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THE WHITE HOUSE
WASHINGTON

December 14, 1954

Robert

MEMORANDUM FOR GOVERNOR ADAMS

Attached for your perusal, in advance of Friday's Cabinet Meeting, are two papers which are expected to be on the agenda:

1. The report of Secretary Weeks' Cabinet Committee on Transport Policy and Organization. Since this paper is rather lengthy, I feel you should see it ahead of time. I am familiar with this paper and have attended meetings of the Committee. If you should want me to brief you on it or discuss it with you, I will be glad to do so.
2. The Interim Report from Secretary McKay's Cabinet Committee on Water Resources Policy. I know that you are interested in this paper and would want to see it in advance. I will be glad to go over it with you if you desire.



The other papers expected to be on the agenda are:

1. A report (in two related papers) from Mr. Francis on the recent conclusions of his interagency committee concerning the overall Agricultural Surplus Disposal program.
2. A paper from Justice and State, being prepared at the request of the President, on the subject of returning alien property.
3. A paper from Mr. Philip Young on the Foreign Affairs Personnel System and on the Department of State Personnel Integration Program.

I will also send you copies of these four papers as soon as they are reproduced.

cc: General Persons

Max
Maxwell M. Rabb

ADMINISTRATIVELY RESTRICTED

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December 8, 1954

The White House
Washington

THE CABINET

Revision of Federal Transportation Policy -

Report of the Cabinet Committee on
Transport Policy and Organization

For consideration by the Cabinet, attached is the Report to the President from the Cabinet Committee on Transport Policy and Organization. This Committee, chaired by the Secretary of Commerce, was established by the President on July 12, 1954.

The Report is preceded by:

- A. A Brief of the Report, which identifies its major recommendations;
- B. The Transmittal Letter to the President from the Members of the Cabinet Committee, summarizing its terms of reference and explaining other important background information about the Committee's activity;
- C. A Table of Contents to the basic Report.



The recommendations of this Report appear throughout Sections II and III.

Maxwell M. Rabb
Secretary to the Cabinet

ADMINISTRATIVELY RESTRICTED

SUMMARY

The President's Cabinet Committee on Transport Policy and Organization was established on July 12, 1954, to undertake a comprehensive review of Federal policies and programs as they affect the ability of the various forms of transportation to provide their essential services to the public and meet the requirements of national security.

In response to these instructions, the Committee examined existing transportation policies and determined to focus its primary attention on those Federal policies which appear to be most urgently in need of revision. In the course of its review, the Committee drew freely upon the many studies made in this field and upon the knowledge and experience of Federal agencies concerned with transportation matters. Upon invitation, numerous statements on the subject were received from interested private groups.

The Government's responsibility is to provide a sound policy framework within which each form of transportation can develop to its maximum effectiveness in competition with all other forms. This situation does not now exist. A major cause is the obsolescence of many of our existing transportation policies which stem from the transportation system as it existed many years ago when the railroads had virtually a monopoly position. As a result our transportation system is not as strong or economically healthy as it must be to serve our public needs. Some of our major common carriers -- particularly the railroads -- are in a weakened financial condition.

Prompt steps must be taken to permit common carriers to overcome present difficulties if we are to avoid serious adverse consequences for the overall transportation system, and for the nation's economy and defense.

The principal emphasis of this report is that Federal policies, under present circumstances, should be amended to permit greater reliance on competitive forces in transportation pricing, and to assure the maintenance of a sound system of common carriers. It seeks to accomplish this objective, first, by proposing fundamental changes in the Interstate Commerce Act. These changes would principally:

- (a) Amend the statutory statement of national transportation policy to assure a proper regulatory approach to present competitive conditions in transportation;
- (b) Permit more flexible rate-making opportunities for regulated common carriers;
- (c) Provide more uniform competitive conditions by eliminating or modifying some of the exemptions from regulation which now give unregulated carriers competitive advantages; and,
- (d) Limit the regulatory basis for special rate concessions for the Federal Government.

In addition, the report proposes steps to reduce competitive advantages for any single form of transportation that may result from Federal promotional and subsidy programs. It further recommends the elimination of the existing Federal excise tax on public transportation, but recognizes that this must be considered in connection with the entire fiscal and tax policy of the Government.

The Committee feels that the problems in this field are urgent and warrant immediate action to carry out the recommended program.



(ADMINISTRATIVELY RESTRICTED)

THE SECRETARY OF COMMERCE
WASHINGTON 25

December 7, 1954

The President
The White House
Washington, D. C.



My dear Mr. President:

On July 12, 1954, you established under my chairmanship a special Cabinet Committee on Transport Policy and Organization. You requested that we undertake a comprehensive review of Federal policies and programs as they affect the various forms of transportation and that our recommendations be submitted to you not later than December 1, 1954.

In the preparation of our report I have had the full cooperation of all members of your Committee. To assist us in our review of government transportation policies, I appointed a Working Group composed of outstanding individuals who have long had a close understanding of the Nation's transportation problems. Mr. Arthur W. Page, a Director of the American Telephone and Telegraph Company, New York City, served as Director of the Working Group.

I wish to commend each member of the Working Group for his contribution. Your Committee's unanimous report and recommendations are based on the study made by the Working Group.

After examination of the Nation's transportation problems, your Committee determined to focus its primary attention on those Federal policies, as distinguished from state and local responsibilities, which appeared to be most urgently in need of revision if the transportation industry of the United States is to maintain itself at maximum effectiveness. This decision was made more feasible by the fact that the Administration recently completed studies of civil air policy and maritime subsidy policy. Your Committee fully endorses the aviation policies set forth in the report of the Air Coordinating Committee and notes that many of the recommendations made in the maritime policy report have already been enacted by Congress and a number of other legislative proposals based on this study will be presented to the next session of Congress.

As a result of the work already completed in the fields of aviation and maritime policy, your Committee was able to focus its attention primarily on domestic surface transportation problems. In this connection, I wish to inform you that the Department of Commerce has under way a comprehensive study of the problems facing the intercoastal and coastwise shipping branch of the domestic transportation industry. I anticipate that this study will be completed early next year.

In examining the effectiveness and deficiencies of the domestic transportation system, it was clearly evident that two broad major areas of Federal policy required prompt revision. In brief, the principal emphasis of our report is that, in conformity with today's availability of a number of alternate forms of transport, Federal policies should be amended to permit greater reliance on competitive forces in transportation pricing and to assure the maintenance of a modernized and financially strong system of common carrier transportation adequate for the needs of an expanding and dynamic economy and the

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national security. In advocating more flexible rate-making opportunities for regulated common carrier transportation, we are mindful of the fact that they are required to meet at all times their common carrier service obligations. Moreover, our report does not propose any change in existing regulatory authority over the entrance of new enterprise in public transportation.

We have not proposed any changes in the Federal organization for the administration of transportation functions and responsibilities. It is our belief that any necessary organizational adjustments should follow the revision of transportation policies to permit determination of required changes in the Federal structure for their most effective administration. However, during the course of our deliberations, we have kept in close touch with your Advisory Committee on Government Organization.

Respectfully yours,

Sinclair Weeks, Chairman



Charles E. Wilson

Arthur S. Flemming

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December 8, 1954

The White House

Washington

THE CABINET

Report of the Cabinet Committee on
Transport Policy and Organization

For consideration by the Cabinet, attached is the Report to the President from the Cabinet Committee on Transport Policy and Organization. This Committee, chaired by the Secretary of Commerce was established by the President on July 12, 1954.

The Report is preceded by a Brief* and Table of Contents.

The recommendations of this Report appear throughout Sections II and III.



Maxwell M. Rabb
Secretary to the Cabinet

* - to be distributed shortly.

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REVISION OF FEDERAL TRANSPORTATION POLICY



I. INTRODUCTION

Within the short span of one generation this country has witnessed a transportation revolution. All elements of the economy have been profoundly affected - investors in transportation property, geographic regions, distribution, individual shippers, the taxpayer, the ultimate consumers of goods and services. As late as 1920, the railroads held a virtual monopoly of intercity transportation with the exception of areas served by water. In striking contrast, there is available today a wide selection of transport methods for the movement of goods and people from one place to another with economy, expedition, and safety. The individual, whether traveling for recreation or business purposes, has a choice as between the private automobile, intercity bus transportation, air transportation, and railroad travel. The shipper, whether interested in moving raw products to industrial plants or distributing finished products to a nationwide market, is free to elect the use of his own trucks, common or contract carriers by highway, a continental and physically integrated system of common carrier transportation by railroad, pipelines, coastal and intercoastal services, inland water transportation, or the rapidly developing air cargo services.

In major respects, government has played a decisive role in these fast moving and dynamic changes in the organization, financing, and operation of the Nation's domestic transportation services. All levels of government have participated. The states have played a dominant role in the provision of an expanding and modernized highway system, although aided by the Federal Government through a program of grants-in-aid. The Federal Government has spent vast sums of the general taxpayer's funds for the improvement of rivers and harbors. More recently it has aided materially in the development of airports, the financing and management of a nationwide system of aids to air navigation, and has advanced substantial sums of money in the form of direct financial assistance for the development of air transportation.

The net result is a competitive system of transportation that for all practical purposes has eliminated the monopoly element which characterized this segment of our economy some thirty years ago.

During this same period, government has intensified its interest in transportation matters through the processes of public regulation. Paradoxically, the underlying concept of this regulation has continued to be based on the historic objective of restraining monopolistic abuses, despite the fact that the power of individual transportation enterprises to exercise monopoly control has been rapidly eliminated by the growth of pervasive competition. The dislocations which have emerged from the conflicts between the effects of governmental promotional policy on the one hand, and the restraining effects of public regulation on the other, have borne most heavily on the common carrier segment of the transportation industry.

