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EXECUTIVE OFFICE OF THE PRESIDENT
PRESIDENT'S ADVISORY COMMITTEE ON GOVERNMENT ORGANIZATION
WASHINGTON 25, D. C.

April 29, 1958

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MEMORANDUM FOR THE PRESIDENT

Subject: Organization of Federal Transportation Functions

Your Advisory Committee on Government Organization and the Bureau of the Budget have made a study of the organization of Federal transportation functions. This memorandum contains our findings and our recommendations.

Introduction



The transportation industry

In regard to the transportation industry, we have been advised that:

(1) No form of transportation except pipelines has enjoyed financial health consistently for any period of years. Today, with the exception of the pipelines and the inland water carriers, most common carriers are in poor financial condition and some are reported to be close to receivership.

(2) There is considerable evidence that the Nation is being forced to pay more for transportation than it should because of the failure to use the most efficient media for particular jobs and because of the lack of coordination among media.

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(3) In general, technological improvements are not being developed or incorporated into the transportation system to the extent possible or desirable, although in some instances competition is forcing the introduction of expensive technological advances under circumstances which severely strain financial resources.

The effect of these problems is regarded as being serious for the United States because of the vital importance of the transportation industry in peace and in war.

We also understand that there have been some major shifts in the use of the various modes of transportation. The most dramatic has been that from commercial carriers to the privately owned automobile and truck. In addition, there have been major shifts among the various commercial media. These shifts have had effects on the ability of the various modes of transportation to serve the Nation in peace and war which are difficult of accurate appraisal.

Finally, there appears to be a dearth of information which would permit authoritative conclusions, in particular a lack of productivity data on some media and a nearly complete lack of all data on others.

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Government influence on transportation

Historically, governments at all levels within the United States have been deeply involved in the transportation industry. This is equally true today. Government activity strongly influences the supply of transportation service, the development of transportation facilities, rates to be charged, costs to be borne by transportation companies, technological progress, and character of services rendered. In view of such deep involvement, the Government necessarily shares responsibility with the industry for the fortunes of transportation, the adequacy of the transportation services available to the Nation and the efficiency with which they are rendered.

Organization of Federal transportation functions

Despite the Federal Government's deep involvement, we find defects in the organization of Federal transportation functions. These are epitomized by the fact that there is in the Government no single focal point of responsibility for transportation functions.

There have been established two basic systems for the promotion of transportation. These are: (1) promotion by regulation; and (2) promotion by assistance. Promotion by regulation is the essence

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of our national transportation policy as set out in the statement of policy in the Interstate Commerce Act. It is carried out by the Interstate Commerce Commission, the Civil Aeronautics Board and, to a minor extent, the Federal Maritime Board. These three agencies influence the supply of transportation services, rates charged, and indirectly, allocation of traffic among the various media.

Promotion by assistance is provided in the organic act of the Department of Commerce, in the Merchant Marine Act of 1936, and in other similar statutes. It is carried out by such diverse agencies as the Maritime Administration, the Civil Aeronautics Administration, the Coast Guard, the Weather Bureau, and the Army Corps of Engineers. These agencies influence the development and maintenance of transportation facilities and the cost of providing transportation services.

While the agencies carrying out assistance programs are subject to the direction of the President, the regulatory agencies are not, except for certain functions. As a consequence, no means exist for the coordination of these obviously interacting Governmental programs.

The President is charged with national security, economic growth and stability, and foreign policy. With regard to national security, during time of war the Congress grants the President vast

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powers over the transportation system, but it is the development of the transportation system in time of peace that mainly determines its usefulness in time of war. With regard to economic growth and stability, our transportation system is one of the key elements in our entire economy. As for foreign policy, while it has long been recognized that transportation between the United States and foreign countries is a matter of foreign policy, it is only recently that recognition is being given to the linkage between domestic transportation and foreign policy.



The Congress itself has recognized that its policy declarations must of necessity be broad and that execution of the statutes necessitates the formulation by some other organ of the more specific and flexible policy guidance required. Accordingly, the chief executive charged with the responsibilities enumerated and accountable to the people for their discharge is the logical locus of authority for the determination and enforcement of the policies involved. Certainly, decisions of such importance to the welfare and even the existence of the country should not be left to politically irresponsible bodies.

A second factor resulting in the lack of a focal point for transportation involves the organization of the assistance agencies themselves. While all are subject to the direction of the President,

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they are widely dispersed within the executive branch. A number of Federal programs with respect to air, sea, and land transportation are now located within the Department of Commerce, but important transportation activities are also administered by agencies outside that Department, such as the United States Coast Guard, Panama Canal Company, St. Lawrence Seaway Development Corporation, Airways Modernization Board, the Army Corps of Engineers, and the Bureau of Customs. Furthermore, a great deal of the advantage which should accrue from the existing grouping of functions within the Department of Commerce is lost because (1) the transportation functions alone are important enough to warrant the concentrated attention of a Cabinet officer, as are the non-transportation functions of the Department of Commerce, and (2) there is not available an adequate staff of general transportation experts capable of evaluating and passing upon the claim and proposals of specialists and special interest groups.

As a result of these organizational defects, it is becoming very difficult, if not impossible, for the Federal Government to:

(1) develop and carry out a national transportation policy embracing all transportation media and the Nation's transportation system as a whole;

(2) appraise accurately and objectively the effect of diverse Government transportation policies and programs;

(3) assure that transportation policies and programs are developed and performed in furtherance of the President's larger responsibilities for national security and economic well being.

functions now vested in the Department of Commerce; (2) the Federal Aviation Agency when that agency is established; and (3) any significant transportation functions not now in the Department of Commerce. We also believe that the head of the Department of Transportation should have authority to give policy guidance, within the scope of public policy as enacted by the Congress, to the transportation regulatory commissions (Interstate Commerce Commission, Civil Aeronautics Board, and Federal Maritime Board). The regulatory agencies, however, would be free to make final case decisions, for the integrity and objectivity of multiple judgment in case decisions can be preserved by giving the regulatory agency final decision on individual cases within the framework of policy guidance furnished.

