



THE ROLE OF TRANSPORTATION IN NATIONAL SECURITY

Honorable Clarence D. Martin, Jr.

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Reviewed by Col E. J. Ingmire, USA on 18 February 1964.

**INDUSTRIAL COLLEGE OF THE ARMED FORCES
WASHINGTON, D. C.**

1963 - 1964

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in
National Security

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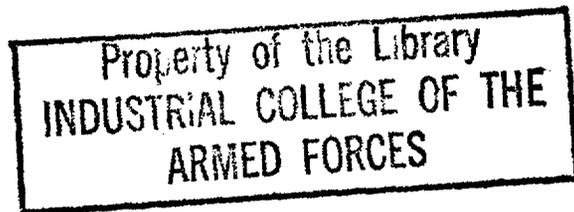
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Reviewed by: Col E. J. Ingmire, USA Date: 18 February 1964

Reporter: Albert C. Helder



Publication No. L64-115

INDUSTRIAL COLLEGE OF THE ARMED FORCES

Washington 25, D. C.

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ADMIRAL ROSE: Transportation has been referred to as "The Arteries and Veins of the Body of our National Economy." No other industry is more vital in peace or in war. 65 years ago Sir Winston Churchill wrote that "Victory is a beautiful, bright-colored flower. Transport is the stem without which it could never have blossomed." Today, however, our transportation system faces many serious problems and challenges, as well as great opportunities.

Our speaker's manifold responsibilities during his past three years as Under Secretary of Commerce for Transportation have given him an unsurpassed view of overall transportation policy; the problems of coordination between modes of transportation; planning for emergency transportation; transport mergers; and even the Panama Canal Company's operations during the recent troubles in that area.

It's a pleasure to welcome the Under Secretary of Commerce, Clarence D. Martin, Jr., to the Industrial College, to discuss, "The Role of Transportation in National Security."

Mr. Secretary.

SECRETARY MARTIN: Thank you, Admiral Rose.

It is a privilege to appear before the students and faculty of the Industrial College of the Armed Forces. The topic you have assigned me is a comprehensive one. I propose to treat it as a part of comprehensive transportation policy, rather than to concentrate on limited aspects of defense

related to transportation activities.

The Armed Forces have done a good job in understanding and in providing detailed application of transportation to national defense programs. This ability has carried forward into many aspects of basic planning. In these processes, the Armed Services have developed an outstanding cadre of transportation specialists.

These specialists are available to inform you of how specific defense needs are related to transportation.

I propose to consider both transportation policy and national security policies as dynamic, ever-changing parts of our national life. Each is related not only to the other, but also to general economic and social developments.

This approach to the relationship of transportation to national security does away with certain widely-held assumptions. One such belief is that a certain quantity of transport facilities should inevitably be stored away -- like a nest egg -- against the time when it will be needed "for national defense."

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Such an oversimplified picture is often put forth by persons who have some stake in preserving certain facilities that have lost their economic reason for being. National defense is a last resort for this type of interest.

This argument overlooks the dynamic character of national security need. As this need changes due to changes in technology or international affairs, the transportation relationship changes along with it. In other cases, the technology of transportation moves right along with the technology of defense.

A good example of this parallel development is the displacement of surface transport by air -- both in commercial and defense related transportation.

We have had good cooperation from the Defense Department in making realistic decisions concerning the essentiality of various transport facilities solely to serve the national defense. We are impressed with the skepticism which Defense analysts treat many such claims.

Because the relationship of transportation to national security is a dynamic and ever-changing one, the study of this subject should deal primarily with the fundamental course of national transportation policy. Such a policy includes economic and security considerations as a part of the total environment in which transportation programs must develop.

The approach I recommend is in line with the theme of the Industrial College of the Armed Forces. It is expressed in Latin on the seal of the College -- Industry and Defense are Inseparable.

For this reason it is important to look at how the Nation's transportation system has fared as a part of dynamic economic and social development. It also is necessary to examine how well official policies have conformed to the needs of transportation development.

Official policies can have a negative as well as a positive reaction on the growth of transportation. You may be interested in the efforts we are making to adjust them.

In the Department of Commerce we consider it our main responsibility to review the general conditions of our transportation policy. We are obligated to recommend actions when the dynamics of transportation have moved beyond official policies. Our present legislative programs are designed to correct this kind of lag.

