and alternative possibilities in reorganizing the transportation functions of the Executive Branch.

Objectives

Any reorganization plan for transportation should further the following long-range objectives:

1. The Nation requires for its sound economic and physical development an adequate, well-balanced transportation system. Each form of transport—air, rail, road, water and pipe line—should play its proper role in relation to the others for maximum safety, efficiency, economy, and public service.
2. The Federal Government should discharge its transportation functions in a manner to achieve the foregoing purposes. The Government spends hundreds of millions of dollars each year on the construction of roads, airports, aids to navigation, and other direct or indirect financing of transportation service; and on the direct operation of transportation facilities and services. The Government also regulates the finances, organization, routes, service, and safety of privately-owned transportation enterprises. The potent influence on the country's transportation system which these activities enable should be exerted so as to promote the development of a really effective national system in which each medium of transport plays its proper part.
3. If the Government is to apply its influence constructively, it must formulate and administer a consistent transportation policy and program. Without greater

clarification of policy and program, immense waste in Federal transportation expenditures is inevitable.

4. The present dispersion among Federal agencies of responsibilities in the transportation field must be greatly reduced if the coordinated development and execution of a transportation policy and program is to be achieved. Four Federal agencies are assigned important segments of the Government's total responsibility for water transport; two other agencies are concerned exclusively with air transport; another agency deals with railroads, motor vehicle carriers, and pipe lines; still another is responsible for the public roads system. Then there are many other segments of functions scattered about. A detailed enumeration of U. S. transportation functions by agencies would cover several pages. The result is a piecemeal, uncoordinated approach which makes extremely difficult, if not impossible, effective executive leadership for the achievement of a sound and comprehensive national transportation service.
5. In organizational terms, all this adds up to the need for a consolidation of transportation functions in such manner as to obtain a viewing of transportation needs as a whole and the coordinated discharge of all Federal transportation programs.

Limitations under the Reorganization Act

Realization of the foregoing objective is complicated by the following limitations in the Reorganization Act.

1. The Act exempts from reorganization two agencies, the War Department Corps of Engineers and the Interstate Commerce Commission. Nothing can be done with the Commission or the Corps other than to transfer functions and agencies into them.
2. The Reorganization Act also limits action with respect to quasi-judicial or quasi-legislative functions of independent agencies. This prohibition may further complicate the achievement of a desired reorganization because so many transportation functions are in this category.

Alternative Reorganization Plans

One possibility considered and discarded is the transfer of functions and agencies into the Interstate Commerce Commission. In view

of the prohibition against doing anything to improve the internal organization and operations of the Interstate Commerce Commission, this alternative has little merit.

At present we are working on variations or combinations of the following three alternative reorganization plans:

Alternative Plan 1 would consolidate in a "Federal Transportation Agency" most of the transportation functions which can be placed in a single-headed agency. The Civil Aeronautics Board and certain regulatory functions of the U. S. Maritime Commission would be excluded. The agency might include Civil Aeronautics Administration, Public Roads Administration, War Shipping Administration, the functions of the former Bureau of Marine Inspection and Navigation, the Coast Guard, Inland Waterways Corporation, certain functions of the U. S. Maritime Commission, certain research and information functions of the Bureau of Foreign and Domestic Commerce, and perhaps the Weather Bureau. This new agency could not, of course, include the Interstate Commerce Commission or the Corps of Engineers.

Alternative Plan 2 would bring together in the Federal Transportation Agency most or all of the transportation functions proposed under Alternative Plan 1. In addition, it would include certain regulatory activities excluded under Plan 1, particularly the Civil Aeronautics Board and the remaining activities of the U. S. Maritime Commission. It would establish within the agency an independent board or commission to administer regulatory functions.

Alternative Plan 3 would bring into a single-headed "Federal Maritime Agency" only the functions related to water transport and would provide a board or commission in the agency for certain regulatory functions. This would include the U. S. Maritime Commission, War Shipping Administration, Inland Waterways Corporation, the functions of the former Bureau of Marine Inspection and Navigation, and the Coast Guard. The function of the Interstate Commerce Commission relating to inland waterways, and the Corps of Engineers, could not be included under the limitations of the Reorganization Act.

The Immediate Problem

The immediate problem is to determine how sweeping a reorganization of transportation functions should be attempted at this time within the limitations of the Reorganization Act. Should we proceed only with a water transport agency, or should we attempt a more sweeping consolidation of transportation functions?

A consolidation of functions cutting across the transportation field would offer the following benefits:

1. It would produce an agency which could be headed by a man of considerable stature to whom the President could look as his man for developing and promoting a comprehensive policy and program in the transportation field.
2. It would permit, with respect to a large segment of Federal transportation activities, the achievement of a coordinated and balanced transportation policy and program.
3. It would eliminate, for those activities, a large number of fragmentary presentations of proposals and budget programs whose respective success would depend as much on the stridency and effectiveness of their respective advocates as on the relative merits of their recommendations.
4. It would enable the development and application of consistent policy for different modes of transport and avoid, for example, unbalanced favoritism in such matters as Federal aid to particular forms of transport.
5. It would capitalize on the opportunity that now exists to achieve a comprehensive approach in the transportation field which may be permanently lost if action only on some lesser scale is attempted at this time.

For the above reasons, we would favor the establishment of an over-all transportation agency. If this is not feasible, we would recommend as a step in that direction the consolidation of maritime functions in a maritime agency. Such a plan will probably encounter less opposition and will produce the following benefits:

1. It will correct, insofar as possible, the situation with respect to that mode of transport in which there is the greatest scattering of responsibilities.
2. The integration of the presently scattered maritime functions in a single strong maritime agency may facilitate the organization and operation of any comprehensive transportation agency which might subsequently be established.

Limitations and Difficulties

All of the alternative reorganization plans are beset with certain major limitations and difficulties. First, the exclusion of the Interstate Commerce Commission, as required by the Reorganization Act, leaves out a substantial part of Federal responsibilities in the transportation

field, covering railroads, motor carriers, domestic water carriers and pipe lines. Second, while the Reorganization Act specifies that the independence of judgment of independent agencies in the exercise of quasi-judicial and quasi-legislative functions must be preserved, there is no clear legal definition of these functions. Even without this legal complication, it would be very difficult to define and allocate such functions. Finally, powerful opposition by the interests affected can be expected for any plan, but particularly for an over-all transportation agency. This means that the fight for acceptance of the reorganization must be based upon careful advance planning and that effective leadership for this fight must be designated by you.

May I discuss with you the extent to which it will be feasible or desirable to go in proposing a reorganization plan?

Director

Mr. Miles

February 11, 1946

C. H. Schwartz Jr.

Proposal to consolidate CAA, CAB, and USMC into a Federal Transportation Agency

I have been sympathetic to the idea of establishing a Department of Transportation which under the Reorganization Act might presumably be initiated as an Authority. If there is any merit in the idea of Transportation Authority I should think it would lie in the possibility of having an Administrator speak for the Administration upon transportation, which is not possible at the present time when the transportation functions are spread through a number of independent agencies and departments. If the Authority is successful we might, at a later date, propose legislation which would authorize the transfer to it of the ICC. The functions of the latter could be merged with the functions of the CAB and such regulatory functions as we may transfer from the Maritime Commission. This regulatory body, exercising only quasi-legislative and quasi-judicial functions, would operate within the authority and with the same degree of independence as is now exercised by the CAB in Commerce. However, if the head of the Authority is a strong individual and has direct access to the President, he certainly, over a period of time, should be able to influence the policies of the regulatory board in such a manner as would be consistent with the general transportation policy which the Administration is advocating. Appointments to the regulatory agency could also be influenced by him.

The Transportation Authority should immediately include the CAB, the CAA, the Inland Waterways Corporation, Maritime Commission, and perhaps the Weather Bureau because of the latter's relationship to the CAA program. Consideration might also be given to including the Federal Communications Commission. I do not see any particular point in transferring the Coast Guard and the Coast and Geodetic Survey or the Hydrographic Office to the transportation agency since I do not see any direct relationship of their activities to the transportation program.

A study should also be made as to what other functions in the Government of a transportation character should be transferred to such an agency. For example, there has been under consideration for some time the possibility of establishing a central Rate Bureau of the type initiated in the Treasury Department before the war. I do not know how far we should go in transferring all transportation research into such an agency because some of the principal departments such as Agriculture and Commerce could justify some research in this area in connection with their substantive program. I believe research should play an important part in the operations of the Authority since if it is done it might be possible to avoid periodic establishment of special agencies to study the transportation problems confronting the Nation, e.g., Board of Investigation and Research, etc. However, the latter should be fully explored by the Division of Statistical Standards.

Transfers of agencies to the Authority should be able to show definitely some economy in operation as well as a more effective transportation policy. I do not know what the possibilities would be of economies that might result from bringing the Maritime Commission into the same agency as the CAA. This should be fully explored.

- 2 -

In the event consideration is given to the establishment of such an Authority, it might be placed within the Department of Commerce although I think an equally effective case could be made for establishing it as an independent agency on the theory that it eventually would attain departmental status. The determination as to whether a separate Transportation Authority should be established or whether it should be placed within the Department of Commerce may well depend upon what functions might be transferred out of the Department of Commerce under the Reorganization Act and also the extent to which it is desirable to have a spokesman for transportation as distinguished from commerce. I have a feeling that even under the revitalized Department of Commerce the emphasis will be placed on functions relating more to industry and commerce than to transportation.

I am also attaching Mr. Holl's memoranda commenting on the reorganization proposals of the ICC and ODT. He suggests another alternative in place of a separate transportation Authority. Copies of these memoranda together with the ICC and ODT proposals have been forwarded to Mr. David.

Attachments

MAILED
JUN 13 1935
BUREAU OF THE BUREAU

Office Memorandum

UNITED STATES GOVERNMENT

DATE: 4/12/46

TO :

Mr Donald H. Vickers Jones

FROM :

S. J. Daniel

SUBJECT :

The attached memo has been prepared because of your comment that the question of whether to try a reorganization plan for transportation turned in part on possible personnel to head the new agency. We haven't thought of any ideal candidates, but have canvassed most of the names we could think of.

Transportation
Agency

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. Paul T. David

DATE: April 11, 1946

FROM : Ernest W. Williams, Jr. *EWJ*

SUBJECT: Possibilities for the Head of the Proposed Transportation Agency

No one man outstandingly suggests himself for this position. Indeed, there appear to be none who are ideally qualified. Among transportation men, few are available who have had adequate Government experience and who are not too deeply attached to a single type of transportation. The nature of the job precludes the use of any man from the carriers. Aside from the industry itself, the only men with any significant experience or understanding of transportation problems are to be found in existing Government transportation agencies or in the academic world. Few of these would qualify for impartiality or administrative experience.

It may be necessary to cast aside any thought of securing a transportation man to head the agency and to rely instead on a capable administrator who can draw about him good transportation specialists in the various types of transport and build up eventually within his own agency men of broader transportation interests.

My own acquaintance with administrators in Government has been limited largely to those I have encountered in the war agencies. A few of them might be worthy of consideration. I am listing below a number of prospects, no one of which seems to me entirely suited for the job although all are probably worthy of consideration in view of the lack of an outstanding person who could readily be agreed upon.

Among men with transportation background in Government the following suggest themselves:

Mr. George P. Baker who has been a careful student of transportation, especially railroads, during his Harvard years and is well schooled in the general principles and theory of transportation, has had specialized and presumably valuable experience in connection with his membership on the CAB, his service on the NRPB Advisory Committee on Transportation Policy, and in the State Department. Apparently his only opportunity to demonstrate large administrative capacity developed during his service with the Quartermaster Corps where he held the rank of Colonel and is understood to have done a good job in reorganizing Quartermaster Corps procedures.

Colonel J. M. Johnson is a somewhat eccentric person but one of great vitality and growing experience in transportation matters. He is not known to have demonstrated any great administrative capacity although he did serve as President of the Inland Waterways Corporation and was certainly exposed to

administrative problems of magnitude as Director of the ODT. Although it is possible that General Young carried a large part of the administrative burden following Colonel Johnson's original and rather abortive reorganization of the ODT, it appears that the Colonel shouldered more and more of the burden as time went on. He is also reputed to have applied himself vigorously to improving his knowledge of transportation problems. The Colonel's active service of limited duration with ICC and as Chairman of the ODT would hardly suggest an attachment to any particular form of transportation. Prior to his appointment to the ICC in 1941 he had had little experience in transportation affairs and had been engaged primarily as consulting engineer. His engineering work, however, included some bridge, highway, and waterways items.

L. Welch Pogue came to the Civil Aeronautics Authority as Assistant General Counsel after extensive legal practice with Boston and New York firms. He was later made General Counsel and subsequently Chairman of the CAB. He has demonstrated large ability in holding the Board together in its formative state, but the character of the problems encountered on the Board afforded little opportunity to demonstrate administrative competence.

With the possible exception of Charles D. Mahaffie, I believe no other member of the ICC should be considered. Mahaffie would probably be accused of railroad-mindedness and is fairly well along in age. He is, however, one of the best administrators among the Commissioners and is a man of excellent reputation. His specialty has been finance and reorganization and he would be tackling quite a new set of problems were he to attempt a synthesis of the various organizations proposed for inclusion in the transportation agency.