To a high degree, the latter arrangement already exists in the maritime field. The Maritime Board is now, for example, subject to the policy direction of the Secretary of Commerce in regard to subsidy matters. This was a feature of Reorganization Plan No. 5 of 1953, which also provided that the chairman of the Board serve in addition as the Maritime Administrator and that the Board and the Maritime Administration utilize a common staff.

A reorganization which carried out all of the measures embodied in the foregoing conclusion would constitute the most desirable organization of Federal transportation functions and should represent



an ultimate objective. We realize, however, that certain of these measures are highly controversial, particularly those regarding the regulatory commissions, and that this is not the most propitious moment to propose all of them. In recognition of these factors, we have considered three alternative courses of action:

(1) Defer presenting any part of the proposals to the Congress until it appears appropriate to present all of the measures together as components of a single comprehensive program.

(2) Defer action on the regulatory agencies and present all the other elements as soon as possible.

(3) Effect the reorganization as a phased program starting with the basic step of creating a separate Department of Transportation as soon as possible.

We have decided that the phased approach represented by the third alternative is the most feasible at this time. This calls for taking the basic steps as soon as possible and deferring other steps until an opportune time.

The first, basic step would include the establishment of a separate Department of Transportation and the transfer to it of all of the transportation functions and agencies now in the Department of Commerce and also the Coast Guard which is now in the Treasury Department. The transportation functions and agencies now in the



Department of Commerce which we believe should be transferred are:

Civil Aeronautics Administration
Civil Aeronautics Board (essentially for housekeeping)
Membership of the Secretary of Commerce on the Airways
Modernization Board
Defense Air Transportation Administration
Federal Maritime Board
Maritime Administration
Coast and Geodetic Survey
Bureau of Public Roads
Weather Bureau



It must be noted that the Airways Modernization Act (P. L. 133 - 85th Congress), which established the Airways Modernization Board, expresses the sense of Congress that the Executive Branch submit proposals implementing that portion of the Curtis Report calling for the establishment of an independent aviation authority by January 15, 1959. That authority would include not only all of the aviation functions now included in the Department of Commerce but also aviation functions now dispersed within the executive branch. At the time Congress made this request, a department devoted exclusively to transportation was not under public discussion. It would, of course, be a complete repudiation of the basic principle behind the establishment of a separate Department of Transportation if aviation functions were not to be included in it. Furthermore, aviation functions represent more than half of the transportation personnel of the present Department of Commerce. Accordingly, it would be manifestly unsound to transmit to the Congress a

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reorganization proposal to create a separate Department of Transportation with the idea that it would be subject to major dismemberment almost immediately. When such a new

department is proposed it should be made clear that the Federal Aviation Agency when established will be included within the new department.

Accomplishment of the first step would be followed by an executive order or orders to transfer supervisory authority over the Panama Canal Company and the Canal Zone Government from the Secretary of the Army to the new Secretary and authority over the St. Lawrence Seaway Development Corporation from the Secretary of Defense ^{1/} to the new Secretary of Transportation.

Budgetary provision would also need to be made for an adequate staff of general transportation experts to advise the Secretary.

Later steps, to be taken when the time is right, would include:

(1) Reorganization plan or plans to transfer to the Secretary of Transportation such civil transportation functions of the Army Corps of Engineers and the Secretary of the Army, and such marine functions of the Bureau of Customs, in the Treasury Department, as may be determined appropriate for inclusion within the new department.

^{1/} Or from Secretary of Commerce if the pending Executive order has been issued in the meantime.

(2) Legislation to vest the Secretary of Transportation with authority to give policy guidance, within the scope of public policy as enacted by the Congress, to the regulatory agencies.

Recommendations for Immediate Action

Recommendation No. 1 - That the Bureau of the Budget proceed promptly to develop a reorganization plan for your consideration which would create a separate Department of Transportation and transfer to it the Coast Guard and all the transportation functions now in the Department of Commerce; and that the Secretaries of the Treasury and Commerce furnish such legal and administrative assistance to the Bureau of the Budget in this connection as may be necessary.

Recommendation No. 2 - That the Bureau of the Budget develop executive orders, for approval upon the taking effect of the above reorganization plan, to transfer to the Secretary of Transportation supervisory authority over the Panama Canal Company and the Canal Zone Government and over the St. Lawrence Seaway Development Corporation from the Secretaries of the Army and Defense, respectively.

Recommendation No. 3 - That following the establishment of the proposed Department of Transportation, the Secretary of Transportation develop a plan for an adequate and effective staff of general transportation experts, submitting to the Bureau of the Budget estimates of any additional fund requirements that may be necessary therefor.

Recommendation No. 4 - That the Bureau of the Budget be authorized to make such studies as are necessary to develop the implications and determine the feasibility of vesting, through appropriate legislation, the Secretary of Transportation with authority to give policy guidance to the transportation regulatory agencies, within the scope of public policy as enacted by the Congress and with those agencies retaining the authority and responsibility for final case decisions.

Recommendation for Future Action

Recommendation No. 5 - That the Bureau of the Budget be authorized to make such studies in Washington and in the field as are necessary to ascertain the nature and scope of the civil transportation functions of the Secretary of the Army and the Army Corps of Engineers, and of the marine functions of the Bureau of Customs in the Department of the Treasury, to determine the desirability of transferring such functions to the Department of Transportation.



Nelson A. Rockefeller
Chairman