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REPORT ON  
REORGANIZATION OF THE DEPARTMENT OF COMMERCE

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## THE DEPARTMENT OF COMMERCE

The Act of 1903, which originally established the Department of Commerce, provided that its major purpose should be "...to foster, promote and develop the foreign and domestic commerce, the mining, manufacturing, shipping, fishery industries, and the transportation facilities of the United States." Thus the major purpose of the Department, as originally established by the Congress, was to embrace the activities of the Government in the development of industry, transportation and commerce. The transportation functions, however, have been scattered over many parts of the Government.

### Reorganization Proposals

The problems of the Department of Commerce with which this Commission is mainly concerned involve:

1. The remedying of its present defective organizational structure and housekeeping arrangements.
2. The grouping in the Department of all nonregulatory transportation activities of the Government.
3. The restoration of the commercial fisheries to the Department.
4. The strengthening of the commodity divisions of the Bureau of Foreign and Domestic Commerce so as to enable them to serve other Governmental agencies.
5. The assumption of more direct responsibility for the overseas reporting activities of the Department.



Administrative Structure of the Department

The over-all organizational structure of the Department comprises:

The Secretary of Commerce

The Under Secretary of Commerce

Assistant Secretary for Aeronautics

Assistant Secretary for Foreign and Domestic Commerce

The following table shows the activities now in the Department, and those we recommend should be brought into it. Later we give our reasons for those additions.

Activities Presently in  
the Department

Activities to be Added

I. Agencies Largely Concerned  
with Transportation

The Civil Aeronautics Administration

The Weather Bureau

The Coast and Geodetic Survey

The Inland Waterways Corporation

The Maritime Commission (except  
for its regulatory functions)

National Advisory Committee on  
Aeronautics

The Coast Guard

The safety standards activities  
of the Civil Aeronautics  
Board. The route pattern  
activities of the Civil  
Aeronautics Board should be  
subject to approval by the  
Secretary of Commerce.

The railroad and motor carriers  
safety and car function  
service of the Interstate  
Commerce Commission

The Public Roads Administration

The Office of Defense  
Transportation



II. Agencies Largely Concerned  
with Industrial Matters

The National Bureau of Standards

The Patent Office

Office of Industry Cooperation

National Inventors' Council

Textile Foundation

The Commercial Fisheries Section  
of the Fish and Wildlife  
Bureau of the Department of  
the Interior.

III. Agencies Largely Concerned  
with Commerce

The Bureau of Foreign and Domestic  
Commerce

Business Advisory Council

Foreign Trade Zones Board

Reorganized Departmental Structure

We recommend the addition of another Assistant Secretary, the Assistant Secretary for Transportation and certain additions to, and rearrangements of, staff services of the Department.

Thus, the set-up of the Department would be as follows:

The Secretary of Commerce

The Under Secretary of Commerce

Staff Services

- a. Solicitor
- b. Chief Financial Officer (Accounting Budget Disbursement)
- c. Personnel Officer
- d. Procurement Officer



- e. Publications Officer
- f. Liaison Officer with Congress
- g. Management Research Director
- h. Foreign Affairs Activities Coordinator
- i. Business Advisory Council

The Assistant Secretary for Transportation

- a. Director of Merchant Marine Activities
- b. Director of Civil Aviation Activities
- c. Director of Highway Transportation Activities
- d. Director of Road and Motor Safety
- e. Director of Rail Carriers Activities

The Assistant Secretary for Industry

- a. Director of the Bureau of Standards
- b. Director of the Patent Office
- c. Director of Bureau of Commercial Fisheries
- d. Office of Industrial Cooperation
- e. National Inventors' Council
- f. Textile Foundation

The Assistant Secretary for Commerce

- a. Director of the Bureau of Foreign and Domestic Commerce
- b. The Foreign Trade Zones Board
- c. The Business Advisory Council

A Reorganized Transportation Division in the Government

It was the obvious intent of the Congress in creating the Department that it should embrace the Government's interest in the development and



safeguarding of transportation. The recommendations of this Commission are directed toward this end. We do not, however, include in this the quasi-judicial regulatory responsibilities of the Interstate Commerce Commission, the Maritime Commission or of the Civil Aeronautics Board. The latter do not belong in the Department, for, in our opinion, operation and development functions should be entirely divorced from major regulatory functions.

The transportation activities of the Government are of great importance. We have today over 240,000 miles of railways, carrying over 600 billion ton miles of freight and 70 billion passenger miles annually. We have about 315,000 miles of paved highways, and 255,000 miles of less important roads, facilitating the movement of 40,000,000 motor vehicles. Our air service operates over 100,000 miles of domestic routes and 179,000 miles of international routes, with 6,000 airports, carrying over 7 million passenger miles and the mails each year. We have over 142,000 miles of pipe lines in operation. We have 27,000 miles of improved inland waterways, carrying over 22 billion ton miles of freight annually. We have more than 5,000 ocean-going vessels.