No economy that is based fundamentally on mass production and distribution of products throughout a continental market can continue to prosper without a transportation system that is dynamic, efficient, and capable of delivering goods and people with safety, expedition, with a high degree of dependability, and at the lowest cost in the expenditure of manpower and other scarce resources. Historically, these requirements have been met most satisfactorily by common carriers, who by statute are charged with the heavy obligation to serve all individuals and shippers alike to the extent of their physical capacities, on known schedules at published rates, and without discriminations. The availability of this type of stable and dependable service is of equal importance in the day-to-day business operations, production and market planning of large and small businesses alike. Moreover, in a broader sense, the availability of this type of transportation system is essential to the orderly and healthful operation of a peacetime economy and is indispensable to the national security in the time of war.

Your Cabinet Committee has proceeded from these fundamental premises in its reappraisal of national transportation policy: namely, that the transportation industry operates today in the general atmosphere of pervasive competition; that adjustment of regulatory programs and policies to these competitive facts is long over-due; and that the restoration and maintenance of a progressive and financially strong system of common carrier transportation is of paramount importance to the public interest.



Although it remains true that there is some rail-bound traffic and some water-bound traffic, the bulk of this traffic is competitive in the commercial sense even though not directly among carriers serving the same points.

Even where there is no direct inter-carrier competition, the great development of competitive industry in various parts of the country has placed indirect competitive pressures on transport rates. For example, producer A may be impelled to ship all his output of, say, heavy steel, into a given market by rail, but producer B may be able to reach the same market by a lower cost water haul. The self-interest of the railroad serving producer A demands that transportation rates be maintained low enough to enable producer A to compete in the market.

Such competition is not confined to the products of different firms in a given industry; related industries compete for certain markets in which alternative goods and services may be substitutable. A notable example is competition among fuels such as coal, natural gas, and fuel oil. Thus high freight rates on rail-bound coal would directly affect coal's competitive position, and reduce the coal traffic of many railroads.

In short, competitive conditions have been substituted with the growth of new forms of transportation for most of the monopoly element in the railroad industry which in the past prompted so much of our present transport policy, both regulatory and promotional. Moreover, the alternatives of shippers are no longer confined to the regulated common carriers. Even comparatively small shippers have the possibility to substitute private transportation for at least a part of their traffic, and this opportunity of the shipper always stands in the background as a stimulator to the common carrier and as an ultimate regulator of what it can do in its own interest.

Obsolete Regulation

In many respects, government policy at present prevents, or severely limits, the realization of the most economical use of our transportation plant.

Notwithstanding the rapid growth and current pervasiveness of competitive elements in transportation, government policy holds regulated competitive forces within a tight rein. Railroads and motor carriers are nearly broadly competitive, their rivalry extending to the movement of traffic even on the longer hauls. Extensive competition also prevails among rail, water, and pipeline carriers for long-haul quantity movements of bulk commodities.

In the case of railroads and motor carriers, their economic characteristics are virtually opposite, the one characterized by heavy investment and large elements of indirect and fixed costs while the other, because it uses the public highways, requires little investment and encounters a high proportion of direct and variable costs. The one is capable of heavy long-haul mass transportation at very low costs while the other can afford superior service conducted in relatively small units but at comparatively high unit costs beyond the shorter distances. Clearly they are fitted for different roles in the development of the most effective transportation system of which technology and managerial skills are capable.



We do not find it possible to define the limits of the tasks which these and other forms of transport should perform in a transportation system which best meets the needs of the public. On the contrary, we believe that such a system, in the face of rapidly developing technology and a high rate of innovation, is to be achieved only by the exercise of a wide freedom for competitive experimentation which enables the purchaser of transportation to adapt both service and cost opportunities to his own requirements.

The Essentiality of Common Carrier Transportation

The public interest requires the maintenance of a sound and vigorous common carrier transportation service by all of the available means of transport, each operating within its respective capabilities and developing in accordance with the indicated demand for its services. Such common carrier service is indispensable, yet the financial position of some of the major common carriers is precarious and they lack the means to offer superior service and to apply technological advances with desirable rapidity.

Our national policy has not provided us with the best transport of which we are capable, either in rate of technical development or in adjustment of the several types of carrier to their areas of greatest usefulness. Both the present force of competition, including that from other than common carrier transportation, and the unusual obligations which are placed upon common carriers argue for relieving these carriers as far as possible from restraints designed to meet conditions which have, in recent years, either disappeared or been greatly altered.

With some exceptions, regulated common carriers are today assailed by a large and growing volume of competition by exempt for-hire carriers or pseudo carriers whose operations are largely of opportunistic character. These operations are conducted without the necessity to publish rates, with freedom to discriminate in rates and service, and with no obligation to serve the general public. This type of operation as it has become more widespread has operated not only to the detriment of common carrier transportation of all types, but also has impeded the organized and efficient marketing of many types of commodities - particularly products of agriculture. The continuing growth of this exempt carriage cannot be permitted if the Nation is to have a healthy common carrier industry which affords adequate nationwide transportation, adequate for our needs both in peace and in war.

The problem of keeping the railroad industry as a whole abreast of its opportunities for service and of the expected requirements of the national defense has been particularly baffling.

An appraisal of the efficiency of present and proposed transportation policy to promote the strength of this Nation for defense requires, first, some analysis of the probable utility of and burden to be placed upon each form of transport in the event of full mobilization or war. Although we may expect that all-out involvement will create a two-front war with some familiar aspects, we must also fully expect that in such an event the continental United States will be placed under heavy attack and will sustain severe damage both to its industrial production and to its transport facilities. Hence we must expect to face a situation without precedent in our history and with but limited experience abroad which has bearing on our potential problem.

All estimates of our economic potential under full mobilization conditions are subject to a considerable margin of error and, as traffic estimates are derived from them, the margin becomes greater when transport requirements are laid out. Nevertheless there can be no doubt that full use of our present economic potential would create a domestic traffic burden far in excess of any hitherto encountered. The expansion would be large and rapid and there is no such reserve of idle capacity as existed at the beginning of World War II, nor may it be expected that any substantial space of time will be afforded for a build up.

The possible effects of attack upon the United States in reduced production potential and in effect upon transport cannot be forecast. Although they are potentially severe, provision must be made to support with transport our full economic capability without allowance for reductions imposed by attack.

A general transportation policy does not concern itself with numerical capacity problems. It seeks rather to provide weight in the directions known to be requisite for a satisfactory defense posture. In that context two primary objectives may be noted: (1) to emphasize the growth and development of the several forms of transport somewhat in accord with the proportional demands that defense will make upon them, and (2) to support their financial well-being to the end that they will be physically in excellent shape and possessed of a desirable flexibility and some degree of excess capacity. The obverse is that a policy under which the transportation enterprises generally live in precarious financial position is not a policy calculated to enhance our preparedness. Similarly, a policy which has the effect of steadily weakening any form of transportation on which we must place major reliance in the event of war is not a satisfactory defense policy. As will appear our present policy suffers from both these deficiencies.

All indications point to the fact that it will be necessary for the railroads to absorb virtually all of the anticipated increase in domestic traffic and in addition take on substantial diverted loads in the face of conditions which prevent any material expansion of their physical plant or equipment because of the competition of higher priority items for available materials and productive capacity.

In the face of these expectations, the extent to which the railroad industry has declined in its share of the total transport load in recent years gives cause for serious concern. Although the present relative contribution of the railroads to total transportation volume is not greatly different than their 1940 contribution, there is not today the surplus of motive power and rolling stock which characterized the 1940 position, and this constitutes a major and significant difference in the situation now as compared with the base from which we launched our participation in the Second War.

Nevertheless, the railroads alone of our domestic forms of transport have a large flexibility to handle an expanded traffic with a minimum increase in their equipment. Whereas other forms of transportation as a rule require additions to equipment in direct ratio to an increase in traffic handled, this is not the case with the railroad industry. In World War II railroad freight traffic approximately doubled with but a minor increase in equipment. The traffic handled by motor carriers and by coastal water carriers declined almost in direct proportion to the decline of their equipment. These characteristics have not been altered in the intervening years. Any policy which strengthens the railroad base will tend to increase the built-in flexibility of our transportation plant.

Hence unusual public interest attaches to a national policy which enables the railroad industry to make its capabilities felt and to enjoy such success in a competitive field as these abilities may entitle it to.

A common difficulty in wartime is the maintenance of carrier operations other than those of the regulated common carriers, particularly in the motor carrier field. The supply, under rationing or other procedures, of fuel, tires, repair parts, and other items is difficult to handle with large numbers of unregulated carriers which do not normally report to any Federal body. It is, moreover, characteristic of these operations that they do not obtain an equally intensive utilization of equipment and manpower, hence they contribute less to a war effort than do common carriers in proportion to the input of scarce materials and equipment. A stronger common carrier segment attained in part by the substitution of common carriers for others, greatly simplifies the problem of wartime supply.



The Subsidy Problem

There has been much controversy as to whether some of these aids constitute subsidy and, if so, in what degree. It is certain, however, that programs such as the Federal provision of toll-free river and harbor improvements do establish an element of competitive inequality which is generally unfavorable to the railroads. Moreover, they have the effect of freeing motor, water, and air carriers very largely from fixed investment in a permanent way and thereby materially altering the cost characteristics of those forms of transportation. This affords them a flexibility which does not exist in the railroad industry, for government has largely accepted the fixed costs associated with their basic plant.

When, in the face of this situation, railroads are in considerable part barred from giving effect to their primary economic advantage - that of low-cost, large-scale transportation over relatively long distances - the public is deprived of access to a good part of the capabilities of this type of carrier. In turn, the carriers are deprived of an earning power which would enable them to keep their plants abreast of modern technology.