The Transportation Corps of the Army has lost most of its better men to the carriers, and they are therefore now ineligible for a service of this kind. Most of them were railroad officers of some stature but hardly men who would be thought of in this connection. The ranking officers were always regular Army men of only incidental transportation experience.

Looking toward administrators who have given some promise during the war, there were at WPB Messrs. W. L. Batt, Sam Anderson, and John Fennelly. Mr. Batt, of course, is older than the others and has been involved largely in international problems. He is an excellent negotiator and tolerably good at organizing and administering a staff of some size. He has an ability to grasp problems and has had some acquaintance, at least, with the wartime situations developed in the transportation field. His past private connection and future plans might well conflict with a proposed assignment with this agency.

Mr. Anderson was with WPB only a short while in the post of Program Vice Chairman but acquitted himself admirably. His background has been in Wall Street, but he indicated great ability to disassociate himself from past connections in making decisions as a WPB official. His handling of the staff was admirable and in all respect better than that of any other Program Vice Chairman. He came in at a time when the shortage of materials

was critical and a growing realization of the controlling importance of components and subassemblies was just beginning to permeate WPB and require important changes in its operating methods. He grappled with these problems with quite a measure of success and during his short regime he substantially established the policies later carried out in breaking component bottlenecks.

Mr. Fennelly was a predecessor of Mr. Anderson in the post of Program Vice Chairman and likewise demonstrated considerable ability. He was also a Wall Street man and has since been with the Committee on Economic Policy. He has undoubtedly acquired a broad grasp of general economic problems and would probably acquit himself well. It is questionable, however, whether either Mr. Anderson or Mr. Fennelly has been sufficiently in the public eye to command the respect essential for filling this position initially.

Among civilians who served the War Department, several men of outstanding ability appeared in connection with the Strategic Bombing Survey. Mr. Paul Nitze, who had previously been with the FEA and was at one time considered to take Mr. Batt's position on the CRMB, carried the weight of the work of organizing and conducting the operations of the surveys and is largely responsible for the scope and content of its reports. His experience prior to government work was in the financial field as a member of the Dillon-Reed firm. He was there involved in railroad and utility reorganization cases and served as a director of several public utility concerns and railroad companies. It is possible that he still holds one or more railroad directorships. He has, however, demonstrated a large capacity for and an enormous interest in public work.

Mr. Henry Alexander of the J. P. Morgan ^{firm,} who was associated with the German phase of the survey, was by all odds the most competent man connected with the organization. His government experience is so limited, however, and his preference for private affiliations is so great as to suggest that he would not be available.

When all things are considered, it might be best to secure such a man as Mr. John Blandford or Mr. Lewis Douglas, if either could be obtained for this job. Either would command greater respect and be more at home in pushing forward a program on the Washington scene than any of the men mentioned above. Either would doubtless surround himself with able transportation men who would provide all the advice and counsel necessary of a technical nature. In the earlier stages of the organization, the primary objectives must be to establish an organization which will be respected and which will be well articulated within itself in order to serve the primary function of centralizing the development of transportation policy. This does not require a transportation man at the head, but it does suggest a man already acquainted with Government organization and already favorably established in the opinion of the public as competent to hold a position of this magnitude.

~~CONFIDENTIAL~~

JB
April 13, 1946
Copy No. 1

REORGANIZATION PLAN NO. OF 1946

Prepared by the President and transmitted to the Senate and the House of Representatives in Congress assembled, 1946, pursuant to the provisions of the Reorganization Act of 1945, approved December 20, 1945.

Section 1. Federal Maritime Agency.—The following agencies and functions are transferred and consolidated to form a new agency to be known as the Federal Maritime Agency:

- (1) The United States Coast Guard in the Treasury Department and its functions including the Commandant of the Coast Guard and his functions.
- (2) The functions of the United States Maritime Commission.
- (3) The functions of the War Shipping Administration and of its Administrator.
- (4) Except as otherwise provided by section 4 of this Plan, all functions of the Bureau of Marine Inspection and Navigation and of the various offices and agencies thereof including those of the Director, the supervising inspectors, the principal travelling inspectors, the travelling inspectors, the local inspectors, the assistant inspectors, the shipping commissioners, the deputy shipping commissioners, and the Board of Supervising Inspectors, the Boards of Local Inspectors, the Marine Casualty Investigation Board, and the Marine Boards, which functions were temporarily transferred

to the Commandant of the United States Coast Guard and the Bureau of Customs in the Treasury Department by Executive Order 9083 of February 28, 1942, under authority of Title I of the First War Powers Act of 1941.

- (5) The Inland Waterways Corporation in the Department of Commerce and its functions including those of its Board.
- (6) The functions of the Collectors of Customs with respect to the award of numbers to undocumented vessels, which functions were temporarily transferred to the Commandant of the United States Coast Guard by Executive Order 9083 of February 28, 1942, under authority of Title I of the First War Powers Act of 1941.

Federal

Section 2. Federal Maritime Administrator and ~~National~~ Maritime Board.—The Federal Maritime Agency shall be administered in the following manner:

- (a) There shall be a Federal Maritime Administrator, who shall be appointed by the President by and with the advice and consent of the Senate and shall receive a salary at the rate of \$10,000 per annum. He shall have supervision and control over the administration of all functions, offices, and constituent units of the Agency except the ^{*Federal*} ~~National~~ Maritime Board and

the functions vested in it by Section 3 of this Plan, and shall have supervision and control over all functions excepted in ^{at} ~~this~~ section from the jurisdiction of the board. He shall be responsible for the coordination of all functions and units under his control.

- (b) There shall be an Assistant Federal Maritime Administrator who shall be appointed by the President by and with the advice and consent of the Senate and shall receive a salary at the rate of \$10,000 per annum. The Assistant Administrator shall act as Administrator during the absence or disability of the Administrator or in the event of vacancy in that office and shall perform such other duties as the Administrator shall direct. The Federal Maritime Administrator and Assistant Federal Maritime Administrator shall serve at the pleasure of the President.
- (c) There shall be a Federal Maritime Board which shall consist of the Federal Maritime Administrator, and of four other members who shall be appointed by the President by and with the advice and consent of the Senate and who shall receive salaries at the rate of \$10,000 per annum. The Board shall elect its chairman. Of the members first appointed to the Board, one shall be appointed to serve for four years, one for three years, one for two years, and one for one year, and thereafter their successors shall be appointed for terms of four years, except that a person appointed to fill a vacancy shall be appointed only for the unexpired term of the member whom he succeeds. ~~A vacancy in the Board shall be filled in the same manner as an original appointment.~~ Not more than two of the

four appointive members shall be appointed from the same political party. Any such appointive member may be removed by the President for neglect of duty or malfeasance in office. The Administrator may designate an officer of the Agency as his alternate on the Board with full authority to act for him in his absence. Three of the five members, counting the alternate as a member in the absence of the Administrator, shall constitute a quorum for the transaction of the business of the Board. The Board shall perform the functions vested in it by section 3 of this Plan. With respect to such functions the Board's actions and decisions shall be final insofar as the Agency is concerned and shall not be subject to modification or review by any officer of the Agency: Provided, That the budgeting, accounting, personnel, procurement, and related routine management functions of the Board shall be performed under the direction and supervision of the Administrator through such facilities as he shall designate or establish.

Section 3. Functions of Federal Maritime Board.---The Federal Maritime Board shall have and perform all of the functions heretofore conferred by statute on the United States Maritime Commission except:

1. The functions of the Commission which prior to the effective date of this Plan were temporarily vested in the War Shipping Administration or the Administrator thereof by statute or by Executive order issued under authority of Title I of the First War Powers Act of 1941, other than those functions transferred to the War Shipping Administrator or to the Administrator thereof relative to the purchase, sale, charter, insurance, reconstruction, remodeling, reconditioning, and repair of vessels, and to suits in admiralty. Provided, that the Board shall authorize the operation of all vessels owned by the United States, whether operated directly or through operating agents under agency agreements, including determination of the type of vessel to be used, the routes to be followed, and the character of service to be rendered, and approval of all agency agreements: Provided further, that such authority of the Board shall not extend to emergency relief and rehabilitation shipping operations.
2. The functions of preserving and maintaining vessels placed by the board in reserve under the provisions of the Merchant Ship Sales Act of 1946, or held by the Board in inactive status under other authority.

3. The inspection of the United States flag commercial vessels in which the United States has a financial interest, including inspection, for compliance with the terms of contracts, plans, specifications or other requirements determined or approved by the Board, of such vessels as may be under construction, reconstruction, remodeling, reconditioning, or repair.

4. The functions of examining the navigation laws of the United States and the rules and regulations thereunder, and of submitting to the Congress recommendations for the revision of such laws.

5. The functions pertaining to the Board of Visitors to the Merchant Marine Academy.

Section 4. Functions Transferred to Bureau of Customs.--

The functions of the Bureau of Marine Inspection and Navigation and of the various offices and agencies thereof pertaining to registry, enrollment, and licensing of vessels, including the issuance of commissions to yachts, the assignment of signal letters, and the preparation of all reports and publications in connection therewith; measurement of vessels (other than the function of prescribing the requirements for the measurement of vessels for the purpose of calculating tonnage duties and tolls), administration of tonnage duties, and collection of tolls; entrance and clearance of vessels and aircraft, regulation of vessels in the coasting and fishing trades, and limitation of the use of foreign vessels in waters under the jurisdiction of the United States; recording of sales, conveyances, and mortgages of vessels; protection of steerage passengers, except the function of controlling the structural features of vessels affecting steerage passengers; except as hereinbefore indicated, all other functions of such Bureau and of the various offices and agencies thereof which are now performed by the Bureau of Customs; and the power to remit and mitigate fines, penalties, and forfeitures incurred under the laws governing these functions, are transferred to the Secretary of the Treasury to be performed under his supervision and control by the Bureau of the Customs or such other officers and employees of the Department of the Treasury as he shall designate.

Section 5. Offices and Agencies Abolished.—The following offices and agencies are abolished: the War Shipping Administration including its Administrator, the United States Maritime Commission, the Bureau of Marine Inspection and Navigation, and the offices and agencies of the Bureau of Marine Inspection and Navigation including *those of* the Director, the supervising inspectors, the principal travelling inspectors, the travelling inspectors, the local inspectors, the assistant inspectors, the shipping commissioners, the deputy shipping commissioners, and the Board of Supervising Inspectors, the Boards of Local Inspectors, the Marine Casualty Investigation Board, and the Marine Boards.

Section 6. Functions of Secretary of Commerce and Secretary of the Treasury.—The functions of the Secretary of Commerce and of the Secretary of the Treasury relating to the agencies and functions transferred from their departments by this Plan are transferred to the Federal Maritime Administrator, except that such functions relating to the functions set forth in section 4 hereof are transferred to the Secretary of the Treasury.

Section 7. Transfer of Personnel, Property, Records, and Funds.—The personnel, assets, property, records, and the unexpended balances of all appropriations, allocations and other funds (including the appropriations, allocations and funds available or to be made available for the fiscal year ending June 30, 1947) which the Director of the Bureau of the Budget shall determine to relate primarily to the functions transferred or consolidated by this Plan are transferred

9
- 8 -

to the respective agencies concerned for use in the administration
of the functions so transferred or consolidated.

~~CONFIDENTIAL~~

GOB
April 17, 1946
Copy No. 1

REORGANIZATION PLAN NO. OF 1946

Prepared by the President and transmitted to the Senate and the House of Representatives in Congress assembled, , 1946, pursuant to the provisions of the Reorganization Act of 1945, approved December 20, 1945.

Federal Transportation Agency

Section 1. Establishment of Federal Transportation Agency.—

The following agencies and functions are transferred and consolidated to form a new agency to be known as the Federal Transportation Agency:

- (1) The Civil Aeronautics Administration in the Department of Commerce and its functions including the functions of the Administrator of Civil Aeronautics.
- (2) The Civil Aeronautics Board in the Department of Commerce and its functions.
- (3) The Public Roads Administration in the Federal Works Agency and its functions including the Commissioner of Public Roads and his functions.
- (4) The United States Coast Guard in the Treasury Department and its functions including the Commandant of the Coast Guard and his functions.
- (5) The functions of the United States Maritime Commission.
- (6) The functions of the War Shipping Administration and of its Administrator.
- (7) Except as otherwise provided by section ⁷/₄ of this Plan, all functions of the Bureau of Marine Inspection and Navigation and of the various offices and agencies

thereof including those of the Director, the supervising inspectors, the principal travelling inspectors, the travelling inspectors, the local inspectors, the assistant inspectors, the shipping commissioners, the deputy shipping commissioners, and the Board of Supervising Inspectors, the Boards of Local Inspectors, the Marine Casualty Investigation Board, and the Marine Boards, which functions were temporarily transferred to the Commandant of the United States Coast Guard and the Commissioner of Customs in the Treasury Department by Executive Order 9083 of February 28, 1942, under authority of Title I of the First War Powers Act of 1941.

- (8) The Inland Waterways Corporation in the Department of Commerce and its functions including the Chairman of its Board and his functions.
- (9) The functions of the Collectors of Customs with respect to the award of numbers to undocumented vessels, which functions were temporarily transferred to the Commandant of the United States Coast Guard by Executive Order 9083 of February 28, 1942, under authority of Title I of the First War Powers Act of 1941.
- (10) The functions of the Department of Commerce and of the Secretary of Commerce with respect to the shipping industry and transportation facilities under the Act of February 14, 1903 (32 Stat. 825, ch. 552).