The legislative program of the Department dealing with the regulatory problem in transportation is based on the Transportation Message of the late President Kennedy.

This message was a recognition by the Administration that there were inequalities in the impact of regulation among the several forms of transportation. Unfair competitive advantages were gained by some at the expense of others.

The late President developed a legislative program that would have equalized the competitive impact of regulation. His preferred method was to equalize through diminished regulation. Where some carriers were exempt, the exemption would be extended to all. His less preferred alternative was to equalize competitive impacts by extending regulation to carriers now enjoying exemptions.

The major exemptions from regulation in the field of transportation are two in number. One is the exemption of motor transportation in the carriage of unmanufactured agricultural and fisheries products. The second is the exemption of bulk commodities carried by water. The President preferred to extend these exemptions equally to all carriers.

The President's report was issued on April 5, 1962. The transportation legislation submitted to implement the President's recommendations was the subject of one of the most comprehensive hearings ever held on transportation. Committees of both Houses held hearings in 1962 and again in 1963.

Support for the principle of deregulation was advanced by railroads and other carriers not benefiting from regulatory exemptions. Shipper groups unanimously supported equalized competition among transport modes under diminished regulation.

Opposition to the President's program came from the industries now receiving benefit from exemptions.

On Thursday, February 6, the House Committee on Interstate and Foreign Commerce reported out a bill in line with the late President's program. This program was also supported by President Johnson in a letter to the Chairmen of the Senate and House Committees, dated January 27, 1964.

Enactment of the transport bill is in the public interest.

Without the spur of competition, and flexibility to adjust to dynamic changes in markets, transportation will stagnate. Its service policies will become outmoded, even as its technology reflects contentment with conditions of the past.

This tendency for transport service to lag in quality has been observed in a most significant statement by 12 agricultural organizations introduced into the record of the House transport hearings in March 1963. Expressing general support for the President's transportation policy, the 12 groups jointly expressed this observation.

Experience has demonstrated that food, fibre, and horticultural products from the farms, and fishery products from the wharves of the nation cannot be distributed to the consumers in the cities, towns, and rural areas throughout the country economically and efficiently under a system of Federal control.

This statement not only reflects a general tendency in many sectors of the economy affected by transportation, but it also is some indication of wide support for the Administration's transportation program.

The bill that has been reported out of the House Committee now has the support of all shipper groups, the railroads, the motor carriers, and part of the water carrier industry.

Enactment of legislation of the type now approved by the House Committee would represent very significant progress in modernizing our regulatory statutes. It would be the first chapter in a record of accomplishment, and we would like to add other items at some future date. John F. Kennedy presented a complete listing of items in need of legislative attention, but it has been possible so far to obtain action on the de-regulation proposals.

One of the most important needs in a modernized regulatory process is to recognize the need for service flexibility and even experimentation by the carriers. Lack of flexibility in regulated services is the main reason for the policy of the agricultural groups which I quoted earlier.

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Adverse regulatory decisions held up the development of piggy-back and container services for nearly 25 years following the first attempt by the New Haven Railroad to inaugurate such service in the early 1930's.

Until recently, true bulk movements by rail have been rigidly circumscribed by regulatory decisions.

The Administration program calls for the overall authorization of experimental rates and services by the regulatory authorities. Such authority should be of direct help to our rapidly evolving national security policies. It would mean that new defense equipment, new locations, and service needs could be served by commercial transportation promptly. At the same time, the existence of such authority would encourage research, development, and innovation by transportation companies.

Modernization of transportation policy through legislative programs is one aspect of the need for actions in transportation. Direct actions under existing authority is another.

The President's Message contained numerous directions for administrative action. The development of a research program by the Department of Commerce was one of the principal items in this category.

A modernized regulatory policy freeing carrier management to make innovations must be accompanied by vigorous research and development to find the innovations. The two are inseparable. Without freedom, the incentive to do research is limited, and without research the freedom from regulation will not result in innovations.

taken on the Eastern-American Airline merger, the Pennsylvania-New York Central and related Eastern railroad mergers, and the problem of merger of the Western Pacific Railroad. Research studies are underway relating railroad merger to the problem of New England railroads and the problems of the impact of merger on the mid-western states.

These are a few of the items on our program to keep public policy in step with dynamic changes in transportation. Better service at lower cost, improved technology, and progress in line with economic development and security needs are expected results.