II RECOMMENDED ACTIONS

The major objectives of the following recommended actions and revisions of public policy affecting transportation are:

1. Increased reliance on competitive forces of transportation and rate making in order:

(a) to have transportation enterprises function under a system of dynamic competition which will speed up technical innovation and foster the development of new rate and service concepts;

(b) to enable each form of transport freely to reflect its abilities in the market by aggressive experimentation in rates and service in order to demonstrate to the full its possibilities for service to the shipping and traveling public.

2. Maintenance of a modernized and financially strong system of common carrier transportation.

3. By encouraging increased efficiency in carrier management, to produce significant economies in the performance of all transportation services which, among other things, would give the ultimate consumer the benefit of the lowest possible transportation costs.

4. And, finally, to guarantee that the national security will never be jeopardized by an inefficient transportation system during war or defense mobilization.

Declaration of Policy

The first and essential step in the recommended program is revision of the declaration of policy in the Interstate Commerce Act to alter its tone and to eliminate language which has been productive of severe restraint upon competitive rate and service experimentation by the several types of transportation subject to the act.

The present declaration of policy reads as follows:

"It is hereby declared to be the national transportation policy of the Congress to provide for fair and impartial regulation of all modes of transportation subject to the provisions of this Act, so administered as to recognize and preserve the inherent advantages of each; to promote safe, adequate, economical, and efficient service and foster sound economic conditions in transportation and among the several carriers; to encourage the establishment and maintenance of reasonable charges to transportation services, without unjust discriminations, undue preferences or advantages, or unfair or destructive competitive practices; to cooperate with the several States and the duly authorized officials thereof; and to encourage fair wages and equitable working conditions;-- all to the end of developing, coordinating, and preserving a national transportation system by water, highway, and rail, as well as other means, adequate to meet the needs of the commerce of the United States, of the Postal Service, and of the national defense. All of the provisions of this Act shall be administered and enforced with a view to carrying out the above declaration of policy." 1/

In major respects the ICC has relied on the "fostering" and "paternalistic" tone of the policy declaration to justify the substitution of its judgment for that of management, especially in the adjustment of competitive rates between highway, rail, and water carriers.



The declaration of policy should be revised to make it clear that common carriers are to be permitted freedom, short of overt discriminatory practices, to utilize their economic capabilities in the competitive pricing of their service and that in all regulatory matters the Commission is expected to act as an adjudicator, not a business manager.

Such a revised declaration might read substantially as follows:

"It is hereby declared to be the national transportation policy of the Congress to encourage the maximum of competitive freedom for each form of transportation to demonstrate its potential to the public in service and in rates, subject only to the proviso that no carrier shall create unjust discriminations nor undue preferences or advantages, nor shall any carrier place in effect rates which fail to cover the direct ascertainable cost of producing the service to which the rate applies.

"Regulation of all modes of transportation subject to the provisions of this act shall be fair and impartial and applied only to the extent required for the protection of the general public and without exemption for commodities or particular classes of traffic, but protecting bona fide private carriage.

"All of the provisions of this act and other acts affecting transportation shall be interpreted, administered, and enforced with a view to carrying out the above declaration of policy."

For consistency with the declaration suggested above, section 500 of the Transportation Act, 1920,^{2/} should be repealed in order to eliminate an expression of intent particularly to foster transportation by water.

Increased Reliance on Competitive Forces in Rate Making
constitutes the corner-stone of a modernized regulatory program.

Our proposals contemplate fundamental revisions of four elements of current statutory provisions relating to: (a) maximum-minimum rate control; (b) suspension powers; (c) the long- and short-haul clause (section 4); and (d) multiple-car freight rates.

(a) Maximum-minimum rates. Under current provisions of the Interstate Commerce Act, the ICC is authorized after hearing to prescribe the maximum and/or minimum rate or exact rate of common carriers subject to its jurisdiction upon a finding that the rate being investigated is unreasonable or unjustly discriminatory or unduly preferential. The Commission possesses like authority when it finds that any intrastate rate causes undue or unreasonable preference or discrimination against interstate or foreign commerce. In practical effect this means that upon a finding of the stated conditions, the ICC may determine and prescribe the precise rate, the ceiling or floor of the rates to be observed, or the range of rates (zone of reasonableness) considered lawful.

These rate controls were vested in the ICC during the period when the railroads were the sole or predominating intercity form of transportation. The principal purpose of these controls was to protect the general public against railroad monopolistic pricing or unfair or discriminatory rate cutting and to maintain reasonable rate relationships between competing shippers, markets, localities, or traffic. A related purpose was to prevent the accumulation of extortionate earnings by an industry vested with public interest. Regulatory authority over intrastate rates was granted to remove restraints on the free flow of interstate commerce.

With the changed character of transport organization and the development of pervasive regulated and unregulated service and cost competition for traffic (coupled with extensive government financing of highway, waterway, and aviation facilities), there is no longer a need in the public interest to continue these rate controls, subject to certain exceptions, if the Nation is to have a healthy common carrier industry, and to help assure the most economic use and needed development of our transport capacity.

The value of service today for any method of transport is in most instances fixed by the rates of competitors or by the cost at which the service can be privately performed by the shipper. As there are differences in the quality of service and in the ancillary costs to the shipper, forms of transport which have inferior service or service attended by additional costs borne by the shipper directly must have a cost advantage which is reflected in the rate to secure business. Although it was one of the objectives of the enactment of the Motor Carrier Act in 1935 to secure a controlled transition toward a cost-of-service rate structure, this objective has not been attained.



Analysis of railroad cost and rate relationships indicates that the railroads have a pronounced cost superiority over truck transportation on volume movements over longer distances. On the other hand, truck transportation, both from a service and cost standpoint, has equally marked advantages in the shorter movements, and for some type of commodities has a cost advantage for intermediate distances. However, analysis of the rate-cost relationships under which traffic is distributed as between rail and truck discloses striking inconsistencies and an essentially unhealthy situation for which regulation is at least partly responsible.

If the market is to determine the appropriate use of each form of transportation in accord with shippers' judgments of the utility to them in terms of cost and service, rates must be allowed to reflect cost advantages whenever they exist and to their full extent. Present regulatory policy defeats this prospect in large part since carriers, notwithstanding demonstrated lower costs, are permitted to do no more than to meet the competition facing them which, with some exceptions, means to name the same rate regardless of cost relationships. Especially where private or unregulated competition or the prospect of its establishment is involved, even this much opportunity may be permanently denied the common carriers because of the long delay in deciding cases when proposed reduced rates have been suspended for investigation, thus leaving the old rates in effect during the critical period.

Moreover, outstanding maximum rate orders covering a wide range of common carrier traffic have been important in causing carriers to seek revenue relief by the route of general rate level increases in ex parte decisions. The application of these increases has induced substantial loss of business before it has been possible to place reductions in force to meet particular competitive situations. In addition, regulation has held down a substantial portion of the common carrier rate structure to a level which appears to fail to cover the costs of the transport service rendered. While motor and water carriers can divest themselves of such unprofitable traffic, railroads cannot do so and tend to get a large part of all such traffic.

In brief, these rate maladjustments, in part enforced by regulation, deprive the public of the economy which would result from a distribution of traffic in accord with the real capabilities of the several types of carrier just as they deprive the shipper of many valid choices which would be available to him were rate competition more free from restraint as to its character and timing. There is, however, danger that unrestrained rate competition may result in undue depression of rate levels. Moreover, the shipper is entitled to protection against discrimination and carriers are entitled to protection against unjust discriminatory picking and choosing in the making of competitive rates.

Hence it is proposed to continue regulatory authority to prescribe minimum rates of carriers subject to the Interstate Commerce Act in the place of those found to be unreasonably low because not compensatory (rates which fail to cover the direct ascertainable cost of producing the service to which the rate applies) and to prescribe a relationship of rates which would avoid unjust discrimination or undue preference in the event the latter are found to characterize any existing rate relationship. This would include the relationship of rates to be maintained as between intrastate and interstate commerce where state commission have prescribed a basis of intrastate rates which is inconsistent with the basis currently in force on interstate traffic in a degree shown to burden interstate commerce. The authority to prescribe maximum rates would be deleted from the act together with the concept of the reasonable maximum rate. In the absence of authority to fix maximum rates, the necessity for the rule of rate making largely disappears.

Basic revisions of the Interstate Commerce Act are required to effect these changes.^{3/}



(b) Suspension powers. The power of suspension frequently has been used by competing carriers merely to delay decisions. Moreover, the standards which have been developed to determine the lawfulness of suspended schedules have become unduly restrictive, holding the carriers to the meeting of competition only and largely denying them the right to give effect to their full economic capabilities. In order to remedy this situation we recommend that the pertinent provisions of the Interstate Commerce Act be modified to provide that proposed schedules shall be subject to suspension only in the case of proposed reduced rates and only if it appears to the Commission that:^{4/}

1. The rates proposed, or some of them, fall below the direct ascertainable cost of performing the service to which it is proposed to apply them, or that

^{3/} Repeal that part of section 13 (4) of the Interstate Commerce Act which reads, "it shall prescribe the rate, fare, or charge, or the maximum or minimum, or maximum and minimum, thereafter to be charged," and provide in its stead that "it shall prescribe the relationship of rates thereafter to be maintained, "together with like changes in section 406 (f).

Section 15 (1) of the Interstate Commerce Act to be similarly modified to provide authority to prescribe minimum rates in the place of those found to be unreasonably low and to prescribe a reasonable relationship of rates in the event of a finding of unjust discrimination or undue preference. Similar revisions to be made in sections 216 (c), 218 (b), 307 (h), 315 (b), and 406 (b).

Delete from section 15 (3) of the act the following: "Or by carriers by railroad subject to this part and common carriers by water subject to part III, or the maxima or minima, or the maxima and minima, to be charged," in order to relieve such joint rates of any other restraint than those provided in sections 1 and 3 and comparable provisions in other parts of the act.