~~analysis, and dissemination of information on trans-
portation.~~

Section 2. Federal Transportation Administrator.—(a) At the head of the Federal Transportation Agency there shall be a Federal Transportation Administrator, who shall be appointed by the President by and with the advice and consent of the Senate and shall receive a salary at the rate of \$10,000 per annum. Except as otherwise provided by sections 5 and 6 of this Plan, he shall have supervision and control over the administration of all agencies and functions of the Federal Transportation Agency and shall be responsible for their coordination.

(b) The functions of the Secretary of Commerce, the Secretary of the Treasury, and the Federal Works Administrator relating to the agencies and functions transferred and consolidated into the Federal Transportation Agency by this Plan, including the functions of the Secretary of Commerce as incorporator of the Inland Waterways Corporation, are transferred to the Federal Transportation Administrator, except that the Secretary of the Treasury shall continue to hold the capital stock of such Corporation.

(c) The following functions heretofore vested in agencies transferred and consolidated into the Federal Transportation Agency are transferred to the Federal Transportation Administrator and shall be performed by him or under his supervision and control by such officers and employees of the Agency as he shall designate:

- (1) The adoption and promulgation of such rules and regulations as may be necessary to carry out the various

laws administered by the Federal Transportation Agency and its constituent agencies except as otherwise provided by sections 5 and 6 of this Plan.

- (2) The conduct of research and statistical activities.
- (3) The preparation and submission to the Congress of annual reports on operations and activities.

Section 3. Assistant Federal Transportation Administrator.---

There shall be an Assistant Federal Transportation Administrator, who shall be appointed by the President by and with the advice and consent of the Senate and shall receive a salary at the rate of \$10,000 per annum. The Assistant Administrator shall act as Administrator during the absence or disability of the Administrator or in the event of vacancy in that office and shall perform such other duties as the Administrator shall direct.

Section 4. Composition of Federal Transportation Agency.---

(a) The Federal Transportation Agency shall consist of and be administered through the following constituent units and agencies:

- (1) The Civil Aeronautics Administration, which shall be administered under the supervision and control of the Federal Transportation Administrator by a Commissioner of Civil Aeronautics.
- (2) The Civil Aeronautics Board, which shall have the functions and the relationship to the rest of the Federal Transportation Agency provided by section 5 of this Plan.

- (3) The Public Roads Administration, which shall be administered under the supervision and control of the Federal Transportation Administrator by the Commissioner of Public Roads.
- (4) The National Maritime Board, which shall be constituted as provided by section 6 of this Plan and shall have the functions and the relationship to the rest of the Federal Transportation Agency therein provided.
- (5) Such constituent unit or units as the Federal Transportation Administrator shall establish for the administration of the functions of the Agency relating to water transportation: Provided, That the United States Coast Guard shall be continued as an organizational entity for the administration of the functions vested in it by statute. Each such constituent unit shall be administered under the supervision and control of the Federal Transportation Administrator by a commissioner appointed as hereinafter provided.
- (6) Such other offices and units as the Federal Transportation Administrator shall establish for the administration of functions transferred and consolidated into the Federal Transportation Agency by this Plan.
 - (b) The Commissioner of Civil Aeronautics and the commissioners in charge of such constituent units as may be established to administer the water transportation functions of the Agency shall be appointed by the Administrator in accordance with the provisions of

section 4 of the Reorganization Act of 1945 and shall receive salaries of \$10,000 per annum.

Section 5. Civil Aeronautics Board.—The Civil Aeronautics Board shall have and shall perform the functions which were vested in it by law immediately preceding the effective date of this Plan. It shall report to the Congress and the President through the Federal Transportation Administrator. It shall exercise its functions of rule-making (including the prescription of rules, regulations, and standards), adjudication, and investigation independently of the Federal Transportation Administrator; but the budgeting, accounting, personnel, procurement, and related routine management functions of the Civil Aeronautics Board shall be performed under the direction and supervision of the Federal Transportation Administrator through such facilities as he shall designate.

Alternative Draft -

The Civil Aeronautics Board shall have and shall perform the functions which were vested in it by law immediately preceding the effective date of this Plan. It shall have the same administrative relation to the Federal Transportation Agency and to the Federal Transportation Administrator as that to the Department of Commerce and to the Secretary of Commerce under section 7 of Reorganization Plan No. IV, which took effect under authority of the Reorganization Act of 1939.

Section 6. National Maritime Board.—(a) Establishment of National Maritime Board.—There shall be a National Maritime Board,

which shall consist of the Federal Transportation Administrator or an officer of the Federal Transportation Agency designated by him to represent him on the Board and of four other members who shall be appointed by the President by and with the advice and consent of the Senate and who shall receive salaries at the rate of \$10,000 per annum. Of the members first appointed to the Board, one shall be appointed to serve for four years, one for three years, one for two years, and one for one year, and thereafter their successors shall be appointed for terms of four years, except that a person appointed to fill a vacancy shall be appointed only for the unexpired term of the member whom he succeeds. A vacancy in the Board shall be filled in the same manner as an original appointment. Not more than two of the four appointive members shall be chosen from the same political party. Any such appointive member may be removed by the President for neglect of duty or malfeasance in office. Three of the five members shall constitute a quorum for the transaction of the business of the Board. The Administrator or the officer designated as his representative on the Board shall be the chairman of the Board.

(b) Functions of the Board.—The Federal Maritime Board shall have and perform all of the functions heretofore conferred by statute on the United States Maritime Commission except:

(1) The functions of the Commission which prior to the effective date of this Plan were temporarily vested in the War Shipping Administration or the Administrator thereof by statute or by Executive order issued under authority of Title I of the First War Powers Act of 1941, other than those functions transferred to the War Shipping Administrator or to the Administrator thereof relative to the purchase, sale, charter, insurance, reconstruction, remodeling, reconditioning, and repair of vessels, and to suits in admiralty. Provided, that the Board shall authorize the operation of all vessels owned by the United States, whether operated directly or through operating agents under agency agreements, including determination of the type of vessel to be used, the routes to be followed, and the character of service to be rendered, and approval of all agency agreements: Provided further, that such authority of the Board shall not extend to emergency relief and rehabilitation shipping operations.

(2) The functions of preserving and maintaining vessels placed by the board in reserve under the provisions of the Merchant Ship Sales Act of 1946, or held by the Board in inactive status under other authority.

(3) The inspection of the United States flag commercial vessels in which the United States has a financial interest, including inspection, for compliance with the terms of contracts, plans, specifications or other requirements determined or approved by the Board, of such vessels as may be under construction, reconstruction, remodeling, reconditioning, or repair.

(4) The functions of examining the navigation laws of the United States and the rules and regulations thereunder, and of submitting to the Congress recommendations for the revision of such laws.

(5) The functions pertaining to the Board of Visitors to the Merchant Marine Academy.

(c) Relation of Board to Federal Transportation Agency.—The National Maritime Board shall report to the Congress and the President through the Federal Transportation Administrator. The Board shall exercise its functions of rule-making (including the prescription of rules, regulations, and standards), adjudication, and investigation independently of the Federal Transportation Administrator; but the budgeting, accounting, personnel, procurement, and related routine management functions of the Board shall be performed under the direction and supervision of the Administrator through such facilities of the Federal Transportation Agency as he shall designate.

Section 7. Functions Transferred to Bureau of Customs and Secretary of the Treasury.—(a) The functions of the Bureau of Marine Inspection and Navigation and of the various offices and agencies thereof pertaining to registry, enrollment, and licensing of vessels, including the issuance of commissions to yachts, the assignment of signal letters, and the preparation of all reports and publications in connection therewith; measurement of vessels (other than the function of prescribing the requirements for the measurement of vessels for the purpose of calculating tonnage duties and tolls), administration of tonnage duties, and collection of tolls; entrance and clearance of vessels and aircraft, regulation of vessels in the coasting and fishing trades, and limitation of the use of foreign vessels in waters under the jurisdiction of the United States; recording of sales, conveyances, and mortgages of vessels; protection of steerage passengers, except the function of controlling the structural features of vessels affecting steerage passengers; except as hereinbefore indicated, all other functions of such Bureau and of the various offices and agencies thereof which are now performed by the Bureau of Customs; and the power to remit and mitigate fines, penalties, and forfeitures incurred under the laws governing these functions, are transferred to the Secretary of the Treasury to be performed under his supervision and control by the Bureau of the Customs or such other officers and employees of the Department of the Treasury as he shall designate.

(b) The functions of the Secretary of Commerce relating to the administration of the functions specified by paragraph (a) are transferred to the Secretary of the Treasury.

Section 8. Agencies Abolished.—(a) The following agencies are abolished: the Civil Aeronautics Authority, the War Shipping Administration including its Administrator, the United States Maritime Commission, the Bureau of Marine Inspection and Navigation, and the offices and agencies of the Bureau of Marine Inspection and Navigation including the Director, the supervising inspectors, the principal travelling inspectors, the travelling inspectors, the local inspectors, the assistant inspectors, the shipping commissioners, the deputy shipping commissioners, and the Board of Supervising Inspectors, the Boards of Local Inspectors, the Marine Casualty Investigation Board, and the Marine Boards.

(b) The affairs of the agencies abolished by this section shall be wound up under the supervision and control of the Federal Transportation Administrator by such officers and employees of the Federal Transportation Agency as he shall designate.

Section 9. Transfer of Personnel, Property, Records, and Funds.—The personnel, assets, property, records, and the unexpended balances of all appropriations, allocations and other funds (including the appropriations, allocations and funds available or to be made available for the fiscal year ending June 30, 1947) which the Director of the Bureau of the Budget shall determine to relate primarily to the functions transferred or consolidated by this Plan are transferred to the respective agencies concerned for use in the administration of the functions so transferred or consolidated.

Section 10. Effective Date of Plan.—This plan shall take effect at the time provided by section 6(a) of the Reorganization Act of 1945, but not before July 1, 1946.

R.E. Burton
April 17, 1946
Draft

ISSUES RE TRANSPORTATION REORGANIZATION
PLAN

I. With Respect to a Maritime Agency

1. Should we provide a separation of training from personnel licensing functions? Of construction from approval of safety of ships?
2. Shall we put the Administrator on the Board? How?
3. What functions shall be given the Board? Independent quasi-judicial and quasi-legislative functions plus
 - (a) Granting and administration of subsidies including study and determination of desired routes and services for which subsidies shall be granted?
 - (b) The functions in (a) except the determination of desired routes and services?
 - (c) The functions of (a) except administering subsidies (eg., supervising construction)?
 - (d) Hearing appeals on subsidy applications solely on issue of qualifications of applicants (similar to (b) above)?
 - (e) Hearing appeals from administrator on subsidy decisions?
 - (f) Hearing appeals from penalties for safety violations (eg. suspension or revocation of certificates or licenses)?
 - (g) Some variation or combination of these?

The Board would inherit from the U. S. Maritime Commission various functions relating to the approval of, or hearing complaints of discrimination on, rates and services.

II. With Respect to a Transportation Agency.

The issues listed above plus

1. Shall we preserve the identity of PRA, CAA, and Coast Guard?
2. Shall we provide for an Assistant Administrator?
3. Shall we transfer research and statistical functions to the Administrator?
4. Shall we vest in the Administrator the function of adopting rules and regulations under the laws administered by the Agency or its constituents?
5. Shall the appointment of heads of constituents be vested in the Administrator rather than in the President with Senate approval?

Underlining - Williams' Insertions
Brackets - Williams' Deletions

R. J. Burton
4-18-46
Draft as revised by
Williams

DRAFT REORGANIZATION PLAN MESSAGE ON TRANSPORTATION

A comprehensive, well-organized national transportation system is essential to the sound economic and physical development of our nation. This has been affirmed repeatedly by members of Congress, representatives of the transportation industry, and unprejudiced transportation experts. It is stated in numerous statutes enacted by the Congress. Each form of transport -- air, rail, road, water and pipe line -- should play its proper role in relation to the others for maximum safety, efficiency, economy, and public service. To the extent that these objectives are not realized, the nation or certain of its areas or industries suffers economic retardation or loss, and we fall short of achieving the maximum (public convenience and necessity). flow of persons and goods which technology makes possible and desirable.

Congress has properly recognized the vital importance of transportation by prescribing a wide variety of functions to be performed by the Federal Government (~~for the realization of~~) to realize the objectives I have just set forth. The national government spends hundreds of millions of dollars each year on the construction of roads, airports, aids to navigation, and other direct or indirect financing of transportation services; and on the direct operation of other transportation services and facilities.

~~(Also)~~ The Federal Government regulates the finances, organization, routes, rates, service, and safety of privately-owned transportation enterprises.

~~(All)~~ The sum of these activities (~~amount to~~) constitutes a tremendous influence on the country's transportation (~~.)~~ which, wisely directed, can ~~(This influence can be exerted so as to)~~ promote the development of a really

effective national transportation system in which each medium plays its proper part.

William J. Sullivan

In the period immediately before us we face problems of great magnitude in transportation. Our highway system is obsolescent and, in many areas, undermaintained. It is full of bottlenecks, particularly in the great urban centers. Congestion is returning and will one day exceed in intensity that which imposed such serious delay and waste in the years before the war. The terminal problem is always before us in all types of transportation and a coordinated solution has nowhere been fully attempted. Our expanding air services require many additional airports which must be located advantageously to realize to the utmost the capabilities of this promising type of transport and coordinated with the agencies of ground transportation, especially the highways which must feed and service these air terminals. Our river and harbor terminals have, for the most part, become obsolescent and have seldom been designed with an eye to proper coordination with the agencies of land transport connecting with them -- the railroads and highways. We have a large housing program underway which must be served by new extended, or expanded transportation facilities.