Within the last 30 years the Federal Government has spent more than 30 billion dollars on the development of transportation facilities, and in the fiscal year 1949 it will spend at least \$1,200,000,000. There are over 30,000 Federal employees engaged in this work.

The major forces of our transportation system -- greater in service than that of any other country -- have been the private



enterprise of our citizens and the existence of competition between the different systems of transportation. The role of Government must be to aid its private enterprise in operating it and not to dictate to it how it should be run.

Government aids to transportation have taken a multitude of forms:

- a. Subsidies to our early railway construction, and later loans to the railroad when in financial distress and guidance to them in reorganization;
- b. The dredging and canalization of rivers and harbors and the construction of canals;
- c. Subsidies to, and actual operation of, our international merchant marine, with a multitude of aids to navigation;
- d. Subsidies to, and provision of airways and airfields and other aids for, aviation;
- e. Subsidies for highway construction;
- f. The conduct of research;
- g. The regulation of rates and services in protection to the public.

A great number of Federal agencies participate in this work.

What is Wrong in the Transportation Organization in the Government

1. Activities are scattered over many separate agencies with consequent waste and overlap.
2. There is no coordination of policies in the transportation field.
3. The scattering of functions places a heavy burden in budgeting and review of proposals.



4. Research activities are scattered in many agencies, are deficient in some fields, and overlap in others.

5. Subsidies to carriers are obscured, because they are frequently effected by mail contracts at the expense of the Post Office.

6. Some agencies, such as highways and waterways, are free of tolls; whereas the railways must pay taxes to support these competitors.

7. Operational functions as in the case of the Merchant Marine, are carried on by a full-time board; whereas the essence of good administration is a single-headed executive. Furthermore, the Maritime Commission is a regulatory agency not subject to Presidential direction.

8. Safety regulations are administered in a multitude of scattered agencies, some of them by the independent regulatory commissions.

9. Government activities in many instances obstruct the proper development of private initiative.

10. There is no center for planning for transportation in relation to national defense by those agencies concerned with transportation.

It is not the purpose of this Commission to outline the detailed remedies for these faults. The mere statement of them indicates the direction of reform. Our purpose is to recommend such a structure in the Government that can bring this about. That is now, to a large degree, impossible.

#### Past Reorganization Proposals Relating to Transportation

During the past 15 years, no less than 9 studies of the reorganization of Federal transportation activities have been made. All of



these have come to naught, largely because of their restricted terms of reference and because of a failure to recognize that mere regulation is not an effective administrative vehicle for long-term transportation development.

The major weakness in Federal policy is the failure to recognize that its ultimate objective is to achieve the best possible transportation system for the movement of persons and goods. In actuality there has been a preoccupation with regulation of rates and the problems of individual fields of transportation. There has been a failure to think or act in terms of over-all transportation requirements, and as a result no single governmental agency is in a position to evaluate the net results of all the Federal transportation undertakings.

The Federal Government, in attempting to determine the volume and character of transportation services, divides this responsibility between promotional and regulatory agencies in such a way that there is no possibility of effective developments or coordination. Thus, in the field of air transportation, an orderly development involves both physical facilities, such as air navigation aids and airports, and the determination of routes over which public carriers shall operate. At present the Civil Aeronautics Authority plans the physical facilities but determination of the public carrier services to be provided is left to the jurisdiction of the CAB. Because of the inherent nature of regulatory functions, the actual route pattern determination in this field has been (as in the case of agencies under the Interstate Commerce Commission) a case-by-case approach, rather than the result of a study of transportation needs.



A study of the organization and methods of operation of our existing transportation agencies has demonstrated that a grouping of the major activities is essential to the development of intelligent transportation policies and efficient administration of transportation activities. The Commission, however, disagrees with the recommendation made to it by the Brookings Institution, that such unification should be provided through the establishment of a new Department of Transportation. It is the opinion of the Commission that transportation is only one industry with which the Federal Government is concerned. In the first place, it would seem quite inappropriate for the Federal Government to set up a Department which would be devoted entirely to problems of that industry. In the second place, since transportation is an element in the cost of practically every other industry, it seems desirable that government transportation policies be coordinated with Federal policies toward industry in general. Finally, in arriving at an organization of the Executive Branch as a whole, it is essential that the number of Executive departments be kept to a minimum, since otherwise the burden on the President, which it is the aim of this Commission to decrease, would continue to be excessive.