Repeal section 15a of the act in its entirety together with sections 216 (i), 307 (f), and 406 (d). Repeal of section 15a would remove one of the most objectionable features of rate regulation: namely, the Commission's substitution of its own judgment for that of carrier management as to "the effect of the proposed rates on the movement of traffic by the carrier or carriers for which the rates are prescribed."

Amend sections 1 (4), 1 (5) (a), 1 (6), and the comparable provisions of parts II, III, and IV of the act in order to eliminate the requirement that rates shall not exceed a reasonable maximum level.

^{4/} Section 15 (7) of the act and the corresponding sections 216 (g), 218 (c), 307 (g), 307 (i), and 406 (e).

2. the carrier or carriers proposing the rate would create undue preference by its or their failure to extend a similar basis of rates to places similarly circumstanced with reference to competition. It is further proposed that the burden of proof be shifted to protestants and that the suspension period be reduced to three months, the rates to become automatically effective at the expiration of this period in the absence of a decision and order.

We recommend that the Bureau of Accounts, Cost Finding and Valuation of the ICC be strengthened to the full extent necessary for it to carry on its studies and research on transportation costs to provide current information for measuring cost competition in the transportation field and in order to form a basis for the Commission's judgment of what constitutes compensatory rates.

In addition, we recommend that the ICC's resources and means of developing current information covering transport operations and the movement of traffic be strengthened. This knowledge is essential if the Commission is to effectively carry out its necessary regulatory functions.

(c) We recommend repeal of the long- and short-haul clause of the Interstate Commerce Act.^{5/} Except on the Commission's special authority - usually after a hearing - the railroads for years have been prevented from practicing what have generally been regarded as specific forms of preference and prejudice, i.e., the charging of a lower rate from A to C than from A to the intermediate B, or the charging of a higher rate from A to C than the aggregate of the intermediate rates A to B and B to C.

These prohibitions might be justified if there were no competition for the railroads to meet or the competition were evenly distributed among their stations and equally potent at each.

The fact is, however, that competition exists between stations in varying degrees, and when the railroads seek (for instance) to publish rates which are lower to the further distant point which is located on water than to the intermediate point which is inland, they are not creating preference and prejudice. These are already present by virtue of the existence of water service to the further distant point and will continue - regardless of any action the railroads may or may not take. The only question is, are the railroads entitled to make themselves competitive or is the traffic to be handled to the further distant point exclusively by the competitive carrier?

Although the long- and short-haul clause is applicable to common carriers by water,^{6/} comparable provisions are not effective for motor carriers governed by the Interstate Commerce Act.^{7/}

(d) Multiple-car freight rates. The prime economic benefit of rail transportation clearly lies in heavy long-distance and large-scale transportation. It is invariably cheaper to haul traffic in volume from one siding of origin to one siding of destination than to haul the equivalent tonnage in single car consignments. Similarly, heavier loading of cars produces lower per-ton cost. The public is denied these cost benefits when obstacles are placed in the way of lower rates for volume movements. Consequently, it should be made clear by amendment in section 2 of the act that the carriers should be permitted to make incentive minimum weights and multiple-car rates, provided that such wish to use them and further provided that such rates meet the compensatory test.

^{5/} Interstate Commerce Act, section 4.

^{6/} Common carriers by water, subject to part III of the Interstate Commerce Act.

^{7/} Part II of the Act.

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A Modernized and Financially Strong System of Common Carrier Transportation Must be Maintained

Historically, common carrier service has been recognized as the hard core of our transportation system. Yet, in recent years there have been a number of developments that have mitigated against the maintenance of a financially strong system of common carrier transportation.

Among such developments are the rapid growth of privately operated fleets of trucks by industry and agriculture, the relatively unregulated status of contract carrier service, statutory exemption of the transportation of various commodities from the regulatory controls imposed on common carriers and the practice of trip-leasing motor vehicles. All of these developments have had the effect of diverting profitable sources of traffic from the common carriers. To this must be added the large deficits resulting from the enforced maintenance of unprofitable passenger services by the railroads.

Manifestly, if we are to have a sound and financially strong common carrier transport system so necessary to the continued expansion of our national economy and the even greater need during emergencies, policy revisions must be made to reduce or entirely eliminate these elements of the transportation system which tend to undermine the ability of common carriers to perform their obligations. To this end we make the following recommendations:

(a) Private carriage. We recommend that part II of the Interstate Commerce Act 8/ should be revised to exclude from the private carrier category all carriers which perform any transportation for compensation, including carriers which purchase commodities only for transportation and subsequent sale. Stated another way, private truck operations should be limited to the distribution of the owner's products and supplies from plants, the distribution centers, and the return haul of materials to be used in his own operation.

A primary problem in transportation at present concerns the infringement of private carriers upon the field of common carriage and the need for remedial action in the form of more effective regulation of private carriers or enactment of legislation to delineate more adequately the proper place and status of such carriers.

Legitimate private carriage is not in issue. The practice of shippers handling their own merchandise is sanctioned legally and is frequently sound economically. The problem is created by those practices of private carriers which undermine the common carrier transportation system which must bear the main burden of the Nation's transportation requirements in peace and war.

The Commission has pointed out that where so-called private carriage is a subterfuge for engaging in public transportation, it constitutes a growing menace to shippers and carriers alike; is injurious to sound public transportation; promotes discrimination between shippers; and threatens existing rate structures.

(b) Contract carriers. The definition of "contract carrier by motor vehicle" and contract carrier by water provided in the Interstate Commerce Act should be sharpened to make clear that such carriers are of a specialized nature to the extent that they clearly substitute for a feasible private carrier operation and that they do not perform services which would ordinarily be undertaken by common carriers. 9/ Provision should be made for conversion, after hearing, of existing contract carrier permits to common carrier certificates where the carriage is not that of a contract carrier as above defined, and where the holder of the permit makes application within a specified time and shows that he is engaged in bona fide transportation for hire which is not contract carriage as so defined.

To further assure that the motor contract carrier will operate in its appropriate role in the transportation system, part II of the Interstate Commerce Act should be amended to require the filing and publication by contract carriers of actual rates, charges, and regulations affecting transportation under their contracts or the publication of those contracts in entirety at their option. 10/

The purpose of these recommendations is to protect common carriers against contract carriers who are in effect engaged in common carrier operation without having had to demonstrate the "public convenience and necessity" of the service offered.

There has developed an area of conflict between certain motor contract carriers and competing rail and motor common carriers over whether the contract carriers are not, in many instances, actually performing a common carrier service. These contract carriers are taking substantial blocks of traffic in their service areas through excessive numbers of shipper contracts constituting in effect common carriage. The provisions of part II of the Interstate Commerce Act with respect to publication of rates are also more lenient to contract than to common carriers. The former are required only to post their minimum rates in contrast to the requirement that actual rates of common carriers be published. Due to this disparity it is not possible for common carriers to compete effectively because they have no means of determining the actual rate charged by contract carriers. For this reason, common carrier interests advocate with good reason that the Interstate Commerce Act should be amended to require the publication of actual rates charged together with the contracts and other descriptions of the services to be rendered by contract carriers.

(c) Bulk commodity exemptions. Part III of the Interstate Commerce Act exempts from regulation the carriage of commodities in bulk when "... the cargo space of the vessel in which such commodities are transported is being used for the carrying of not more than three such commodities." For purposes of the act, barge tows are considered as single vessels. Economic regulation is applied to bulk commodities in a vessel or a tow when more than three commodities or non-exempt commodities are being carried. Tanker transportation of liquid cargoes in bulk is also exempt from regulation.

We recommend repeal of the bulk commodity exemption. 11/

We recommend further that the Interstate Commerce Act should be amended to make clear that not minimum but the actual rates, charges, and practices of contract carriers by water shall be filed and published in tariff form or by publication of actual contracts. 12/

9/ Sections 203 (a) (15) and 302 (e).

10/ Section 218.

11/ Section 303 (b) of the Interstate Commerce Act.

12/ Section 306 (e) of the Act.

Both railroads and many common carriers by water contend that their competing service in the carriage of bulk commodities is fully regulated, including the requirement that actual rates be published. Bulk water carriers in exempt operations, on the other hand, need not publish their rates and are able to obtain competitive traffic by quoting lower than the published rate. Common carriers by water contend that if they are to obtain the benefits of the exemption they must segregate their tows to exclude non-exempt commodities. This procedure is often impossible, in which case they must quote published rates with the risk of losing the business to another carrier quoting a secret exempt rate. It is claimed that conformity with the requirements for exemption results in operating inefficiencies such as smaller tows, and poorer service to some shippers.

(d) Freight forwarder associations. We recommend revision of part IV of the Interstate Commerce Act to eliminate the commodity exemption consistent with the proposed reduction of this area of exemption under part II of the act. We also recommend elimination of the provision which exempts from regulation shipper or shipper associations involved in consolidation or distribution of volume freight on a non-profit basis for the purpose of securing lower rates. The associations in question, although termed non-profit, in fact absorb costs which include overhead, and the expenses involved go beyond those paid to a carrier. In effect, this exemption opens the way to establishment of non-regulated forwarding enterprises.13/

(e) Agricultural exemptions. We recommend amendment of the Interstate Commerce Act to eliminate the motor carrier commodity exemption, except for bona fide private transportation of their own products and supplies by farmers, fishermen, and breeders of livestock.14/



As the exemption now stands, all interstate carriage of commodities determined by the Commission to be exempt may be carried by any motor carrier without regulation of any kind, except for observance of the safety provisions of the Interstate Commerce Act. Vehicles carrying exempt commodities, after they have discharged their exempt cargo, may be used by certificated carriers in their regular authorized operations, or if owned by non-certificated carriers they may be leased to certificated carriers for use in their scheduled operations. In the haulage of exempt commodities there is no requirement to publish or make public rates charged or maintain maximum or minimum rates.