Such an expanding and evolving system of transportation, can be expected to keep pace with the equally dynamic changes in national security needs. Some aspects of national security policy in transportation, however, must be given special emphasis. Basic planning for emergency transportation is one of these.

I know you are aware that among my responsibilities is the development and coordination of plans, policies, and programs for the centralized direction for the use of civil transportation capacity in a national emergency. This is one of several readiness preparedness functions assigned to the Secretary of Commerce by Executive Order just two years ago this month. Other Federal departments and agencies have been given readiness preparedness responsibilities appropriate to their respective regular activities.

The Office of Emergency Transportation has been established as a part of my immediate office to be the focal point in civil emergency transportation planning in peacetime. It also will be the nucleus for a

central coordinating and directing agency for civil transportation in time of emergency. To this end and for these purposes it coordinates current emergency preparedness functions of our Federal transportation agencies. This includes those of the Maritime Administration and the Bureau of Public Roads within our own Department of Commerce as well as of the independent agencies -- the Interstate Commerce Commission, the Civil Aeronautics Board and the Federal Aviation Agency. Under emergency conditions and upon Executive direction to perform these functions, the Office of Emergency Transportation would assess the essential civil and military movement requirements against available civil transportation capability. It would direct allocations of capacity and priorities, to be exercised through the transportation agencies and the shipper resource agencies themselves.

The relative urgencies of competing claims would be determined by top national authority. We would of course expect that the immediate requirements for military operations and for civil defense emergency situations would be accorded highest priorities. It is important to note that the Department of Defense, being responsible for both military and civil defense, is nevertheless a claimant, rather than a requisitioner for civil transportation services.

In developing our plans for the coordinated employment of the civil transportation capacity in an emergency, we work under the close guidance and direction of the Office of Emergency Planning. OEP is charged by the President with the policy direction and planning coordination of all resource agencies in the development of their emergency programs.

Its Director, Mr. Edward A. McDermott, has said, "Transportation is perhaps more directly related to the strategy and logistics of war than any other part of the economy. In large measure, it determines the effectiveness of all other elements of National Security. Transportation must respond immediately and effectively with existing facilities and trained people."

Related activities of OET in support of its preparedness mission include allocation of civil air carrier aircraft to the Civil Reserve Air Fleet, and to the War Air Service Program. OET administers the aviation War Risk Insurance Program and gives assistance and guidance to State and local governments in their own transportation emergency preparedness programs. It also participates with the U. S. delegations to such NATO planning groups as the Civil Aviation Planning Committee and the Planning Board for Ocean Shipping.

We believe that our efforts in emergency transportation planning are consistent with our general program of modernizing transportation policy. Defense needs and transportation development follow the same stream of dynamic change. New developments in transportation or new competitive thrusts of one mode as compared with another will benefit the Nation's security as well as the Nation's commerce.

Our security demands a strong Nation with up-to-date social and economic instruments. Strength derives from healthy growth and change and not from the maintenance of redundant facilities in anticipation of some remote contingency.

Direct government programming of research is one way to cut through this dilemma.

A research program has now been authorized and funded. Important projects are under way to improve our understanding of the future development of transportation.

Innovation in the carriage of passengers in the Northeast urban corridor extending from Washington to Boston is one of the main research projects. The feasibility of high-speed rail service is being investigated. The relationship of such a high-speed facility to existing policies in highway and air transportation will be another important aspect.

Rate and cost relationships is another emphasis in our research. The development of types of rates that can be adapted to modern business administration methods -- including electronic data processing -- is essential. Cost principles and usages that are better in managing a transportation business must replace the older standards developed by regulatory commissions and used mainly as part of the regulatory process. Important work in this area is part of our program.

Another freedom needed by transportation is freedom to make reasonable adjustments to changing conditions. Often merger with other companies is the most appropriate means of achieving adjustment to changing conditions. The President's transportation message required the Executive department agencies to formulate a more consistent and helpful policy toward railroad mergers. As a result, actions have been

Our transportation policy must be developed on this basis. The special needs of defense must be identified clearly and planned in an appropriate manner.

Our economy -- and our national security -- will best be served by a strong and progressive transportation policy which reflects the dynamic conditions it must serve.

Thank you.