In order to provide a true unification of transportation activities it is necessary to concentrate development functions in a central office immediately under the Assistant Secretary for Transportation. This office would study: (a) the physical needs of transportation; (b) the priority of these needs; and (c) the costs and methods of defraying them. It would also have responsibility for:



- (1) Examining governmental promotional programs in order to achieve the most effective system at the lowest cost;
- (2) Determining civilian transportation requirements and integrating them with military needs; and
- (3) Developing plans and techniques for the operation of the transportation system in war in conjunction with the National Security Resources Board.



The Commission recommends, therefore, that there be established in the Department of Commerce a grouping of all nonregulatory transportation activities of the Federal Government.

In order that there be coordination in the development and promotional fields, the Commission recommends that in the case of determination of route patterns by any agency of the government that such patterns should be approved by the Secretary of Commerce.

This is intended to apply to Merchant Marine routes, Highway routes, Railway routes, and Air routes.

The Commission recommends further that the purely regulatory transportation activities, such as regulation of competitive rates, remain with independent regulatory commissions. (This recommendation is considered in detail in the Commission's Report on Independent Regulatory Commissions.)

#### The Merchant Marine Service

Aside from the primary necessity to group the Government's activities in Transportation together for coordination of policies and economy, there is still further impelling reason for bringing the Merchant Marine activities into the Department of Commerce.

The U. S. Maritime Commission is made up of full-time members and has a dual position. It exerts important regulatory functions affecting the whole Merchant Marine, and at the same time it manages, buys, sells, and subsidizes shipping, and it makes loans on ships on a huge scale. It is wholly an anomaly (a) that this huge business enterprise should



regulate itself; (b) that this definitely Executive function should be carried on by an agency not subject to presidential directions; and (c) that any huge business should be conducted by a Board and not by an executive responsible to some Executive Department head,

These recommendations are similar to those of the President's Advisory Committee on the Merchant Marine which made the latest reorganization proposals in November 1947:

"It is strongly and primarily recommended, therefore, that the Maritime Commission be reorganized into -

(a) A Maritime Administration under a single Administrator, who, in time of peace, should report to the Secretary of Commerce and who should be charged with the executive and operative functions presently assigned to the Maritime Commission; and

(b) A Maritime Board composed of five Commissioners set up in the 1936 act in whom would be vested the quasi-legislative and the quasi-judicial functions for which the Maritime Commission is now responsible.

This arrangement would provide for the prompt discharge of the operating functions presently assigned to the Commission by placing them under the direction of a single executive capable of managing efficiently the several service bureaus and divisions of the present Agency. These activities would be physically divorced from the Commission.

Removal of the operating functions from the Commission should permit that body as reconstituted to concentrate its energies and attention on the policy-making responsibilities in the quasi-legislative and quasi-judicial sphere normally assigned to a commission."

We recommend elsewhere that the Maritime Division be incorporated under the Government Corporation Control Act of 1945. This would give far greater flexibility in management in accounting, budgeting and auditing. The Director of this Maritime Division would be its President and the directorate composed of part time experienced men thus embracing the sense of the recommendations above.



### Other Marine Services

The provision made above for the inclusion of the Coast Guard, the Coast and Geodetic Survey, and the Weather Bureau in the Transportation Service is essential. The Coast Guard is quite obviously misplaced in the Treasury Department at the present time. Its functions are more closely related to transportation than to the activities of any other major department of the Government. The major function of the Coast and Geodetic Survey is the provision of aids to navigation for water and air transportation. The Weather Bureau serves many different departments but its vital importance to transportation, particularly air transportation, warrants its inclusion here.

### Civil Aviation Service

This Bureau would have responsibility for all Federal activities involving the promotion of civil aviation, both domestic and international, including the following:

- (a) Airway development and maintenance, airport planning, and safety regulations should be transferred from the C.A.A.
- (b) Safety activities should be transferred from the C.A.B.
- (c) As mentioned above pattern development should be with the approval of the Secretary of Commerce.
- (d) National Advisory Committee on Aeronautics.
- (e) Air mail subsidies.

On the latter point we make the following comment: In the international field some subsidy will probably be required for aviation to maintain American competition with foreign lines, but the subsidy should



be divorced from the cost of air mail transportation, and it should be placed in the open and made subject to the approval of the Secretary of Commerce.

#### Highway Transportation Service

This Bureau would have responsibility for all Federal activities involving the promotion of highway transportation including:

- (a) Motor carrier safety functions would be transferred from the I.C.C.
- (b) A war requirements inventory of all motor vehicle equipment and facilities should be made and kept current.
- (c) Establishment of policies and programming of improvements undertaken through Federal grants-in-aid programs for highways. Administration of grants-in-aid would be a function of the Department of Works and Resources.

#### Railroad Transportation Service

- (a) Formulation of a railroad consolidation plan. The responsibility of the I.C.C. in this field would be transferred to the Department.
- (b) Car service and safety functions would be transferred from the I.C.C.
- (c) Office of Defense Transportation should be transferred from the White House.