The above circumstances have led to serious abuses constituting unfair competition with railroads and regulated motor carriers. Railroad transportation of agricultural commodities is subject to full regulation including the necessity of maintaining published tariffs. Exempt carriers can easily underbid the railroads for this traffic due to the secrecy of rates made possible, the freedom to select traffic and points served, and the leasing practices which provide exempt haulers with revenues on their return trips, making the haulage of the exempt commodities less costly. At the same time, motor common carriers of non-exempt commodities may lease vehicles from non-certificated carriers hauling agricultural products at rates below the cost of owning and operating their own equipment. Such a practice gives the lessee certificated motor carrier a cost advantage and intensifies his competition with the railroads as well as motor common carriers operating with owned equipment.15/

13/ Sections 402 (b)(2) and 402 (c)(1).

14/ Repeal subsection (6) of section 203 (b), and amend subsection (4a) to include fishermen and breeders of livestock along with farmers.

15/ The Department of Agriculture points out that the agricultural industry cannot avoid or control peaks in production to the same degree that is generally possible with manufactured products. Certain agricultural products are perishable and must be moved quickly. Many farms are not accessible to established common carrier routes or to delivery and receiving points on those routes. In these circumstances, the Department of Agriculture believes (1) that the adoption of the recommendations might substantially and unnecessarily increase transportation costs to agriculture and impair the transportation service which an efficient and prosperous agriculture must have; (2) that in establishing a National policy conducive to building a sound, efficient, and financially strong common carrier system with a minimum of Government regulation the special needs of particular industries should be recognized; and (3) that the recommendations for placing more stringent regulations on agricultural commodities is in the public interest.

(f) Trip leasing. We recommend addition to part II of the act a provision that common or contract motor carriers may augment their equipment by the lease of vehicles provided that such leases are for a period not less than thirty days and provided further that such leased vehicles must be, during the term of the lease, exclusively and continuously under control of the lessee. Such provision is not to prohibit the interchange of non-powered trailers or semitrailers between motor common carriers under just and reasonable provision for compensation per diem or upon mileage.

Trip leasing is the practice under which authorized motor carriers utilize equipment which they do not own, frequently in operation beyond their authorized territory. The ICC has been hampered in the detection of such unlawful transportation by the absence of appropriate regulations governing lease and interchange practices. A related difficulty is private carrier leasing of its vehicles to a for-hire carrier for a movement back to or in the direction of the private carrier's terminal. Under such practices, a given operation consists of both private and for-hire carriage. 16/

(g) Passenger service deficit. The railroads have suffered for many years from a persistent and creeping malady of unprofitable passenger service operations. The provision of freight and passenger services by railroads constitutes a common enterprise. Consequently, the actual losses incurred from passenger service operations must be borne from earnings realized from freight service. Thus, in final analysis, the railroad shippers of the country are being required to subsidize in substantial and growing amounts those who benefit from the utilization of passenger train services.



Class I railroads have incurred a deficit in their passenger service operations every year since 1930 with the exception of the war years, 1942-1945. The deficit averaged about \$250 million annually between 1936 and 1940, with the annual average rising to nearly \$625 million between 1948 and 1953. The peak deficit - \$705 million - occurred in 1953. These figures, however, fail to reveal the full extent of the total deficit because individual company and train losses have been offset in part by trains showing passenger profits. Moreover, these data make no allowance for return on investment in passenger service facilities nor do they reflect the cost of transporting fuel and materials for the benefit of the passenger service.

These substantial losses have an extremely adverse affect on the overall financial position of the railroads. In unregulated business enterprises, prudent management would abandon even at the loss of capital investment, any plant or product which for any period of time operated at a loss or showed no prospect of becoming profitable. The common carrier transportation industries, however, faced with a similar situation, are not permitted to operate as prudent business managers. For, under the public utility theory, common carriers certificated either by the Federal or state authority, are required to maintain satisfactory service for all segments of their transportation plant for which public authorization has been given.

The burden of this requirement is illustrated by the Commission in its 1952 annual report to the Congress which states:

"The total revenues from freight service in the year 1951 amounted to \$8,933 million. If the passenger-service revenues had been equal to the passenger-service costs, which assumes that the deficit is entirely eliminated, the carriers could have reduced their freight charges for all freight services by about 7 percent (\$680 million divided by \$8,933 million) without affecting their 1951 net railway operating income from the combined freight and passenger services."

By forcing railroad freight rates to higher levels, the deficit seriously impairs the railroads' ability to compete pricewise with other transportation media.

16/ The Department of Agriculture believes that the present procedure with respect to trip leasing is economically justified and that it is an essential part of the agricultural exemptions for the reasons discussed on page 13. The Department sees no objection to the proposed change.

The passenger deficit is not attributable solely to the transportation of persons. The ICC estimates that in 1952 about 28 percent of the passenger deficit resulted from the so-called head-end services, i.e., mail, express, and baggage, with the remaining 72 percent attributable to passengers proper.

Efforts in recent years to reduce the mounting passenger deficit have met with mixed success. The ICC estimates that the increased mail pay rates prescribed in 1951 and again in 1954 provide the railroads with sufficient mail revenues to cover out-of-pocket costs assignable to that service and in addition yield \$23 million a year, based on the 1952 volume of mail handled by the railroads. In 1954 the railroads accepted a lesser increase than they originally requested fearing that any greater increase would cause substantial diversion of mail to motor trucks and air carriers.

The Railway Express Agency is wholly and jointly owned by the railroads. Under a uniform pooling agreement, the REA's revenues are used first to pay all its expenses including payments to non-railroad carriers and the balance (called express privilege payments) is divided among railroads in payment for hauling express traffic. Express privilege payments fall short of compensating the railroads for the cost of transporting express matter. The many increases in express rates have led to a diminished volume of express traffic with the result that there has been little material improvement in railroads' express earnings. Size and weight limitations on parcel post imposed by Public Law 199, effective January 1, 1952, have aided somewhat in reducing the express deficit.

The transportation of persons accounts for the greatest share of the passenger deficit. Passenger traffic as measured in revenue passenger-miles has declined steadily from the 1944 wartime peak of 95.5 billion to a level of about 31.7 billion in 1953. (Slight gains were registered in 1951 and 1952.) Yet passenger-miles in 1953 were close to the average of 33.5 billion for the period 1925-1929 when the passenger service was profitable. However, faced with rising operating costs, the railroads have found it difficult to raise the level of passenger fares because of competition encountered from the airlines, buses, and private automobiles.

Many trains, particularly those engaged in short-haul local operations do not produce enough revenues to pay their out-of-pocket costs. Furthermore, in many cases such operations are no longer needed because of the development of alternative transportation service, particularly by improved highways. Curtailment and abandonment of these unprofitable trains offer a means of substantially reducing the passenger deficits. Service abandonments, however, are almost uniformly subject to approval of state regulatory commissions. These commissions have shown reluctance to grant permission because of opposition to the service curtailment from local interests and railroad employees. The ICC has held that its jurisdiction extends only to the complete abandonment of line and operations.

Although we have been unable to discover any complete solution for this perplexing problem, there appear to be two lines of attack which might alleviate the situation somewhat. First, we recommend revision of the Interstate Commerce Act to provide that where the Commission finds that continuance of unprofitable passenger stations or other facilities or services imposes an undue burden upon interstate commerce, and that adequate service by other forms of transportation are available to meet the public need, it may order the discontinuance of such services or facilities irrespective of the law of any state or the order of any state authority. ^{17/} The purpose of this recommendation is to overcome the demonstrated reluctance of state commissions to permit curtailment of service because of the articulate opposition of local interests.

Ownership of One Form of Transportation by Another

We recommend repeal of the proviso of subsection (b) of section 5 (2) of the Interstate Commerce Act to eliminate the special provisions relative to railroad control of motor carriers in order to permit rail participation in motor carrier operations upon the same terms as such participation is open to others. 18/

The purpose of this recommendation is to permit common ownership of rail and motor transportation subject only to the same showing of "public necessity and convenience" imposed on the other form of transportation proposed to be operated.

The Excise Taxes on Transportation Services Should be Repealed

The Federal Government now imposes the following taxes on domestic transportation: transportation of persons - 10 percent; transportation of property other than oil by pipeline and coal - 3 percent; transportation of oil by pipeline - $4\frac{1}{2}$ percent; and transportation of coal - 4 cents per short ton. Users of transport services pay these taxes, and carriers collect them. 19/

The Treasury Department advocates retention of transportation excise taxes because of the substantial volume of revenues produced. However, it is clear that the revenue producing aspects of these taxes must be weighed against the fact that their imposition severely discriminates against the commercial carrier in favor of private carriage. The net effect of this discrimination is to weaken the competitive position of commercial carriers, particularly the regulated common carriers. However, either repeal or reduction must be considered in connection with the entire fiscal and tax policy of the Government.

The Subsidy Problem - and User Charges

The revisions in transportation policy proposed above would in the judgment of your Committee have the long-run effect of encouraging competitive experimentation between the several types of carrier to determine, on the basis of the service and rates offered, the proper role of each. However, we are equally convinced that the true economic capabilities of the several forms of transport cannot be realized so long as substantial subsidy is extended to any competitive transportation agency.

In this troublesome area of transportation policy there are, however, encouraging signs that we are moving toward an eventual solution of the subsidy problem. Of primary significance is the fact that of the thirteen domestic truckline air carriers, only four of the smallest now receive direct financial subsidy through air mail payments. Moreover, recently approved Reorganization Plan No. 10 provides, for the first time, an accounting separation of service pay from air mail subsidy. The purpose and result is to bring the amount and nature of this subsidy into the open, and to require a separate appropriation to support the subsidy program. As the major domestic airlines achieve economic self-sufficiency it will be feasible gradually to recoup a portion of the large cost incurred by the Federal Government in maintaining the airways system.