With the present organization of Federal transportation functions we tend through separate agencies to promote each of the types of transportation separately with little regard for what is being done in others. We undertake waterways projects without adequate knowledge of the probable effects upon rail transportation or the possibility of the existing rail plant accomplishing for us the same objectives by which we seek to justify a waterway improvement. We provide airports or other terminal facilities outside of currently planned highway programs and then spend lavishly upon new ground

*Richmond
Institution*

transportation facilities to correct our errors. We have no continuing research program that will keep the Federal Government abreast of developments in all forms of transportation and the changing relations of each form to the others. We need a national transportation plan; but we have only a highway plan, a collection of waterways and harbor projects, the beginnings of an airport plan. Nowhere are we equipped to fit them together and to determine the most productive application of available funds upon work of this character.

Even for a single method of transportation we have not consolidated the related Federal functions in one organization with broad responsibility. We are completely unequipped to impliment a national transportation policy which embraces all forms.

*Richmond
Institution*

To so influence the nation's transportation service, the government must be able to develop and effect a coordinated national transportation policy and program. Yet, the achievement of this comprehensive, coordinated policy and program is impossible so long as the transportation functions of the Federal government are scattered, as they now are, among so many agencies of the Executive Branch.

*The point
is that
they
are not
to be
ignored
any*

At present, at least four Federal agencies are respectively assigned important segments of the government's total responsibility for water transport; at least another two agencies are concerned exclusively with air transport; another agency deals with the regulation of certain water carriers, railroads, motor vehicle carriers, and pipe lines; still another promotes and finances public road construction. A detailed enumeration of Federal responsibilities and their allocation among the agencies of the Executive Branch would cover many pages.

Is this fact

The result is a piecemeal, uncoordinated approach toward the nation's transportation service. Waste in Federal expenditures is inevitable. Different modes of transport suffer harmful discrimination ~~in such activities~~, for example, ~~(C)~~ in Federal Aid. (Lest this be misunderstood, I wish to emphasize that I do not object to special and different treatment for different types of transport so long as this is part of a sound and balanced approach to transportation needs as a whole.) The President and the Congress are continuously confronted with numerous proposals and budget programs for transportation whose respective success depends as much on the stridency and effectiveness of their respective advocates as on the relative merits of the recommendations. The President and the Congress have no single center of responsibility in the Executive Branch which can comprehensively view and act upon the nation's transportation needs and to which they can look for advice and accountability.

The accompanying reorganization plan is a first step, and a major one, to correct the existing situation. A Federal Transportation Agency is established. In it are consolidated, within the limitations of the Reorganization Act, various Federal transportation agencies and functions — the Civil Aeronautics ~~(Authority)~~ Administration, the Public Roads Administration, the United States Coast Guard, ~~(the Public Roads Administration)~~, the Inland Waterways Corporation, certain functions of the Bureau of Marine Inspection and Navigation, research and information functions on transportation of the Bureau of Foreign and Domestic Commerce, and the functions of the War Shipping Administration and the United States Maritime Commission. While the identity and functions of certain agencies, such as the Public Roads Administration, the United States Coast Guard and the Civil Aeronautics

Administration, are preserved in the plan, incorporation in a single agency enables coordinated programming and policy execution. The plan brings into a single agency most of the spending, operating, and safety functions exercised by the Federal Government in the transportation field.

The administrative provisions of the reorganization plan give recognition to the independent board. The Civil Aeronautics Board is transferred to the Federal Transportation Agency as ^{being located there} more appropriately ~~belonging there~~ rather than in the Department of Commerce; also because the Civil Aeronautics Administration will be located in the new Federal Transportation Agency. However, the (independence) autonomy of the Civil Aeronautics Board as a quasi-judicial and quasi-legislative body is preserved.

Do we want to say we're going to have it as a separate agency?

The plan also creates a National Maritime Board. Various maritime functions are assigned to it. While the Federal Transportation Administrator or his designated alternate is made Chairman of the National Maritime Board to promote a highly desirable liaison, the independence of the Board is preserved both by specific provision and by the conditions prescribed for the appointment and service of the other four members of the Board.

A board has long been recognized as serving a very useful purpose in providing an independent, collective deliberation and determination in the exercise of certain regulatory functions. But a board is also recognized as a less effective instrument in directing the execution of large-scale, action programs, in achieving quick, flexible adjustments to changing policy requirements and public needs. The Federal Transportation Administrator, very much responsible and responsive to the Chief Executive, the Congress and the Public, can provide this type of leadership.

*Will
deleting*

The need for dynamic, aggressive leadership in the transportation field has been well stated in a comprehensive report on "Transportation and National Policy" prepared under the able general guidance of the Honorable Owen D. Young. In submitting this report to the President in 1942, the National Resources Planning Board summarizes from the report as follows:

"The Transportation system has its setting in a dynamic economy, and hence the problem we face is and will be a constantly changing one. No 'final' solution will ever be achieved. The problem, rather, is to set up machinery and to formulate guiding principles whereby continuing adjustment can be made to new situations as they develop; to changes in the technology of transport; to changes in the character of demand for transportation service; to changes in economic organization; and finally, to changes in national policy." The report concludes that a permanent national transportation agency is urgently needed.

The importance of dynamic leadership in the exercise of Federal transportation responsibilities is most forcibly evidenced in dealing with transportation beyond our national boundaries. The United States must contend in international transportation with strong, government monopolies. I do not believe that the nation's private enterprise in this field should be sacrificed to meet the challenge. *But* *continued* ~~I~~ do not believe that the United States should prevent other nations from realizing their legitimate share of international transportation. I do believe that a firm, aggressive, flexible and integrated leadership is needed if the administration of the nation's policies and programs in this area is to be adequate to the challenge, if the vitality of this important aspect of our nation's economic well-being and security is to be fully developed and maintained.

*out
of
place*

In transferring the functions of the Bureau of Marine Inspection and Navigation, it is necessary to confirm the existing and appropriate assignment of certain of these functions to the Bureau of Customs. This has been provided in the reorganization plan.

The reorganization plan also provides an annual salary of \$10,000 for the Federal Transportation Administrator. This is the maximum salary that can be provided under the Reorganization Act. It is not, in my opinion, commensurate with the responsibilities of the office. I, ~~(therefrom)~~ therefor earnestly recommend legislative action to increase this salary.

Further action should and must be taken to round out the provisions of the accompanying reorganization plan if its intended objectives are to be fully realized. The limitations and prohibitions of the Reorganization Act have precluded consideration of a number of significant organizational changes. Apart from this, I believe that the Federal Transportation Administrator will find additional legislation necessary ~~(to)~~ fully to effect the policies and desires of the Congress. However, the Federal Transportation Administrator should be given adequate opportunity to take stock and contribute his views before further action is taken to enable fulfillment of the role anticipated here for the new Federal Transportation Agency.

~~CONFIDENTIAL~~

GOB
April 26, 1946
Copy No. 1

REORGANIZATION PLAN NO. OF 1946

Prepared by the President and transmitted to the Senate
and the House of Representatives in Congress
assembled, 1946, pursuant to the provisions of the
Reorganization Act of 1945, approved December 20, 1945

Federal Maritime Agency

Section 1. Establishment of Federal Maritime Agency. — The
following agencies and functions are transferred and consolidated to
form a new agency to be known as the Federal Maritime Agency:

- (1) The United States Coast Guard in the Treasury Department
and its functions including the Commandant of the Coast
Guard and his functions.
- (2) The functions of the United States Maritime Commission.
- (3) The functions of the War Shipping Administration and
of its administrator.
- (4) Except as otherwise provided by section 4 of this Plan,
all functions of the Bureau of Marine Inspection and
Navigation and of the various offices and agencies
thereof including those of the Director, the super-
vising inspectors, the principal travelling inspectors,
the travelling inspectors, the local inspectors, the
assistant inspectors, the shipping commissioners, the
deputy shipping commissioners, and the Board of Super-
vising Inspectors, the Boards of Local Inspectors, the
Marine Casualty Investigation Board, and the Marine
Boards, which functions were temporarily transferred

to the Commandant of the United States Coast Guard and the Bureau of Customs in the Treasury Department by Executive Order 9083 of February 28, 1942, under authority of Title I of the First War Powers Act of 1941.

- (5) The Inland Waterways Corporation in the Department of Commerce and its functions including those of its Board.
- (6) The functions of the Collectors of Customs with respect to the award of numbers to undocumented vessels, which functions were temporarily transferred to the Commandant of the United States Coast Guard by Executive Order 9083 of February 28, 1942, under authority of Title I of the First War Powers Act of 1941.

Section 2. Federal Maritime Administrator and Federal Maritime Board. -- The Federal Maritime Agency shall be administered in the following manner:

- (a) There shall be a Federal Maritime Administrator, who shall be appointed by the President by and with the advice and consent of the Senate and shall receive a salary at the rate of \$10,000 per annum. With the exception of the Federal Maritime Board and the functions vested in it by Section 3 of this Plan, the Administrator

- 3 -

shall have supervision and control over the administration of all functions, offices, and constituent units of the Agency.

- (b) There shall be a Deputy Federal Maritime Administrator who shall be appointed by the President by and with the advice and consent of the Senate and shall receive a salary at the rate of \$10,000 per annum. The Deputy Administrator shall act as Administrator during the absence or disability of the Administrator or in the event of vacancy in that office and shall perform such other duties as the Administrator shall direct. The Federal Maritime Administrator and Deputy Federal Maritime Administrator shall serve at the pleasure of the President.
- (c) There shall be a Federal Maritime Board which shall consist of the Federal Maritime Administrator, and of four other members who shall be appointed by the President by and with the advice and consent of the Senate and who shall receive salaries at the rate of \$10,000 per annum. The Board shall elect its chairman.* Of the members first appointed to the Board, one shall be appointed to serve for four years, one for three years, one for two years, and one for one year, and thereafter their successors

*Alternative(1) The President shall designate its chairman.

Alternative(2) The Federal Maritime Administrator shall serve as its chairman.

shall be appointed for terms of four years, except that a person appointed to fill a vacancy shall be appointed only for the unexpired term of the member whom he succeeds. A vacancy in the Board shall be filled in the same manner as an original appointment. Not more than two of the four appointive members shall be appointed from the same political party. Any such appointive member may be removed by the President for neglect of duty or malfeasance in office. The Administrator may designate an officer of the Agency as his alternate on the Board with full authority to act for him in his absence. Three of the five members, counting the alternate as a member in the absence of the Administrator, shall constitute a quorum for the transaction of the business of the Board. The Board shall perform the functions vested in it by section 3 of this Plan. With respect to such functions the Board's actions and decisions shall be final insofar as the Agency is concerned and shall not be subject to modification or review by any officer of the Agency: Provided, That the budgeting, accounting, personnel, procurement, and related routine management functions of the Board shall be performed under the direction and supervision of the Administrator through such facilities as he shall designate or establish.

Section 3. Functions of Federal Maritime Board. — The Federal Maritime Board shall have and perform all of the functions heretofore conferred by statute on the United States Maritime Commission except:

1. The functions of the Commission which prior to the effective date of this Plan were temporarily vested in the War Shipping Administration or the Administrator thereof by statute or by Executive order issued under authority of Title I of the First War Powers Act of 1941, other than those functions transferred to the War Shipping Administration or to the Administrator thereof relative to the purchase, sale, charter, insurance, reconstruction, remodeling, reconditioning, and repair of vessels, and to suits in admiralty: Provided, that the Board shall authorize the operation of all vessels owned by the United States and under the custody of the Board, whether operated directly or through operating agents under agency agreements, including determination of the type of vessel to be used, the routes to be followed, and the character of service to be rendered, and including approval of all agency agreements: Provided further, that such authority of the Board shall not extend to emergency relief and rehabilitation shipping operations.
2. The functions of preserving and maintaining vessels placed by the Board in reserve under the provisions of the Merchant Ship Sales Act of 1946, or held by the Board in

inactive status under other authority.

3. The function of inspecting United States flag commercial vessels in which the United States has a financial interest, including inspection, for compliance with the terms of contracts, plans, specifications or other requirements determined or approved by the Board, of such vessels as may be under construction, reconstruction, remodeling, reconditioning, or repair.
4. The functions of examining the navigation laws of the United States and the rules and regulations thereunder, and of submitting to the Congress recommendations for the revision of such laws.
5. The functions pertaining to the Board of Visitors to the Merchant Marine Academy.

The functions hereinbefore excepted from the jurisdiction of the Federal Maritime Board shall be administered under the supervision and control of the Federal Maritime Administrator.