#### Relation of National Security and Transportation

Charging one Department with responsibility for Transportation is an obvious necessity if the peacetime goal of developing a high quality service at minimum cost is to be achieved. It is also important from the standpoint of national defense.



After reviewing the role of civil aviation, railroads, highways, and water transport in wartime, the following major conclusions relative to defense and national transportation are presented:

1. Since all methods of transportation are essential in wartime, Federal policy must provide for maintaining the entire system in satisfactory condition.

2. In general, a land transportation system adequate for peacetime needs will ordinarily suffice for the physical requirements of war, but this is not equally true of air and maritime transport in time of war.

3. Consolidation will permit adequate studies and cooperation with the National Defense Establishment.

#### Fishery Activities

At one time the commercial fishery functions of the Federal Government were handled by a Bureau of Fisheries which was located in the Department of Commerce. In 1940 this bureau was consolidated with the Biological Survey of the Department of Agriculture, and a new organization, called the Fish and Wildlife Service, was located in the Department of the Interior.

In the Commission's Task Force on Agricultural Activities it is recommended that the Wildlife activities of the Fish and Wildlife Service be transferred to the Department of Agriculture.

Our task force on Natural Resources recommends that commercial fishing be separated from game fishing, and that this essential industry



should be more actively developed as an important contributor to the nation's food supply.

This recommendation also provides that the proposed Wildlife Bureau of the Department of Agriculture cover conservation and propagation of game fish in the inland waters of the United States.

The Commission now recommends that the Commercial Fishery activities be transferred to the Department of Commerce.

#### Commodity Studies

In its commerce activities the Department is concerned with commodities after they enter trade, whereas the Department of Interior and the Department of Agriculture are concerned with commodities as raw materials up to the time of initial processing.

It is impossible to draw a hard and fast line as to where the activities of other Departments should cease, and the activities of the Department of Commerce should begin in this area. It would seem appropriate that when an article becomes a commodity in trade, studies of its distribution, consumption and marketing should be handled by the Department of Commerce. At the same time it is necessary to recognize that the farmer, for example, is interested in what is happening to his products after they become commodities in trade as well as before that time. Therefore, the Commission recognizes that commodity studies may legitimately be made not only by the Department of Commerce but by the Bureau of Mines, the Department of Agriculture, et cetera.



An essential is, however, that the duplication between departments be eliminated. To accomplish this it is important that informed and competent commodity divisions be located in one place in the government. The logical place is the Department of Commerce. The present duplicate commodity divisions in the Department, one for domestic trade and one for foreign trade should be consolidated and strengthened. By such emphasis the other Departments such as State and National Defense, and the National Security Resources Board, can secure adequate technical aid without the present duplication.

#### Foreign Affairs Activities of the Department

This subject is treated more completely in the Commission's report on Foreign Affairs. That report recommends that in general the Department of State should divest itself of large staffs of specialists to perform functions in the economic field, and in lieu thereof should depend upon the facilities of existing agencies for information within the latter's special competences. At the same time, the Department of State will continue to need a small group of technical advisory specialists in various fields and to serve as a channel of communication and point of coordination between the Department of State and other agencies.

Our report on Foreign Affairs also recommends:

- (a) That the overseas reporting requirements of the Department of Commerce be filled in the main through the Department of State (which is to be combined as a single Foreign Affairs



Service), with particular attention to be given by the Department of State to recruiting qualified commercial specialists from business and other sources.

- (b) That in a limited number of cases, involving highly specialized technical reporting or an unusual quantity of commercial reporting, the Department of Commerce obtain its own appropriation and designate appointees to fill the overseas commercial posts. The Department would then make a grant of funds to the Department of State and its appointees would be temporarily enrolled in the Foreign Service. The Department of State would have the right to reject any individual so designated from the standpoint of personal suitability. While on overseas assignment the appointees of the Department of Commerce would be an integral part of the missions to which they were assigned, and their services would be utilized by the ambassador or minister in addition to their discharging reporting functions for the Department of Commerce and the Department of State.
- (c) That impediments delaying the flow of commercial information from abroad be removed.

#### Field Organization

There is some indication that the field organization of the Bureau of Foreign and Domestic Commerce may be overly elaborate.



Sufficient attention does not seem to have been given to the possible use of private or state agencies (state commerce departments and private chambers of commerce) to disseminate information. This situation should be given early attention by the Department with a view to closing down some of the field offices and reducing the size of others.

#### CONCLUSION

It is the opinion of the Commission that this proposed arrangement will permit the Department of Commerce to do a better job in serving the Transportation, Industry and Commerce of the country and that great savings by eliminations of overlaps and better administration can be made.