18/ For consistency, also repeal subsection (d) of section 5 (2).
19/ Except in the case of oil pipeline transportation where carriers pay the tax.



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The states have for many years been financing the bulk of their highway development through revenues derived from highway users in the form of gasoline taxes and license fees. However, wide areas of controversy remain as to whether or not the total cost is properly allocated between the heavy-duty truck and bus operators, at one extreme, and the private automobile user at the other. This controversy will not be fully resolved until we have available more refined analysis of the joint-cost problems involved and more dependable data on the incremental cost of highway construction, engineering design, and highway use characteristics. However, objective research is moving forward in this field.

Significant, although not necessarily conclusive, findings may be expected from the unique series of cooperative tests which the Highway Research Board and state highway officials are conducting. The objective is to determine, by scientific measurement, the impact of various sizes and types of trucks on highways of different design characteristics; and to utilize these findings as an aid in determining how the cost of highway construction and maintenance should be allocated among the various groups of users.

Your Committee urges that engineering and economic research along these and related lines be aggressively pursued since it is evident that so long as any element of subsidy remains in the highway program the equality of competitive opportunity which is sought in our proposed program cannot be fully achieved.

Federal financing of river and harbor improvements constitutes the one area in which no real progress has been made toward elimination of the distorting impact of preferential subsidy treatment. For all practical purposes, the elimination of subsidy elements within this area rests within the power of the Federal Government. Consequently, we recommend that tolls be imposed on all internal waterways which have been improved by the Federal Government, designed to recoup the current operating and maintenance cost of each such channel and to contribute the maximum possible to the amortization of the Federal investment in such projects. When the navigation facility is a portion of a multiple purpose project, then the burden which it is designed to recoup is that assigned to navigation. No channel, the toll revenue from which will not cover the annual operating and maintenance cost, should continue to be maintained.

All new projects, whether for the provision of new navigable channels or the improvement of channels already in existence, should be referred to the Department of Commerce before legislative authorization is sought. Each such project should be reviewed by the Department and its report and findings thereon should accompany requests for legislative authorization. In reviewing proposed projects the Department shall consider:

1. Whether the proposed project will be self-liquidating within a reasonable period of time from tolls revenue, and
2. Whether the public interest requires construction of the proposed project in the light of other available transportation.

In the letter of transmittal, your Committee indicated unanimous approval of the general program and policies set forth in the report on Civil Air Policy, the principal recommendations of which accompany this document. ^{20/} However, it seems appropriate here to make more detailed reference to the portions of that report dealing with the problem of subsidies and user charges.

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Aviation is the one form of domestic transportation receiving direct Federal subsidy payments (in addition to the free use of facilities). The airlines have grown substantially since this subsidy program was authorized in 1938. In the report on Civil Air Policy, prepared by the Air Coordinating Committee and accepted by the President in May 1954, this Administration has recommended certain modifications in airline subsidy policy to reflect the industry's present status, and to assure a sound relationship to overall transportation objectives. While recognizing a need for continued airline subsidy internationally, the report has called for the orderly reduction, and eventual elimination of domestic airline subsidies. A controlling principle of this report was expressed as follows:

"The national interest in promoting air transportation must take account of the parallel national interest in the adequacy and economic soundness of all forms of transportation. This principle has assumed increasing importance as air transportation itself has grown in size and in competitive impact. In the long run, the public can best be assured of maximum economy and efficiency of the over-all transportation system if each form of transportation is required to compete with other forms on the basis of inherent service advantages and true economic costs."

Amendment of subsidy provisions of section 406 (b) of the Civil Aeronautics Act is required in order to assure the full implementation of these recommendations. In particular, the act should establish a clear statutory intent that subsidy be limited, so far as possible, to a strictly temporary basis. The act should also clearly establish the right of Congress and the President to exercise effective budgetary control over the level of subsidy.

The Civil Air Policy report has also endorsed the principle of user charges for the Federal airways, but urged that such charges be treated as part of a comprehensive user charge policy for all federally-provided transportation facilities and services. The Appropriations Committees have long shown a special interest in the development of airway user charges. In January 1954, the Department of Commerce completed a comprehensive study on this subject. This study developed basic cost and use data, and presented alternative methods of improving charges. The study was presented to the interested congressional committees to assist them in developing and considering airway user charge legislation.



III. SPECIAL GOVERNMENTAL PROBLEMS

In addition to the basic issues of transportation policy discussed above, there are a number of special problems which merit attention.

Intervention of Executive Agencies in Regulatory Proceedings

We recommend repeal of the statute which gives the Secretary of Agriculture special statutory rights to intervene before regulatory commissions.^{21/}

Private organizations representing farm interests will undoubtedly need to arrange to expand the scope of their activities in behalf of agriculture before regulatory commissions.

Except as it may be a bona fide shipper, no sufficient reason appears for the provision by statute for intervention of any executive department in cases involving quasi-judicial determinations.

Special Rates

We recognize that the use by carriers of that portion of Section 22 of the Interstate Commerce Act granting free or reduced rate transportation to government traffic has given rise to abuses and evils which are not in the public interest. We recognize also however that government procurement practices and the peculiar exigencies affecting movement of its traffic as distinguished from normal movement in commercial channels require special consideration.

We recommend therefore:

- a. The repeal of Section 22 of the Interstate Commerce Act in its entirety,^{22/} contingent upon repeal of the long- and short-haul clause, and
- b. That pertinent provisions of the Act be amended to permit the granting by carriers of special government rates and fares to the United States, State, and Municipal Governments, when requested of carriers by authorized government officials, and
- c. Except for rates and fares subject to security, such special government rates and fares be published in tariffs and filed in accordance with the provisions of the Interstate Commerce Act and regulations thereunder, provided that filing and publication requirements of the Interstate Commerce Commission shall be waived upon request of an authorized government official to assure application of such rates or fares (1) on less than statutory notice or (2) retroactively, and
- d. Section 1, Paragraph 7, should be amended to cover the issuance of mileage, excursion or commutation passenger tickets; reduced rates ministers of religion; and the free transportation of seeing-eye or guide dogs accompanying blind persons, etc. and
- e. That upon enactment of legislation to accomplish the above recommendations a savings clause be inserted to permit carriers Section 22 tenders in published tariff form.

^{21/} Section 201, 52 Stat. L 36 (U.S. Code, Title 7, sec. 1291).
^{22/} The similar provisions of 217 (b), 306 (c), and 405 (c) should likewise be repealed.

Navigational Clearance Requirements for
Highway and Railroad Bridges

One phase of the competitive relationship between waterway transportation, on the one hand, and railway and highway transportation on the other hand, is concerned with navigational clearance requirements for highway and railroad bridges. Existing laws, enacted about a half century ago, when waterway transportation was relatively more important, are intended to protect the interests of navigation without taking overall transportation economics into account. The result is that highway and railroad bridges must be built with extraordinary horizontal and vertical navigational clearances to accommodate the extremes in waterway traffic.

A report of a study concerning navigational clearance requirements for highway and railroad bridges, now being prepared by the Department of Commerce, shows that in many instances the greatly increased costs of bridge construction, maintenance, operation and use to satisfy navigational needs is not being offset by savings in waterway transportation costs. Since all costs of transportation are ultimately borne by the general public in the cost of the goods the public consumes, in the prices the public pays for the services it receives, or in taxes the public pays, it seems that provision for navigational clearances in bridges constitutes a substantial subsidy to waterway traffic which heretofore has not been adequately recognized. With these very large costs normally borne by railroad or highway transportation interests and reflected in the prices charged for such services, the navigational increment to the cost of overland transportation does affect the competitive relationships among highway, rail, and water carriers.

To correct this situation and effect substantial savings to the general public and correspondingly equalize competitive opportunities among highway, rail, and water carriers, requires appropriate legislative and administrative action.

Although this report is largely confined to that portion of transportation which is subject to the Interstate Commerce Act and the scope of the recommendations is not entirely comprehensive even in this portion of the transportation field, it is our belief that the most serious current transportation problems and those which pose a threat to the national welfare are largely to be found in this area. We are also convinced that prompt accomplishment of the recommendations outlined above will achieve more for the development of a healthy national transportation system than anything undertaken since the flowering of competition brought about by the development of other than rail types of transportation in and since the late 1920's.

Your Committee has not proposed any changes in the Federal organization for the administration of transportation functions and responsibilities. It is our belief that any necessary organizational adjustments should follow the revision of transportation policies to permit determination of required changes in the Federal structure for their most effective administration.

Finally, we wish to emphasize that the revisions of national policy proposed above relate primarily to the things that the Federal Government can do to aid in correcting the dislocations and deficiencies which have crept into our national transportation system. At best, the realization of the correctives proposed will be time consuming both from the standpoint of legislative action and the ability of the affected carriers to make use of the increased competitive freedom which they may be expected to enjoy. It is possible that in the interim period the financial position of the common carriers -- especially the railroads -- might continue to deteriorate. Consequently, you may wish to recognize that some type of interim program, preferably with private financing, may have to be formulated in order to enable these carriers to modernize their plant and equipment rapidly in anticipation of future improvement in earning power.

This report has dealt mainly with the Federal Government's role in transport promotion and regulation. However, we wish to emphasize that the full economic benefits anticipated from the program recommended here can be realized only with effective and aggressive carrier management and with corporate and physical structures which are adapted to modern competitive conditions and organized to produce transport services at the lowest possible cost.



APPENDIX A

PRINCIPAL RECOMMENDATIONS OF
AIR COORDINATING COMMITTEE REPORT ON
CIVIL AIR POLICY

1. The basic principles stated in the report on Civil Air Policy are fully consistent with the philosophy of the Cabinet Committee's proposed report on overall transportation policy. The keynote of the report was expressed in the introduction as follows:

".... The responsibility of the Government... is not to carve out some predetermined role for air transportation and then attempt to force the industry into such development. Rather, the Government must provide a general background of sound regulatory and promotional policies within which the industry itself will have the greatest possible opportunity for finding its own proper mission in competition with all other forms of transportation.