Section 4. Functions Transferred to Bureau of Customs and Secretary of the Treasury. —

- (a) The functions of the Bureau of Marine Inspection and Navigation and of the various offices and agencies thereof of pertaining to registry, enrollment, and licensing of vessels, including the issuance of commissions to yachts, the assignment of signal letters, and the preparation of all reports and publications in connection therewith;

measurement of vessels (other than the function of prescribing the requirements for the measurement of vessels for the purpose of calculating tonnage duties and tolls), administration of tonnage duties, and collection of tolls; entrance and clearance of vessels and aircraft, regulation of vessels in the coasting and fishing trades, and limitation of the use of foreign vessels in waters under the jurisdiction of the United States; recording of sales, conveyances, and mortgages of vessels; protection of steerage passengers, except the function of controlling the structural features of vessels affecting steerage passengers; except as hereinbefore indicated, all other functions of such Bureau and of the various offices and agencies thereof which are now performed by the Bureau of Customs; and the power to remit and mitigate fines, penalties, and forfeitures incurred under the laws governing these functions, are transferred to the Secretary of the Treasury to be performed under his supervision and control by the Bureau of the Customs or such other officers and employees of the Department of the Treasury as he shall designate.

- (b) The functions of the Secretary of Commerce relating to the administration of the functions specified by paragraph (a) are transferred to the Secretary of the Treasury.

Section 5. Offices and Agencies Abolished. — The following offices and agencies are abolished: the War Shipping Administration including its Administrator, the United States Maritime Commission, the Bureau of Marine Inspection and Navigation, and the offices and agencies of the Bureau of Marine Inspection and Navigation including those of the Director, the supervising inspectors, the principal travelling inspectors, the travelling inspectors, the local inspectors, the assistant inspectors, the shipping commissioners, the deputy shipping commissioners, and the Board of Supervising Inspectors, the Boards of Local Inspectors, the Marine Casualty Investigation Board, and the Marine Boards.

Section 6. Functions of Secretary of Commerce and Secretary of the Treasury. — The functions of the Secretary of Commerce and of the Secretary of the Treasury relating to the agencies and functions transferred and consolidated into the Federal Maritime Agency by this Plan are transferred to the Federal Maritime Administrator, except that the Secretary of the Treasury shall continue to hold the stock of the Inland Waterways Corporation.

Section 7. Transfer of Personnel, Property, Records, and Funds. — The personnel, assets, property, records, and the unexpended balances of all appropriations, allocations and other funds (including the appropriations, allocations and funds available or to be made available for the fiscal year ending June 30, 1947) which the Director of the Bureau of the Budget shall determine to relate primarily to the functions transferred or consolidated by this Plan are transferred

- 9 -

to the respective agencies concerned for use in the administration
of the functions so transferred or consolidated.

~~CONFIDENTIAL~~

Office Memorandum • UNITED STATES GOVERNMENT

TO : For the Director

FROM : Donald C. Stone

SUBJECT: Transportation Plan

DATE: April 26, 1946

This memorandum submits a plan for a transportation agency, with certain alternative provisions. It could readily be converted into a plan for a maritime agency, if policy considerations should require. A preliminary draft of a message is also ready. May we discuss the issues involved in this proposal with you?

Agencies included in the Federal Transportation Agency are Public Roads Administration; Civil Aeronautics Board and Administration; U. S. Maritime Commission and War Shipping Administration; Coast Guard and Bureau of Marine Inspection and Navigation; Inland Waterways Corporation; and the Weather Bureau.

These agencies (except USMC, WSA, and BMIN) would continue with their main statutory functions. Their heads would continue to be appointed as at present (with the same three exceptions) though the titles of some would be changed. The following functions would be centralized in the Administrator: research, reporting, and the issuing of rules and regulations.

The plan would give the Administrator the BMIN functions and some of those of the WSA and USMC and let him delegate them to a new unit or units; he would, however, have to maintain the USCG, with its statutory functions, though he could put it within another unit. The rest of the WSA and USMC functions would go to a Maritime Board.

Alternative provisions are given in the Plan for the division of functions between the Administrator and the Maritime Board. Both, of course, give the few "Quasi" functions of the USMC to the Board. In addition, Alternative A (Section 6) gives the Board control over the program of economic aid to shipping, and makes the Administrator or his representative chairman of the Board. Alternative B restricts the Board to the determination of certain facts regarding aid to shipping, and lets the Administrator administer the subsidy program.

Appendix A: Tabulation of differences between Alternative Plans A and B.

Appendix B: Draft of Plan, including alternatives for Sec. 6.

Appendix C: List of additional proposals for consideration.

~~CONFIDENTIAL~~GOB
April 25, 1946
Copy No. 1Appendix AALTERNATIVE ALLOCATION OF PRINCIPAL MARITIME COMMISSION
AND WAR SHIPPING ADMINISTRATION FUNCTIONS BETWEEN
A BOARD AND AN ADMINISTRATOR

	<u>Present</u>	<u>Plan A</u>	<u>Proposed</u> <u>Plan B</u>
<u>I. Planning</u>			
1. Investigate and report annually to Congress on various shipping matters.	MC	Bd.	Adm. & Bd.
2. Perfect and adopt a long-range program for promoting the merchant marine.	MC	Bd.	Adm.
<u>II. Rate and Service Regulation</u>			
3. Enforcement of certain provisions of law regarding discriminatory rates, unfair competition and practices, including ports and terminals.	Comm.	Bd.	Bd.
4. The regulation of rates and practices in the noncontiguous trades.	Comm.	Bd.	Bd.
5. Approval of conference agreements.	Comm.	Bd.	Bd.
6. Report to President on discriminatory laws and practices of foreign governments, and make corrective regulations not in conflict with law.	Comm.	Bd.	Bd.
<u>III. Training</u>			
7. Administration of U. S. Maritime Service (training), including functions in re civilian nautical schools.	WSA	Adm.	Adm.

	<u>Present</u>	<u>Plan A</u>	<u>Proposed</u>	<u>Plan B</u>
IV. <u>Purchase and Charter</u>				
8. Purchase or charter of vessels.	WSA	Bd.		Adm.
V. <u>Construction and Repair</u>				
9. Repair Government-owned merchant vessels.				
(1) Plans and specifications, and contracts.	WSA	Bd.		Adm.
(2) Inspection.	MC	Adm.		Adm.
10. Construct vessels when conditions require.				
(1) Plans, specifications and contracts.	Comm.	Bd.		Adm.
(2) Inspection for compliance.	Comm.	Adm.		Adm.
11. Administer construction loans for U. S. flag vessels in foreign <u>and domestic</u> trade.	Comm.	Bd.		Adm.
VI. <u>Operation</u>				
12. Operate Government-owned merchant vessels.				
(1) Determine route and type of vessel, etc.	WSA	Bd.		Adm.
(2) Operate, either direct or through agents.	WSA	Adm.		Adm.
13. Administer Merchant Ship Sales Act of 1946.				
(1) Operate vessels.	Comm.	Adm.		Adm.
(2) Place vessels in reserve fleet.	Comm.	Bd.		Adm.
(3) Maintain and preserve reserve fleet.	Comm.	Adm.		Adm.

	<u>Present</u>	<u>Plan A</u>	<u>Proposed</u> <u>Plan B</u>
VI. <u>Operation</u> (cont'd.)			
14. Emergency relief and rehabilitation shipping operations.	WSA	Adm.	Adm.
VII. <u>Sale and Lease</u>			
15. Sell or charter vessels under Merchant Ship Sales Act of 1946.	Comm.	Bd.	Adm., except Bd. determines prices
16. Determine credit allowances for obsolete vessels, to be applied to construction subsidy or loan.	Comm.	Bd.	Bd.
17. Approval of sale, lease, charter, or transfer of any documented vessel to a non-citizen.	Comm.	Bd.	Adm.
VIII. <u>Subsidies</u>			
18. Determine operating costs of suitable routes, and relative costs under U. S. and foreign laws.	MC	Bd.	Bd.
19. Administer construction subsidies.	MC	Bd.	Adm., except Bd. determines applicant's qualifications on referral
(1) Determination or approval of construction plans and specifications and letting of contracts.	MC	Bd.	Adm.
(2) Construction inspection for compliance, and any subsequent inspections.	MC	Adm.	Adm.

Note: The term "construction" includes reconstruction, remodeling, and reconditioning.

	<u>Present</u>	<u>Plan A</u>	<u>Proposed</u> <u>Plan B</u>
VIII. <u>Subsidies (cont'd.)</u>			
20. Administer operating subsidies.	Comm.	Bd.	Adm., except Bd. determines applicant's qualifications on referral
21. To determine minimum manning and wage scales.	Comm.	Bd.	Bd.
IX. <u>Insurance</u>			
22. Administer war risk insurance.	WSA	Adm.	Adm.
23. Administration of ship mortgage in- surance.	Comm.	Bd.	Adm.
X. <u>Miscellaneous</u>			
24. Return of vessels to private ownership.	WSA	Adm.	Adm.
25. Contract settlements re shipyards and construction.	Comm.	Bd.	Adm.
26. Disposal of surplus property. (Most work will probably be completed inside of a year.)	Comm.	Bd.	Adm.

~~CONFIDENTIAL~~

REORGANIZATION PLAN NO. ____ OF 1946

GOB

4-25-46

Copy No. 1

Prepared by the President and Transmitted to the Senate and the House of Representatives in Congress assembled, _____, 1946, pursuant to the provisions of the Reorganization Act of 1945, approved December 20, 1945.

Federal Transportation Agency

Section 1. Establishment of Federal Transportation Agency. The following agencies and functions are transferred and consolidated to form a new agency to be known as the Federal Transportation Agency:

- (1) The functions of the Department of Commerce and of the Secretary of Commerce with respect to the shipping industry and transportation facilities (32 Stat. 825 ch. 552).
- (2) The Civil Aeronautics Administration in the Department of Commerce and its functions, including the Administrator of Civil Aeronautics and his functions.
- (3) The Civil Aeronautics Board in the Department of Commerce and its functions, including the members of the Board and their functions.
- (4) The United States Weather Bureau in the Department of Commerce and its functions, including the Chief of the Weather Bureau and his functions.
- (5) The Public Roads Administration in the Federal Works Agency and its functions, including the Commissioner of Public Roads and his functions.
- (6) The United States Coast Guard in the Department of the Treasury and its functions, including the Commandant of the United States Coast Guard and his functions.

- (7) The United States Maritime Commission and its functions, including the members of the Commission and their functions.
- (8) The functions of the War Shipping Administration and of its Administrator.
- (9) Except as otherwise provided by section 7 of this Plan, all functions of the Bureau of Marine Inspection and Navigation and of the various offices and agencies thereof including those of the Director, the supervising inspectors, the principal travelling inspectors, the travelling inspectors, the local inspectors, the assistant inspectors, the shipping commissioners, the deputy shipping commissioners, and the Board of Supervising Inspectors, the Boards of Local Inspectors, the Marine Casualty Investigation Board, and the Marine Boards which functions were temporarily transferred to the Commandant of the United States Coast Guard and the Commissioner of Customs in the Treasury Department by Executive Order 9083 of February 28, 1942, under authority of Title I of the First War Powers Act of 1941.
- (10) The Inland Waterways Corporation in the Department of Commerce and its functions, including the Chairman of its Board and his functions.
- (11) The functions of the Collectors of Customs with respect to the award of numbers to undocumented vessels, which functions were temporarily transferred to the Commandant of the United States Coast Guard by Executive Order 9083 of February 28, 1942, under authority of Title I of the First War Powers Act of 1941.

Section 2. Federal Transportation Administrator. (a) At the head of the Federal Transportation Agency there shall be a Federal Transportation Administrator, who shall be appointed by the President by and with the advice and consent of the Senate and shall receive a salary at the rate of \$10,000 per annum. Except as otherwise provided by sections 5 and 6 of this Plan, he shall have supervision and control over the administration of all agencies and functions of the Federal Transportation Agency and shall be responsible for their coordination.

(b) The functions of the Secretary of Commerce, the Secretary of the Treasury, and the Federal Works Administrator relating to the agencies and functions transferred and consolidated into the Federal Transportation Agency by this Plan are transferred to the Federal Transportation Administrator, including the functions of the Secretary of Commerce as incorporator of the Inland Waterways Corporation but excluding the function of holding the capital stock of that corporation, which shall continue to be performed by the Secretary of the Treasury.

(c) Except as to the Civil Aeronautics Board and the Maritime Board in the performance of the functions assigned to them by sections 5 and 6 of this Plan, the following functions heretofore vested in agencies transferred and consolidated into the Federal Transportation Agency are transferred to the Federal Transportation Administrator and shall be performed by him or under his supervision and control by such officers and employees of the Agency as he shall designate:

- (1) The adoption and promulgation of such rules and regulations as may be necessary to carry out the various laws administered by the Federal Transportation Agency and its constituent agencies and officers.

(2) The conduct of research and statistical activities.

(3) The preparation and submission to the Congress of annual reports on operations and activities.

Section 3. Assistant Federal Transportation Administrator. There shall be an Assistant Federal Transportation Administrator, who shall be appointed by the President by and with the advice and consent of the Senate and shall receive a salary at the rate of \$10,000 per annum. The Assistant Administrator shall act as Administrator during the absence or disability of the Administrator or in the event of vacancy in that office and shall perform such other duties as the Administrator shall direct.

Section 4. Internal Organization of Federal Transportation Agency.

(a) The Federal Transportation Agency shall consist of and be administered through the following agencies:

(1) The Civil Aeronautics Administration, which shall be administered under the supervision and control of the Federal Transportation Administrator by the Administrator of Civil Aeronautics who shall be known as the Director of Civil Aeronautics.

(2) The United States Weather Bureau, which shall be administered under the supervision and control of the Federal Transportation Administrator by the Chief of the Weather Bureau who shall be known as the Director of the Weather Bureau.

- (3) The Civil Aeronautics Board, which shall have the functions and the relationship to the rest of the Federal Transportation Agency provided by section 5 of this Plan.
- (4) The Public Roads Administration, which shall be administered under the supervision and control of the Federal Transportation Administrator by the Commissioner of Public Roads who shall be known as the Director of Public Roads.
- (5) The Maritime Commission, which shall have the functions and the relationship to the rest of the Federal Transportation Agency provided by section 6 of this Plan.
- (6) Such constituent unit or units as the Federal Transportation Administrator shall establish for the administration of the functions of the Agency relating to water transportation: Provided, That the United States Coast Guard and the Commandant of the United States Coast Guard shall continue to perform the functions vested in them by statute. Each such constituent unit shall be administered under the supervision and control of the Federal Transportation Administrator by an officer appointed by the Administrator in accordance with the provisions of section 4 of the Reorganization Act of 1945 at a salary of \$10,000 per annum, except that nothing herein shall affect the appointment, tenure, or compensation of the Commandant of the United States Coast Guard if designated as the head of such a unit.

(7) Such other agencies as the Federal Transportation Administrator shall establish for the administration of functions transferred and consolidated into the Federal Transportation Agency by this Plan.

Section 5. Civil Aeronautics Board. The Civil Aeronautics Board shall have and shall perform the functions which were vested in it by law immediately preceding the effective date of this Plan. It shall have the same administrative relation to the Federal Transportation Agency and to the Federal Transportation Administrator as was provided to the Department of Commerce and to the Secretary of Commerce by section 7

Section 6. Maritime Board. — Alternative A — (a) Establishment of Maritime Board. There shall be a Maritime Board, which shall consist of the Federal Transportation Administrator or an officer of the Federal Transportation Agency designated by him to represent him on the Board and of four other members who shall be appointed by the President by and with the advice and consent of the Senate and who shall receive salaries at the rate of \$10,000 per annum. Of the members first appointed to the Board, one shall be appointed to serve for four years, one for three years, one for two years, and one for one year, and thereafter their successors shall be appointed for terms of four years, except that a person appointed to fill a vacancy shall be appointed only for the unexpired term of the member whom he succeeds. A vacancy in the Board shall be filled in the same manner as an original appointment. Not more than two of the four appointive members shall be chosen from the same political party. Any such appointive member may be removed by the President for neglect of duty or malfeasance in office. Three of the five members shall constitute a quorum for the transaction of the business of the Board. The Administrator or his representative on the Board shall be the chairman of the Board.

(b) Functions of the Board. ~~(b)~~ The Maritime Board shall have and perform all of the functions heretofore conferred by statute on the United States Maritime Commission except:

- (1) The functions of the Commission which prior to the effective date of this Plan were temporarily vested in the War Shipping Administration or the Administrator thereof by statute or by Executive order issued under authority of Title I of the First War Powers Act of 1941,

other than those functions transferred to the War Shipping Administration or to the Administrator thereof relative to the purchase, sale, charter, insurance, reconstruction, remodeling, reconditioning, and repair of vessels, and to suits in admiralty;

Provided, That the Board shall authorize the operation of all vessels owned by the United States, and under the custody of the Board, whether operated directly or through operating agents under agency agreements, including determination of the type of vessel to be used, the routes to be followed, and the character of service to be rendered, and including approval of all agency agreements; Provided further, That such authority of the Board shall not extend to emergency relief and rehabilitation shipping operations.

- (2) The functions of preserving and maintaining vessels placed by the Board in reserve under the provisions of the Merchant Ship Sales Act of 1946, or held by the Board in inactive status under other authority.
- (3) The function of inspecting United States flag commercial vessels in which the United States has a financial interest, including inspection, for compliance with the terms of contracts, plans, specifications or other requirements determined or approved by the Board, of such vessels as may be under construction, reconstruction, remodeling, reconditioning, or repair.

(4) The functions of examining the navigation laws of the United States and the rules and regulations thereunder, and of submitting to the Congress recommendations for the revision of such laws.

(5) The functions pertaining to the Board of Visitors to the Merchant Marine Academy.

(c) Disposition of Other Functions of United States Maritime Commission. All functions of the United States Maritime Commission other than those assigned to the Maritime Board by paragraph (b) of this section are transferred to the Federal Transportation Administrator and shall be performed by him or under his supervision and control by such officers and employees of the Federal Transportation Agency as he shall designate.

(d) Relationship of Maritime Board to Federal Transportation Agency. The Maritime Board shall have the same administrative relationship to the Federal Transportation Agency and to the Federal Transportation Administrator as that provided for the Civil Aeronautics Board by section 5 of this Plan.

Section 6. Maritime Board. — Alternative B — (a) Maritime Board and Its Functions. The United States Maritime Commission shall hereafter be known as the Maritime Board. The Board shall have and shall perform the following functions vested by law in the United States Maritime Commission: the regulation of rates and practices in the non-contiguous trades; the adjudication of complaints of unreasonable rates and practices; the approval or modification of conference agreements in the foreign trades; the investigation of employment and wage conditions in the merchant marine and the promulgation of standards; the determination of the costs of construction in American and in foreign yards and the American and foreign operating costs for use by the Transportation Agency in determining differential subsidy payments; the determination of sales prices, credit allowances on old vessels, and charter hire for vessels controlled by the United States and certification thereof to the administrator; the authority to require reports by common carriers by water and to subpoena witnesses and their records; the issuance of orders only after full hearing; and the determination, at the request of the administrator, whether a carrier is fit, willing, and able to perform a proposed service.

(b) (Same as paragraph (c) of Alternative A.)

(c) (Same as paragraph (d) of Alternative A.)

Section 7. Functions Transferred to Bureau of Customs and Secretary of the Treasury. (a) The functions of the Bureau of Marine Inspection and Navigation and of the various offices and agencies thereof pertaining to registry, enrollment, and licensing of vessels, including the issuance of commissions to yachts, the assignment of signal letters, and the preparation of all reports and publications in connection therewith; measurement of vessels (other than the function of prescribing the requirements for the measurement of vessels for the purpose of calculating tonnage duties and tolls), administration of tonnage duties, and collection of tolls; entrance and clearance of vessels and aircraft, regulation of vessels in the coasting and fishing trades, and limitation of the use of foreign vessels in waters under the jurisdiction of the United States; recording of sales, conveyance, and mortgages of vessels; protection of steerage passengers, other than the function of controlling the structural features of vessels affecting steerage passengers; except as hereinbefore indicated, all other functions of such Bureau and of the various offices and agencies thereof which are now performed by the Bureau of Customs; and the power to remit and mitigate fines, penalties, and forfeitures incurred under the laws governing these functions, are transferred to the Secretary of the Treasury to be performed under his supervision and control by the Bureau of the Customs or such other officers and employees of the Department of the Treasury as he shall designate.

(b) The functions of the Secretary of Commerce relating to the administration of the functions specified by paragraph (a) are transferred to the Secretary of the Treasury.

Section 8. Agencies Abolished. (a) The following agencies are abolished: the Civil Aeronautics Authority, the War Shipping Administration including its Administrator, the Bureau of Marine Inspection and Navigation, and the offices and agencies of the Bureau of Marine Inspection and Navigation including the Director, the supervising inspectors, the principal travelling inspectors, the travelling inspectors, the local inspectors, the assistant inspectors, the shipping commissioners, the deputy shipping commissioners, and the Board of Supervising Inspectors, the Boards of Local Inspectors, the Marine Casualty Investigation Board, and the Marine Boards.

(b) The affairs of the agencies abolished by this section shall be wound up under the supervision and control of the Federal Transportation Administrator by such officers and employees of the Federal Transportation Agency as he shall designate.

Section 9. Transfer of Personnel, Property, Records, and Funds. The personnel, assets, property, records, and the unexpended balances of all appropriations, allocations and other funds (including the appropriations, allocations and funds available or to be made available for the fiscal year ending June 30, 1947) which the Director of the Bureau of the Budget shall determine to relate primarily to the functions transferred or consolidated by this Plan are transferred to the respective agencies concerned for use in the administration of the functions so transferred or consolidated.

Section 10. Effective Date of Plan. This Plan shall take effect at the time provided by section 6(a) of the Reorganization Act of 1945, but not before July 1, 1946.

CONFIDENTIAL

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4-26-46
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APPENDIX C

List of Additional Proposals for Consideration

1. That Alternative B of Sec. 6 be adopted, but amended to provide that the subsidy-granting functions (with respect to shipping) be given to the Board, except that
 - (a) the Administrator would determine the desired routes and services.
 - (b) the Administrator would supervise ship construction and operation.
 - (c) the Board would be required to obtain the advice of the Administrator (with respect to the statutory criteria) in granting subsidies.

The intent of this would be to let the Administrator control policy determinations, but let the Board judge between competing applicants for aid. This would relieve the Administrator of political heat and lessen arguments against "one-man" control.

2. That the CAB and USMC not be included in the Transportation Agency, but left outside, with the idea of combining them later with ICC in a regulatory agency, separate from the Transportation Agency with its promotional and operating functions. (This proposal is made by Mr. David and his staff, who have drafted appropriate language for a message in case it is decided to adopt the present draft plan, but to announce an intention to combine CAB and USMC

with ICC later in a separate regulatory agency.)

3. That Alternative A of Sec. 6 be adopted, and that the Administrator of the Agency be (a) made not the Chairman but a member of the Board, (b) left off the Board altogether, or (c) given the right to appoint or designate a member of the Board. (Note: Administrator is not on CAB).
4. That the Administrator, in disposing of the BMIN functions and perhaps combining them with the inspection functions of WSA and USMC, be required to set up separate units for training seamen (or officers) and for examining them for certificates (or licenses). (Note: the present draft would let him do so, but not require it.)
5. That the accompanying message recommend the statutory creation of a Transportation Department, and the change of the name of Commerce to Trade and Industry.
6. That the Weather Bureau not be included in the Transportation Agency.
7. That the U. S. Coast Guard not be included in the Transportation Agency.

For Mr. HornR. J. Burton
4-27-46

Section 6. Maritime Commission — (a) Functions.—The name of the United States Maritime Commission shall hereafter be the Maritime Commission. The Commission shall have and shall perform the following functions which were vested in it by law prior to the date when this Plan takes effect: Investigate and certify violations of law prohibiting deferred rebates, use of fighting ships, and discriminatory contracts; disapprove, modify, or cancel agreements by common carriers by water which discriminate or restrict competition; investigate discriminatory acts by shippers, consignors, consignees and brokers with respect to false billing, cut rates, ^{and} preferential insurance rates; order discontinuance of rates found to be unjustly discriminatory between shippers or ports or unjustly prejudicial to U. S. exporters; enforce just regulations for the receiving, handling, storage, and delivery of property; establish and enforce ^{the} requirements for bills of lading ^{and the} responsibilities of shipper and carrier relative to loss and damage, ~~and~~; regulate rates and practices in the non-contiguous trades; determine minimum manning and wage scales and working conditions for all officers and crews of vessels receiving operating-differential subsidies; determine the relative cost of construction of vessels in U. S. and foreign yards and the relative operating costs of vessels under the U. S. and foreign flags and certify the same to the Administrator for the determination of maximum subsidies in construction and operating contracts; investigate and determine the extent and character of aids and subsidies by foreign countries; determine whether an

applicant for any subsidy for an overseas route is fitted, or as among applicants the applicant best fitted, to perform the service found by the Administrator to be required having in mind the ability, experience and financial qualifications of applicants to operate the service, including the ability to replace worn-out tonnage; determine sales prices, credit allowances on old vessels, and charter hire for vessels controlled by the United States, including those comprehended by the Merchant Ship Sales Act of 1946, and certify the same to the Administrator; require reports of common carriers by water in the non-contiguous and foreign trades; subpoena witnesses and their records; and investigate and report to the Congress on relative construction and operating costs, and means of encouraging investment in and the development of U. S. merchant shipping.

(b) Disposition of Other Functions of United States Maritime Commission.—All functions of the United States Maritime Commission other than those specified in paragraph (a) of this section are transferred to the Federal Transportation Administrator and shall be performed by him or under his direction and control by such officers and employees of the Federal Transportation Agency as he shall designate.

(c) Relationship of Maritime Commission to Federal Transportation Agency. The Maritime Commission shall have the same administrative relationship to the Federal Transportation Agency and to the Federal Transportation Administrator as that provided for the Civil Aeronautics Commission by section 5 of this Plan.

~~CONFIDENTIAL~~2/1/46
4/29/46REORGANIZATION PLAN ON TRANSPORTATION

1. The attached Reorganization Plan would establish a Federal Transportation Agency. Included in the proposed Agency are:

Public Roads Administration
Civil Aeronautics Board
Civil Aeronautics Administration
U. S. Maritime Commission
War Shipping Administration
Coast Guard
Bureau of Marine Inspection and Navigation (BMIN)
Inland Waterways Corporation
Weather Bureau

2. These agencies (except War Shipping and BMIN) would continue with their main statutory functions, and their heads would continue to be appointed as at present. The U. S. Maritime Commission and the Civil Aeronautics Board are respectively renamed the Maritime Commission and the Civil Aeronautics Commission. The titles of the heads of the other constituent agencies are uniformly changed to Director.