"Past Federal assistance has accelerated the development of this industry. However, we are now at the point where the industry in large measure is self-sufficient. The goal of Federal policies should at this time be directed to the development of economically healthy carriers, capable of financing with private resources their own continuing growth." (p. 2)

2. As one of its guiding principles in discussing the issue of subsidy, the report emphasized the need for considering overall transportation objectives. It stated:

"The national interest in promoting air transportation must take account of the parallel national interest in the adequacy and economic soundness of all forms of transportation. This principle has assumed increasing importance as air transportation itself has grown in size and in competitive impact. In the long run, the public can best be assured of maximum economy and efficiency of the over-all transportation system if each form of transportation is required to compete with other forms on the basis of inherent service advantages and true economic costs."

"In keeping with overall transportation objectives, airline subsidy should, so far as possible, be limited to strictly temporary aid, designed to develop needed services which could not progress at an adequate rate without Federal support." (p. 7)

3. To help achieve the objective of a subsidy-free domestic airline industry, the report made the following recommendations:

"Where the public interest requires the continued maintenance of uneconomical services, increased emphasis should be placed upon the inclusion of such operations within route systems that are capable of absorbing their cost without subsidy." (p. 8)

"The existence of a route certificate should not in itself obligate the Government to continue subsidizing a service, if it is determined that the cost has become disproportionate to the public benefits." (p. 9)

"Schedules should immediately be established for the orderly reduction, and withdrawal where appropriate, of domestic air carrier subsidy support." (p. 11)

"The operation of uneconomic competitive services should be avoided or eliminated." (p. 13)

4. The Civil Air Policy report recognized the importance of protecting common carriers from the erosion of traffic by unregulated carriers. It stated:

"The intent of the Civil Aeronautics Act, to establish a pattern of controlled entry with regard to common carrier air transportation, is still sound." (p. 19)

"The concept of non-scheduled services does not provide a meaningful basis for exempting route-type passenger services from the normal certification requirement. In the future, there should be no general use of the exemption authority as a basis for authorizing common carrier transportation to individually ticketed passengers on large transport planes." (p. 20)

5. With respect to user charges, the Civil Air Policy stated:

"Since a large segment of U. S. domestic civil aviation has reached a level of economic maturity which would permit it to make a reasonable contribution toward meeting the costs of the airways system, active consideration should be given to the inauguration of a program of domestic airway user charges. However, charges for the use of the Federal airways system and other federally-provided facilities and services used by civil aviation should be treated as part of a comprehensive policy on charges for the use of all federally-provided transportation facilities and services, taking into account Federal grants-in-aid programs." (p. 32)



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E.O. 11652, Section 1

By BAC NLE, Date 8-5-76

MINUTES OF CABINET MEETING

December 17, 1954
9:05 A. M. -- 11:55 A. M.

The following were present:

The President

Vice President Nixon
Under Sec. of State Hoover
(for Sec. Dulles)
Under Sec. of Treasury Folsom
(for Sec. Humphrey)
Sec. Wilson
Mr. Brownell
Mr. Summerfield
Sec. McKay
Sec. Benson, and
Asst. Sec. Earl Butz
Sec. Weeks
Sec. Mitchell
Sec. Hobby

Director Hughes, and
Deputy Director Brundage, in part
Dr. D. A. Fitzgerald
(for Gov. Stassen)
Dr. Flemming
Chairman Young
Dr. Arthur Burns

Under Sec. of Commerce Murray, in part
Arthur Page, in part
Arthur Schier, in part
Prof. Ernest W. Williams, Jr., in part
Richard Hall, in part

Under Sec. of Interior Davis, in part

Under Sec. State Saltzman, in part
John W. Macy, Jr., CSC, in part
Henry Duflon, CSC, in part
Director Allen Dulles, CIA, in part

Hon. Clarence Francis, in part

Gov. Adams
Mr. Shanley
Mr. Rockefeller
Dr. Hauge
Gen. Cutler
Mr. Lambie
Mr. Morgan
Mr. Martin
Col. Goodpaster
Mr. Rabb



The President opened the meeting with a reference to the traditional practices of wedge-driving which he believed would undoubtedly be intensified in the months ahead. He stated his desire to avoid anything that would serve to gag Cabinet members. He hoped, however, that Cabinet members would merely laugh at any wedge-driving efforts. He also recalled the success the Cabinet had had thus far in resolving differences of opinion by discussion in a friendly fashion.

Transportation Policy (CP-6) - In introducing the Cabinet Committee report Sec. Weeks emphasized the assignment of the Committee to determine whether regulations were excessive or were spread unevenly, particularly in regard to common carriers versus private carriers. He indicated that the study focused on transportation of freight to the exclusion of passenger traffic, that the Committee wished to defer an organizational study until policy should be defined, and that overseas air and surface transportation had been excluded. He highlighted the critical condition of the railroads. He

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then summarized the report as recommending increased competition and the strengthening of the position of common carriers on land, water, and in the air.

There was extensive discussion of the proposed change in regard to agricultural exemptions from common carrier regulations. The President questioned whether all agricultural transportation might not be exempted, but Mr. Page indicated that to do so would upset the entire structure. Mr. Page recognized the farmers' need for flexible transportation, and then went on to point out that the itinerant trucker by virtue of his exemption can undercut the common carrier in a manner disastrous to the latter. He believed the potential re-direction of railroad activities toward long hauls re-emphasized the importance of the common carrier for short hauls.

The President cited the practical difficulties of administering the new regulations in respect to very short hauls. Mr. Page believed it could be applied on an inter-state basis, and Sec. Wilson suggested that a range of one hundred miles could be the decisive factor, whether intra-state or inter-state.

Sec. Benson argued against the proposed change on the basis of the seasonal, perishable, and neighborly cooperation factors peculiar to farm products. He believed the change would decrease rather than increase competition. He also cited the numerous barter transactions which would complicate administration. Mr. Wilson stated that Defense could accept Agriculture's viewpoint on this item if it would help secure approval of the remaining proposals.

The Vice President questioned whether this change would sufficiently strengthen the common carriers to be worthwhile. Mr. Schier pointed out the importance of the change and believed it was entirely in keeping with past Congressional action. He thought present practice of more advantage to food processors than to the farmer. The President summarized the discussion by saying that it seemed as if everyone agreed that the farmer should not be hurt by any proposed change in this matter.

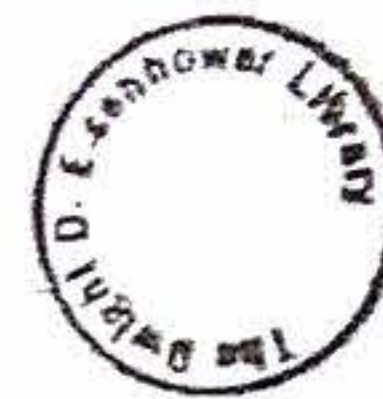
Sec. Benson stated Agriculture's willingness to go along with Recommendation #8, restricting the authorization for the Secretary of Agriculture to intervene before regulatory commissions.

Mr. Weeks emphasized that unless some action were taken along the lines of the report, the railroads could not successfully continue under private operation. The President stated emphatically that he wanted no part of Government operation or ownership of the railroads. He believed greater consolidation of the railroads might help solve some of the problems.

Sec. Weeks and Mr. Page emphasized the importance of the long haul -- short haul change as a means of allowing the railroads to compete in the long haul area to which they are particularly adapted. Truckers would be compensated by the potential withdrawal of the railroads from short haul operations.

The President suggested the possibility that the ICC might introduce any necessary legislation and thus avoid the demagoguery and partisanship which would be certain to follow if the Administration introduced such

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legislation. He stressed the need for finding the best approach and using it if any of the objectives of this report were to be secured. The Vice President underscored the comments about demagoguery and pinpointed the "big business" charge that would be made.

Sec. Benson intervened again to cite the appearance of private carriers when evident that common carriers did not fully serve the farmers' interests. He believed certain changes proposed by the Committee could result in increased costs to farmers at a time when the farmers were seriously squeezed. The President thought it might be advisable to seek the cooperation of farm organization heads in drawing up an acceptable program which would provide necessary relief to the railroads.

It was agreed that the Committee would go back to work on the report in order to determine what things were open to implementation at this time and to make specific recommendations for action which could then be considered by the Cabinet.

Dr. Flemming pointed out the great expectations that are aroused when a new Cabinet Committee is announced and a target date set for reporting. He hoped that several other existing Cabinet Committees could get away from the need of making a formal report and preparing a document for release to the press. The President agreed that it was not always wise to announce the establishment of a Cabinet Committee. Mr. Brownell also agreed on the desirability of avoiding a formal document. Governor Adams cited the need for having a target date in order to insure progress in the work of the Committee even though no public announcement might be made as to the date.

Water Resources Policy (CP-7) - Sec. McKay summarized briefly CP-7. Mr. Brownell expressed a desire to have Recommendations 3 and 4 coordinated with the Justice Department in particular regard to pending litigation.

Sec. McKay indicated that this interim report was not to be published. Mr. Wilson cited the need for a public warming-up on many aspects of these Cabinet Committee reports. He believed it desirable to establish a problem in the public mind and then allow time for comments and suggestions to be received prior to adoption of any broad, ideal solutions.

Governor Adams noted that a legal question concerning monopolies had turned up in regard to the Transport Policy report. He believed it desirable to have the Attorney General review all of these reports to identify and if need be advise on legal questions. The President believed such a practice should be standard. Mr. Flemming suggested that the Attorney General be made automatically a member of all Cabinet Committees but this was not followed up.