3. In addition to responsibility for direction and control over the subordinate units (with certain exceptions), the following functions are centralized in the Administrator: research, reporting, and the issuing of rules and regulations. The Plan would give the Administrator, moreover, the functions of the War Shipping Administration, which are temporary wartime functions, and the functions of the BMIN, which are permanent functions that temporarily are in the Coast Guard. It would let him delegate all these functions to new or existing units. He would, however, have to maintain the Coast Guard, with its statutory functions.

Maritime Commission

4. It would be desirable to transfer from the Maritime Commission to the Administrator (to be delegated) those functions of the Commission that are not quasi-legislative or quasi-judicial in nature, such as the construction, operation, and repair of vessels; the award of subsidies, including the determination of routes and services; and the training of maritime personnel. At present, however, these functions are intertwined with those functions of the Commission that either should not be taken away, or that are not politically feasible to transfer.

5. This Plan would therefore take the first step toward the ultimate objective by transferring from the Commission as a whole to its Chairman (a) the appointment and supervision of its subordinate personnel and (b) the power to create divisions and amend the structure of its organization. These powers would be exercised by the Chairman under the supervision and control of the Administrator of the Agency, who could therefore help the President make plans for a more systematic consolidation by future action, possibly by a later Reorganization Plan.

Bureau of Marine Inspection and Navigation (BMIN)

6.

The functions of this Bureau have been in the Coast Guard for more than four years. Within the first two years the Coast Guard (a) completely changed (and greatly improved) the structure of the organization by which these functions were discharged, (b) commissioned nearly all of the old BMIN inspectors in the Coast Guard Reserve, and (c) added an even greater number of regular and reserve Coast Guard officers who had never been in the BMIN in order to take care of the increase in work. The Plan would give the Administrator power to determine whether the Coast Guard is best fitted to discharge these functions, and, if not, to transfer them.

Weather Bureau

7.

The Weather Bureau is included because:

1. A major reason for its transfer into Commerce in 1940 was the need for coordination with Government aviation functions.
2. More than half of Weather Bureau funds and personnel are servicing aviation; Civil Aeronautics Administration personnel are performing Weather Bureau functions; and personnel and operations of the two are closely coordinated.

Recommendations for Legislation

8.

It is proposed that the Reorganization Plan message recommend the enactment of legislation:

- (1) to make the Transportation Agency a Department.
- (2) to increase the Administrator's salary above the \$10,000 maximum allowed in the Reorganization Act.

Burton

April 29, 1946

~~CONFIDENTIAL~~

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5-8-46
Copy No. 7

REORGANIZATION PLAN NO. ___ OF 1946

Prepared by the President and Transmitted to the Senate and the House of Representatives in Congress assembled, _____, 1946, pursuant to the provisions of the Reorganization Act of 1945, approved December 20, 1945.

(7) Federal Transportation Agency
Section 1. Establishment of Federal Transportation Agency.

The following agencies and functions are transferred and consolidated to form a new agency to be known as the Federal Transportation Agency:

- (1) The functions of the Department of Commerce and of the Secretary of Commerce with respect to the shipping industry and transportation facilities under the Act of February 14, 1903 (32 Stat. 825 ch. 552), as amended.
- (2) The Civil Aeronautics Administration in the Department of Commerce and its functions, including the Administrator of Civil Aeronautics and his functions.
- (3) The Civil Aeronautics Board in the Department of Commerce and its functions, including the members of the Board and their functions.
- (4) The United States Weather Bureau in the Department of Commerce and its functions, including the Chief of the Weather Bureau and his functions.
- (5) The Public Roads Administration in the Federal Works Agency and its functions, including the

Commissioner of Public Roads and his functions.

- (6) The United States Coast Guard in the Department of the Treasury and its functions, including the Commandant of the United States Coast Guard and his functions.

- (7) The United States Maritime Commission and its functions, including the members of the Commission and their functions.

- (8) The functions of the War Shipping Administration and of its Administrator.

- (9) Except as otherwise provided by section 7 of this

Plan, all functions of the Bureau of Marine Inspection and Navigation and of the various offices and

agencies thereof including those of the Director,

the supervising inspectors, the principal travelling

inspectors, the travelling inspectors, the local

inspectors, the assistant inspectors, the shipping

commissioners, the deputy shipping commissioners,

and the Board of Supervising Inspectors, the Boards

of Local Inspectors, the Marine Casualty Investiga-

tion Board, and the Marine Boards, which functions

were temporarily transferred to the Commandant of

the United States Coast Guard and the Commissioner

of Customs by Executive Order 9083 of February 28,

1942, under authority of Title I of the First War

shall continue to be performed by the Secretary of the Treasury.

(a) Powers Act of 1941.

(10) The Inland Waterways Corporation in the Department of Commerce and its functions, including the Chairman of its Board and his functions.

(11) The functions of the Collectors of Customs with respect to the award of numbers to undocumented vessels, which functions were temporarily transferred to the Commandant of the United States Coast Guard by Executive Order 9083 of February 23, 1942, under authority of Title I of the First War Powers Act of 1941.

Section 2. Federal Transportation Administrator. (a) At the

head of the Federal Transportation Agency there shall be a Federal Transportation Administrator, who shall be appointed by the President by and with the advice and consent of the Senate and shall receive a salary at the rate of \$10,000 per annum. Except as otherwise provided by sections 5 and 6 of this Plan, he shall have direction and control over the administration of all agencies and functions of the Federal Transportation Agency and shall be responsible for their coordination.

(b) The functions of the Secretary of Commerce, the Secretary of the Treasury, and the Federal Works Administrator relating to the agencies and functions transferred and consolidated into the Federal Transportation Agency by this Plan are transferred to the Federal Transportation Administrator, including the functions of the Secretary of Commerce as incorporator of the Inland Waterways Corporation but excluding the function of holding the capital stock of that corporation, which shall continue to be performed by the Secretary of the Treasury.

(c) Except as to the Civil Aeronautics Commission and the United States Maritime Commission in the performance of the functions assigned to them by sections 5 and 6 of this Plan, the following functions heretofore vested in agencies transferred and consolidated into the Federal Transportation Agency are transferred to the Federal Transportation Administrator and shall be performed by him or under his direction and control by such officers and employees of the Agency as he shall designate:

- (1) The adoption and promulgation of such rules and regulations as may be necessary to carry out the various laws administered by the Federal Transportation Agency and its constituent agencies and officers.
- (2) The conduct of research and statistical activities.
- (3) The preparation and submission to the Congress of annual reports on operations and activities.

Section 3. Assistant Federal Transportation Administrator.

There shall be an Assistant Federal Transportation Administrator, who shall be appointed by the President by and with the advice and consent of the Senate and shall receive a salary at the rate of \$10,000 per annum. The Assistant Administrator shall act as Administrator during the absence or disability of the Administrator or in the event of vacancy in that office and shall perform such other duties as the Administrator shall direct.

Section 4. Internal Organization of Federal Transportation

Agency. (a) The affairs of the Federal Transportation Agency shall be in accordance with the provisions of section 4 of the

carried on through the Civil Aeronautics Commission and the United States Maritime Commission, which shall have the functions and the relationship to the Agency and the Federal Transportation Administrator provided by sections 5 and 6, respectively, of this Plan, and through the following agencies, which shall be administered under the direction and control of the Federal Transportation Administrator by the officers herein designated as their heads:

- (1) The Civil Aeronautics Administration, which shall be headed by the Administrator of Civil Aeronautics whose title shall be changed to Director of Civil Aeronautics.
- (2) The United States Weather Bureau, which shall be headed by the Chief of the Weather Bureau whose title shall be changed to Director of the Weather Bureau.
- (3) The Public Roads Administration, which shall be headed by the Commissioner of Public Roads whose title shall be changed to Director of Public Roads.
- (4) Such constituent unit or units as the Federal Transportation Administrator shall establish to administer the functions of the Agency relating to water transportation: Provided, That the United States Coast Guard and the Commandant of the United States Coast Guard shall continue to perform the functions vested in them by statute. Each such constituent unit shall be headed by an Officer appointed by the Administrator in accordance with the provisions of section 4 of the

Section 6. Maritime Commission -- (c) Reorganization

Reorganization Act of 1945 at a salary of \$10,000 per annum, except that nothing herein shall affect the appointment, tenure, or compensation of the Commandant of the United States Coast Guard if designated as the head of such a unit.

(5) Such other units and agencies as the Federal Transportation Administrator shall establish to administer functions transferred and consolidated into the Federal Transportation Agency by this Plan.

Section 5. Civil Aeronautics Commission. The name of the Civil Aeronautics Board shall hereafter be the Civil Aeronautics Commission. The Commission shall have and shall perform the functions which were vested in the Civil Aeronautics Board prior to the date when this Plan takes effect. It shall have the same administrative relation to the Federal Transportation Agency and to the Federal Transportation Administrator as was provided for the Civil Aeronautics Board to the Department of Commerce and to the Secretary of Commerce by section 7 of Reorganization Plan No. IV which took effect under the Reorganization Act of 1939.

(a) The functions of the Bureau of Marine Inspection and Navigation and

of the various offices and agencies thereof pertaining to registry, certification, and licensing of vessels, including the issuance of certificates to masters, the assignment of signal letters, and the preparation of all reports and publications in connection therewith; and the control of vessels (other than the function of prescribing the

Maritime Commission.— All functions of the United States Maritime Commission other than those specified in paragraph (a) of this section are transferred to the Federal Transportation Administrator and shall be performed by him or under his direction and control by such officers and employees of the Federal Transportation Agency as he shall designate.

Transportation Agency. — The United States Maritime Commission shall have the same administrative relationship to the Federal Transportation Agency and to the Federal Transportation Administrator as that provided for the Civil Aeronautics Commission by section 5 of this Plan.

(a) The functions of the Bureau of Marine Inspection and Navigation and

(4) The location of the meetings of the committee should be the consideration of the Committee should be made and the committee should be the members of the committee.

[illegible]

of the various offices and agencies thereof pertaining to registry, enrollment, and licensing of vessels, including the issuance of commissions to yachts, the assignment of signal letters, and the preparation of all reports and publications in connection therewith; measurement of vessels (other than the function of prescribing the requirements for the measurement of vessels for the purpose of calculating tonnage duties and tolls), administration of tonnage duties, and collection of tolls; entrance and clearance of vessels and aircraft, regulation of vessels in the coasting and fishing trades, and limitation of the use of foreign vessels in waters under the jurisdiction of the United States; recording of sales, conveyance, and mortgages of vessels; protection of steerage passengers, other than the function of controlling the structural features of vessels affecting steerage passengers; except as hereinbefore indicated, all other functions of such Bureau and of the various offices and agencies thereof which are now performed by the Bureau of Customs; and the power to remit and mitigate fines, penalties, and forfeitures incurred under the laws governing these functions, are transferred to the Secretary of the Treasury to be performed under his direction and control by the Bureau of the Customs or such other officers and employees of the Department of the Treasury as he shall designate.

(b) The functions of the Secretary of Commerce relating to the administration of the functions specified by paragraph (a) are transferred to the Secretary of the Treasury.

Section 8. Agencies Abolished. (a) The following agencies are abolished: the Civil Aeronautics Authority, the War Shipping Administration including its Administrator, the Bureau of Marine Inspection and

Navigation, and the offices and agencies of the Bureau of Marine Inspection and Navigation including the Director, the supervising inspectors, the principal travelling inspectors, the travelling inspectors, the local inspectors, the assistant inspectors, the shipping commissioners, the deputy shipping commissioners, and the Board of Supervising Inspectors, the Boards of Local Inspectors, the Marine Casualty Investigation Board, and the Marine Boards.

(b) The affairs of the agencies abolished by this section shall be wound up under the direction and control of the Federal Transportation Administrator by such officers and employees of the Federal Transportation Agency as he shall designate.

Section 9. Transfer of Personnel, Property, Records, and Funds.

The personnel, assets, property, records, and the unexpended balances of all appropriations, allocations, and other funds (including the appropriations, allocations, and funds available or to be made available for the fiscal year ending June 30, 1947) which the Director of the Bureau of the Budget shall determine to relate primarily to the functions transferred or consolidated by this Plan are transferred to the respective agencies concerned for use in the administration of the functions so transferred or consolidated.

Section 10. Effective Date of Plan. This Plan shall take effect at the time provided by section 6(a) of the Reorganization Act of 1945, but not before July 1, 1946.

~~CONFIDENTIAL~~

REORGANIZATION PLAN ON TRANSPORTATION

The attached Reorganization Plan would establish a Federal Transportation Agency. Included in the proposed Agency are:

Public Roads Administration
Civil Aeronautics Board
Civil Aeronautics Administration
U. S. Maritime Commission
War Shipping Administration
Coast Guard
Bureau of Marine Inspection and Navigation (BMIN)
Inland Waterways Corporation
Weather Bureau

These agencies (except War Shipping and BMIN) would continue with their main statutory functions, and their heads would continue to be appointed as at present. The Civil Aeronautics Board is renamed the Civil Aeronautics Commission. The titles of the heads of the other constituent agencies (except the Maritime Commission) are uniformly changed to Director.

In addition to responsibility for direction and control over the subordinate units (with certain exceptions), the following functions are centralized in the Administrator: research, reporting, and the issuing of rules and regulations. The Plan would give the Administrator, moreover, the functions of the War Shipping Administration, which are temporary wartime functions, and the functions of the BMIN, which are permanent functions that temporarily are in the Coast Guard. It would let him delegate all these functions to new or existing units. He would, however, have to maintain the Coast Guard, with its statutory functions.

Maritime Commission

Paragraph b of section 6 of the attached Reorganization Plan, specifying the functions of the Maritime Commission, has purposely been left blank. It would be administratively desirable to transfer from the Maritime Commission to the Administrator (to be delegated) those functions of the Commission that are not quasi-legislative or quasi-judicial in nature, such as the construction of vessels; the award of subsidies, including the determination of routes and services; and the sale and charter of ships. On the other hand, political opposition aroused by such a provision might bring defeat of the Plan.

Because of the above conflicting factors, five alternative drafts of paragraph b of section 6 are presented and discussed in a separate memorandum attached. These alternatives range from leaving the Commission with functions presently being exercised (alternative A) to divesting it

of all except quasi-judicial and quasi-legislative functions (alternative E). The latter (alternative E) is the most desirable administratively; if that is not politically feasible, alternative A is recommended.

Bureau of Marine Inspection and Navigation (BMIN)

The functions of this Bureau have been in the Coast Guard for more than four years. Within the first two years the Coast Guard (a) completely changed (and greatly improved) the structure of the organization by which these functions were discharged, (b) commissioned nearly all of the old BMIN inspectors in the Coast Guard Reserve, and (c) added an even greater number of regular and reserve Coast Guard officers who had never been in the BMIN in order to take care of the increase in work. The Plan would give the Administrator power to determine whether the Coast Guard is best fitted to discharge these functions, and if not to transfer them.

Weather Bureau

The Weather Bureau is included because:

1. A major reason for its transfer into Commerce in 1940 was the need for coordination with Government aviation functions.
2. More than half of Weather Bureau funds and personnel are servicing aviation; Civil Aeronautics Administration personnel are performing Weather Bureau functions; and personnel and operations of the two are closely coordinated.

Recommendations for Legislation

It is proposed that the Reorganization Plan message recommend the enactment of legislation:

- (1) to make the Transportation Agency a Department.
- (2) to increase the Administrator's salary above the \$10,000 maximum allowed in the Reorganization Act.

May 8, 1946

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5-8-46

Copy No. 1

Alternative Drafts of Paragraph b of Section 6 on the Functions of
a Maritime Commission In a Transportation Agency

The functions of the United States Maritime Commission, except limited quasi-judicial and quasi-legislative functions relating to rates and services, are all concerned with the development and promotion of the United States merchant marine. For the Chief Executive to effectively coordinate this activity with our foreign and national defense policies and programs, these functions should not be vested in an independent commission. However, too extensive a divesting of functions from the Commission may stimulate sufficient opposition to defeat a Reorganization Plan for a Transportation Agency. A partial divesting of functions, on the other hand, presents serious difficulties in dividing up the organization, staff and funds of the present Commission. In view of these complications, the accompanying draft of alternative provisions of a section on the Maritime Commission functions was prepared. All of the alternatives vest the quasi-judicial and quasi-legislative functions in the Commission. A discussion of the distinguishing features, disadvantages, and advantages of the alternatives follows: The specific language in the various alternatives is presented at the end of this memorandum.

I. Discussion of Alternatives

Alternative A

Distinguishing Features. This would leave the Commission with its present functions. Paragraph b of section 6 transferring other Commission functions to the Agency Administrator would be unnecessary and would be dropped.

Disadvantages. It gives more to the Commission than should appropriately be assigned to it. It leaves unresolved the confusing functional and organizational overlap between the Commission and the War Shipping Administration (approximately 4,600 employees work for both, although nominally listed on the payroll of one or the other; in addition, War Shipping has approximately 6,750 employees and the Commission has approximately 3,940 employees).

Advantages. It will provoke the least amount of opposition to a Transportation Agency. The Agency Administrator can have a year on the job to size up the Maritime Commission and decide what should be transferred out of the Commission as a second step under the Reorganization Act. This can legitimately be done in terms of cleaning up the overlap between the Commission and the former War Shipping Administration functions.

Alternative B

Distinguishing Features. The provisions are similar to Alternative A except that the Chairman of the Commission would have supervision and direction of the Commission's staff, and their work. This contemplates that the Agency's director of shipping functions would be appointed chairman of the Commission and could more directly work on the transfers out of the Commission to be made in a subsequent reorganization plan. Variations of this alternative would be (a) to put the supervision in the Agency Administrator instead of the Chairman (b) to place the Chairman under the direction of the Administrator in the exercise of the supervisory functions, and (c) to give the Chairman the supervisory functions and reconstitute the Commission with the Agency Administrator or an agency official designated by him as Chairman.

Disadvantages. If the transfers out of the Commission are not achieved, executive control over the Chairman will ultimately be lost. While the variations suggested above would safeguard against this, they might in turn lead to conflicts and difficult relationships between the Administrator and the Commission. Divesting the Commission of authority over staff essential to doing the Commission's job will be hard to explain or justify. The Commission will be temporarily or permanently vested with powers of decision which should be assigned to an administrative official of the Transportation Agency.

Advantages. Positive action will be effectively initiated for desirable further transfers of functions out of the Commission. No powers of decision will be taken from the Commission. The Administrator, through control of Commission staff, can substantially influence Commission decisions. A useful precedent will be set for dealing with the Interstate Commerce Commission. The Interstate Commerce Commission has numerous important quasi-judicial and quasi-legislative functions which may have to be brought within the orbit of executive influence for effective direction of the Government's transportation policies and programs.

Alternative C.

Distinguishing Features. This leaves the Commission responsible only for subsidy awards (in addition to quasi-judicial functions). In the section listing the functions of the Administrator, it would be necessary to specify clearly the responsibility for all supervision of ship construction and operations.

Disadvantages. The determination of subsidy awards derives from the judgments and information in the hand of the operating activities transferred to the jurisdiction of the Administrator. Therefore, it will be necessary to work out an extremely difficult allocation of present Commission staff between the Commission and the Administrator. The Commission,

by its determination of subsidy awards, will determine routes, service, and ship design.

Advantages. The greatest opposition to transfers out of the Commission would probably arise if the subsidy function were included. By leaving subsidy awards with the Commission, this opposition is obviated. At the same time, the Administrator is vested with control of all the operating functions.

Alternative D.

Distinguishing Features. In addition to quasi-judicial functions, the Commission would (1) determine differential operating and construction costs for setting a maximum on subsidies, and (2) determine that a subsidy applicant is qualified or best qualified in terms of experience and financial ability. The Administrator would control subsidy awards otherwise, including the determination of routes, service and ship design. He would also control all other operating functions (acquisition, construction, maintenance and repair, operation, and disposal of ships).

Disadvantages. The opposition to stripping the Commission may be too strong. The division of responsibility in the subsidy field may be attacked as unsound. Splitting the present organization and functions of the Commission will be very difficult.

Advantages. The Commission determines the qualified applicant, thus freeing the administrator of charges of favoritism and discrimination. The Administrator controls the important decisions on routes, service and ship design. The Commission gets the Regulations Division and the Economics and Statistics Division. The problem would center on reducing the Commission's immediate staff and dividing up the Commission's Legal Division. The activities and staff of the other divisions under the Commission would go to the Administrator. These latter divisions would continue to furnish the Commission information on the experience and finances of subsidy applicants. The presently confused functional and organizational overlap between the Commission and the War Shipping Administration would be eliminated.

Alternative E

Distinguishing Features. This leaves the Commission with quasi-judicial functions only.

Disadvantages. It gives the Commission very little to do. It throws down the gauntlet to defenders and advocates of the Commission.

Advantages. A clear-cut case can be made that these functions do not belong in a Commission because (1) they must be coordinated with foreign and national defense policies and programs, (2) they are performed else-

where in the Federal government under an administrator subject to executive control and coordination, and (c) they are not the kinds of activities which a commission can as effectively perform. This will throw into the open the issue of what functions should be assigned to an independent commission and may retard future injudicious assignments of responsibilities to independent commissions.

II. Specific Language for Alternative Provisions

Alternative A -- "The United States Maritime Commission shall have and shall perform the functions vested in it by law, except the functions vested by Executive Order in the War Shipping Administration prior to the date this Plan takes effect."

Alternative B -- Like Alternative A with the following additional provision:

1. "The functions of appointing and supervising personnel of the Commission, other than the members of the Commission and their immediate assistants, and of establishing the divisions and subdivisions of its organization and assigning their functions are transferred from the Commission to the Chairman of the Commission."

Alternative C -- "The United States Maritime Commission shall have and shall perform the following functions which were vested in it by law prior to the date when this Plan takes effect: Investigate and certify violations of law prohibiting deferred rebates, use of fighting ships, and discriminatory contracts; disapprove, modify, or cancel agreements by common carriers by water which discriminate or restrict competition; investigate discriminatory acts by shippers, consignors, consignees and brokers with respect to false billing, cut rates and preferential insurance rates; order discontinuance of rates found to be unjustly discriminatory between shippers or ports or unjustly prejudicial to U. S. exporters; enforce just regulations for the receiving, handling, storage, and delivery of property; establish and enforce the requirements for bills of lading and the responsibilities of shipper and carrier relative to loss and damage; regulate rates and practices in the non-contiguous trades; require reports of common carriers by water in the non-contiguous and foreign trades; subpoena witnesses and their records; investigate and report to the Congress on relative construction and operating costs, and means of encouraging investment in and

the development of U. S. merchant shipping; and award construction and operating differential subsidies."

Alternative D -- "The United States Maritime Commission shall have and shall perform the following functions which were vested in it by law prior to the date when this Plan takes effect; Investigate and certify violations of law prohibiting deferred rebates, use of fighting ships, and discriminatory contracts; disapprove, modify, or cancel agreements by common carriers by water which discriminate or restrict competition; investigate discriminatory acts by shippers, consignors, consignees and brokers with respect to false billing, cut rates and preferential insurance rates; order discontinuance of rates found to be unjustly discriminatory between shippers or ports or unjustly prejudicial to U. S. exporters; enforce just regulations for the receiving, handling, storage, and delivery of property; establish and enforce the requirements for bills of lading and the responsibilities of shipper and carrier relative to loss and damage; regulate rates and practices in the non-contiguous trades; require reports of common carriers by water in the non-contiguous and foreign trades; subpoena witnesses and their records; investigate and report to the Congress on relative construction and operating costs, and means of encouraging investment in and the development of U. S. merchant shipping; determine the relative cost of construction of vessels in U. S. and foreign yards and the relative operating costs of vessels under the U. S. and foreign flags and certify the same to the Administrator for the determination of maximum subsidies in construction and operating contracts; investigate and determine the extent and character of aids and subsidies by foreign countries; and determine whether an applicant for any subsidy for an overseas route is fitted or as among applicants the applicant best fitted to perform the service found by the Administrator to be required having in mind the ability, experience and financial qualifications of applicants to operate the service, including the ability to replace worn-out tonnage.

"The Administrator shall furnish the Commission such information as the Commission shall request in the exercise of its functions."

Alternative E -- "The United States Maritime Commission shall have and shall perform the following functions which were vested

in it by law prior to the date when this Plan takes effect; Investigate and certify violations of law prohibiting deferred rebates, use of fighting ships, and discriminatory contracts; disapprove, modify, or cancel agreements by common carriers by water which discriminate or restrict competition; investigate discriminatory acts by shippers, consignors, consignees, and brokers with respect to false billing, cut rates and preferential insurance rates; order discontinuance of rates found to be unjustly discriminatory between shippers or ports or unjustly prejudicial to U. S. exporters; enforce just regulations for the receiving, handling, storage, and delivery of property; establish and enforce the requirements for bills of lading and the responsibilities of shipper and carrier relative to loss and damage; regulate rates and practices in the non-contiguous trades; require reports of common carriers by water in the non-contiguous and foreign trades; and subpoena witnesses and their records."

Mr. Schaub

May 21, 1946

A. J. Horn

Suggested Reorganization Plan on Transportation.

The final determination as to recommendations affecting the Maritime Commission is purely a question of policy as between Alternative A and Alternative E. In my opinion, the administrative problems presented by the other alternatives are such as to preclude their consideration. Since this is a long-range plan and War Shipping is a war agency, it seems to me that too much attention has been given to the War Shipping side. I am of the opinion that it would be advisable to take as a first step Alternative A, thus giving the Transportation Commissioner an opportunity to make a further study of the entire situation, giving him plenty of time to make recommendations later as to transfers of functions from the Commission to other divisions of the Transportation Agency.

I do not agree with the language as stated for Alternative A for the simple reason that the functions vested by Executive Order in War Shipping mainly were formerly vested in the Maritime Commission. Any additional functions transferred or authorized by Executive Order were purely of a wartime character and will expire after termination of the emergency. If it is intended to exclude the operation of ships, it should be so stated.

Alternative E would give the Commission only quasi-judicial functions. It would not require five commissioners at \$12,000 a year to carry on these functions and I am of the opinion that this plan would meet with considerable resistance in Congress and by the public.

I am thoroughly in accord with any plan which will provide for determination or at least review by the Transportation Commissioner of the shipping problems which affect the over-all economy of the Nation.

Under Alternative A, the USMC will still have full control over all its functions. The prime objective of coordinating shipping policy with policy affecting other forms of transportation will not be accomplished unless further re-organization plans are recommended by the Transportation Commissioner.