Mr. Brownell questioned the meaning of Paragraph 7 concerning delegation of authority, but Sec. McKay replied that it was designed to prevent subordinate officers from engaging in empire building without the knowledge of the head of the department. Mr. Brownell felt that the Administration would be crippled if it could only act according to a positive, detailed authorization by Congress, for Congress sometimes does not specifically provide for certain actions which have to be taken if authorized things

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are to be accomplished. This led to a comment by Sec. Wilson that the Administration should go out of its way to call gaps in legislation to the attention of Congress and thus avoid empire building through the cleverness of Administration officials. Mr. Hughes cited a pertinent problem with regard to upstream conservation, and Sec. Benson agreed that it was desirable to take the matter back to Congress for review since the legislation was now about five years old.

In regard to Recommendation 9 for Federal participation in construction and financing, the President wished it made clear that the Federal Government would take the lead in certain appropriate projects. He was assured that it was so made clear in the full report.

Mr. Flemming saw a need in regard to Water Resources Policy for a vivid statement of the reasons for the Administration's deep concern and also one stating the broad objectives prior to setting forth any specific recommendations. Sec. McKay stated his awareness of the need for a good selling program.

P.L. 480 Program (CP-8) - Mr. Francis summarized the material in CP-8 and set the question as one of whether, the program was overly cautious or overly liberal.

The President inquired as to how much money would be returned to the United States through these operations. Mr. Francis believed only about 10% would come back in dollars. Mr. Francis then pointed out, and Mr. Hoover noted agreement, that this program had not been set up as a means of saving money on other programs. Mr. Hoover commented at length on the many difficulties with which this program is fraught and he illustrated with details from the wheat-for-Brazil program and the added involvements caused by the negotiations between Argentina and Brazil.

Sec. Benson questioned whether the program as set up really carried out the intent of Congress, particularly in regard to improvement of trade. Mr. Francis believed it did.

Mr. Flemming asked about the extent to which Title I had been used for supplementary stockpiling of critical materials. The President commented on his desire to see the United States exchange perishables for durables. Mr. Francis said much more could be acquired for the stockpiling if the door were to be opened in his other paper. Mr. Benson produced some figures concerning stockpile acquisitions but it developed that this involved Title III and that ODM paid for the material in dollars.

CP-8 was then approved.

Foreign Sales of Agricultural Surplus Commodities (CP-9) - Mr. Francis then set forth the State Department's objection to the proposal for offering some 20 million pounds of butter on the world market on a bid basis. He recalled the protests made a year ago in regard to the similar program for cottonseed and linseed oil, and he emphasized that a favorable result had been obtained despite the pessimistic predictions, and that the market price was now rising without the threat of an overhanging surplus.

Mr. Benson believed this program would enable a testing of the world market price and that it was to be done in such a small quantity that

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there would be no danger of serious repercussions. In reply to the President, Mr. Butz pointed out that the effect of offering butter on a bid basis would probably result in a price offering of 38¢.

The President commented that the expected income from the sale of this amount was too small to risk the loss of good will on the part of our friends to whom the sale of their butter was a life and death matter. On the other hand, he believed that there must be some place in the world where our butter could be used without endangering our friends. In this connection, Mr. Hoover had no objection to the use of the P.L. 480 program. Mr. Benson emphasized that the current world price of 41¢ was undoubtedly too high because of governmental operations in the market, including our own government. Mr. Hoover requested time for the State Department to explore the matter with our allies involved. The President so directed, adding a comment that State should emphasize to our allies that the proposal was for experimental purposes and on a very limited basis.

Mr. Francis questioned how his Committee could dispose of surpluses except through programs such as this. The President emphasized the importance of other problems, such as world affairs, and commented that other members of our "family of nations" should not be compelled to pay for the domestic blunder of the United States when it got into the business of accumulating these surpluses.

Mr. Francis then presented CP-9. The President repeatedly emphasized his desire to exchange perishables for durables. Mr. Wilson wished to conduct barter operations, as did Mr. Weeks. Mr. Benson pointed out that the previous determination not to sell butter to Russia at a price lower than that paid by American housewives was obsolete now that our domestic price was much lower.

Mrs. Hobby emphasized the desirability of having any sales go to our friends rather than directly to Russia.

The discussion then turned to the phrasing of any announcements. When it appeared that publicity was not to be given to this decision, Mr. Francis emphasized that he could not keep the transaction secret and that the decision would have to be made in the knowledge that it would be public in the near future.

The Vice President commented that the whole problem of trade with the Iron Curtain countries was being increasingly recognized as one on which some progress had to be made. He recognized that the public relations problem would always exist but he felt that if the decision were to be in favor of a revised approach, the present was exactly the right time to begin making a little progress. He felt that controversy would surround the first step to be taken but that once the barrier had been broken further progress could be made without so great difficulty.

Mr. Wilson believed the action would be consistent with other more important decisions made as to the imminence of war.

The President noted that the United States undertakes spiritual, military,

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and material programs in foreign affairs. He believed that the standard of judgment in regard to such material programs as are undertaken should be essentially that of "net advantage".

Mr. Hoover felt it necessary to note that this action by the United States would run in the opposite direction to the things we have been encouraging on other countries in the question of trade with Communist countries. Mr. Allen Dulles spoke to the same effect with regard to sales of rice to Communist China by Far Eastern countries.

The President commented that all facts in the matter did not seem to have been available for discussion, and he directed that the State Department examine the question more closely before any action was taken.

Sec. Benson questioned whether this outcome affected existing policy for selling soy beans for dollars to satellites of Russia. The President believed they should be sold to any country in the world for dollars or on a barter basis.

Overseas Personnel Management (CP-10) - Chairman Young hastily presented the Civil Service legislative recommendations concerning amendment of the Foreign Service Act, establishment of a career category for USIA, extending competitive Civil Service overseas, and resubmitting last year's proposals on allowances and home leave.

Mr. Summerfield objected strongly to an action taken last year which gave higher pay to Puerto Rican postal employees than to US employees in the District of Columbia. He hoped any similar action contemplated under this program would be duly coordinated with the Post Office. Mr. Young assured him it would be.

Mr. Saltzman set forth the State Department proposals to implement the Wriston Report and stated that Chairman Young concurred, as did the Bureau of the Budget at least in principle.

Mr. Young then presented the cost factors.

The discussion was terminated with a comment by Mr. Hughes that all of these items were provided for in the Budget now being prepared.

Special Budget Questions - This item was postponed because of the hour.

Minimum Wage - Sec. Mitchell reiterated that this question had been discussed further, and that CEA, Treasury and Labor recommended setting the figure at 90¢. Commerce Department recommended 85¢. In response to a query from the President, Sec. Mitchell indicated that 86¢ would be the specific level equivalent to the cost of living increase since the last determination.

The Attorney General believed it preferable for the President to make reference only to a "substantial increase" rather than a specific figure. The President believed he should be specific in the State of the Union Message, in part to serve warning against any unreasonable increase. The Attorney General believed that could be accomplished later. Mr. Wilson

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believed the President should state the 90¢ figure. The President believed that he could generously settle on 90¢ now and eventually compromise on \$1.00 if the Democrats attempted to outbid him. Sec. Weeks felt the 85¢ figure desirable since it would lessen the impact on marginal industries, particularly where coverage was being extended to them for the first time. The President recalled that first time coverage would not be at the same 90¢ rate. Sec. Benson termed the proposal a great shock to the farmers. The President noted that there would be no specific proposal as to how far extension of coverage should go, and he noted that wages in most of the country were already above 90¢.

The President concluded the discussion by saying that his mind had not been made up to say specifically 90¢.

Next Meeting - Governor Adams stated that the next meeting would be held on the third or fourth of January for the purpose of discussing the State of the Union Message.



LAM
L. A. Minnich, Jr.

Copies to:

Mrs. Whitman
Mr. Rabb
Mr. Minnich

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The White House
Washington

THE CABINET
Record of Action

The following is the action taken on the items presented at the Cabinet Meeting, Friday, December 17, 1954:

- | <u>Item</u> | <u>Document Number</u> |
|---|--------------------------------|
| 1. <u>Review of Transportation Policy</u>
(The Cabinet Committee on Transport Policy and Organization)
<u>ACTION:</u> The Cabinet Committee on Transport Policy and Organization will continue its study for the purpose of developing specific action recommendations for future consideration by the Cabinet. | CP - 6
(with revised pages) |
| 2. <u>Interim Report to the President on National Water Policy</u>
<u>ACTION:</u> The Cabinet Committee on Water Resources Policy will continue its study for the purpose of developing specific recommendations for future consideration by the Cabinet. The Justice Department will be consulted with particular reference to Recommendations 3 and 4 of CP - 7. | CP - 7 |
| 3. <u>Review of PL 480 Decisions taken by the Interagency Committee on Agricultural Surplus Disposal</u>
<u>ACTION:</u> The recommendation made in CP - 8 was approved. | CP - 8 |
| 4. <u>Policy Review of Dollar Sales to the Soviet Bloc of Agricultural Surplus Commodities</u>
<u>ACTION:</u> The State Department will arrange for further study of the proposals made in CP - 9. | CP - 9 |
| 5. <u>Overseas Personnel Management</u>
<u>ACTION:</u> The proposals in Part A of CP - 10 were approved. | CP - 10 |
| 6. <u>Special Budget Questions</u>
Withdrawn. | (Oral) |



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RA - 6
December 20, 1954

ADDITIONAL ITEMS:

- A. Butter Sales to the Soviet Bloc
The State Department will examine further and report back to the President concerning proposals to sell surplus butter abroad on a bid basis.
- B. Cabinet Committees - Careful consideration will be given on a case by case basis to the desirability of making any announcement of the creation of any new Cabinet Committee. Such announcement as may be made will not refer to a reporting date or anticipate the preparation of a public document.

All Cabinet Committees will coordinate their proposed reports with the Department of Justice in order that that Department may identify and advise on any legal aspects.



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