QUESTION: Sir, do you consider such union leaders as Hoffa as threats to national transportation, and if you do, do you or does the OET have plans for taking this into consideration?

SECRETARY MARTIN: Well, to answer your question in an evasive fashion, I think that if he had the ability to call a nationwide strike it would be a big threat to the security of this country. A truck strike would be much more devastating in its immediate effects than a railroad strike would be. It would literally paralyze us. I was asked a question the other day out in California as to what the Administration would do if such a thing came into being. And my reply was something like this:

If the Congress was in session, hopefully, I thought action would happen in a hurry. But the Congress has shown - and understandably - a great deal of reluctance to tamper with the processes of collective bargaining. So, we'll have to wait and see whether it materializes. He promises all over the lot, if you can take anything he says at face

value, that he would never call out a nationwide strike of all companies at once. But this has been talked about so much that you begin to wonder.

I would say if he did such a thing, or attempted to do such a thing, it would immediately insure Congressional action; a bill would be passed which would preclude it.

We haven't yet crossed the hurdle with the railroad strike threat. Congress played with this hotdog last summer for a couple of weeks and passed a bill, and we're up in February now and the issues are still not all resolved; they're going into the minor issues and we don't know where we stand. It isn't always the featherbedding problem with the firemen; it goes beyond that.

We had the same problem with the maritime business. I think the most difficult thing that we have to face in our whole maritime posture in the United States is the fragmentation of our labor setup - the Joe Curran group on one side and the Hall group on the other. They don't seem to get together. They're each raiding the other and trying to put on the biggest show for their membership at the expense of the other. We've had the America tied up at New York over the argument whether one engineer went to the right head during his daytime processes. It's ridiculous.

Here we have this great ship with passengers on it for 24 hours - 2,400 of them - and then they were moved to the beach bag and baggage because of this argument. It's ridiculous.

The Barr Committee in the House held extensive hearings on a bill to make compulsory arbitration over this issue, or similar is-

sues in the maritime field.

But there is a strong feeling, not just on the part of the Administration, but on the part of the transportation industry and industry itself, that the government should shie away from getting into this area of enforced arbitration.

I don't think that really answers your question, but there it is.

QUESTION: Mr. Martin, how do you personally feel about considering our national policy of toll-free inland waterways for our water trade?

SECRETARY MARTIN: Well, it all depends on what you mean by a toll. The Administration has a program of user charges for domestic waterways, which is a beginner. They also have a program on aviation user charges. The idea is to recoup, if possible, partially to some extent, the investment that the federal government makes in these transportation facilities used by private transportation companies.

In the case of the waterways the proposed charge is 2¢ a gallon on fuel on all boats engaged for hire. The revenue on this, I think would be minimal. I think it was estimated that the gross amount that could be expected a year after the enactment of the law would be under \$7 million. But to hear the hoot and howl made by the water carriers you'd think that we were driving them out of business and that this was going to be the end of all water transportation on inland waterways.

The same thing on air; we had a 10% air excise tax - a 10% ticket tax. We also had a 10% surface transportation tax. The President recommended, and the Congress enacted in November of '61 a complete abolition of the surface transportation tax on bus and rail - a 10% ticket tax. On air it was reduced 10% to 5% effective that January. In addition to that the Administration asked for a 2¢ per gallon jet fuel tax, which up to the present time has not been taxed. There is still a 2¢ per gallon general aviation fuel tax. And there was a small charge - I think 1¢ or 2¢ a gallon for general aviation.

Now, this is to recoup somewhat to the Treasury, the high cost - millions of dollars that are spent annually for maintenance of our airways system. Many millions of dollars are spent annually by the Corps of Engineers and others, of federal funds to keep our waterways open; the rivers dredged, etc.

Some of the Senators have had bills up to treat the Arkansas and Mississippi Rivers, and a few other places, and I've often suspected it would be cheaper in the long-run if they paved those rivers and really didn't dig them up. It's probably the same transportation purpose, but don't quote me.

But on the whole I think it's sound. These facilities are opened up with public funds and I think that the Treasury is entitled so something back for the use of them, to show that there are not just unlimited availability of public funds for taking on transportation facilities.

The highways which the trucks use are generally paid for when

they're constructed. The federal government spends over \$4 billion a year, and that's a lot of money, for federal assistance in the highway area. In the interstate system we have 41,000 miles which is for good transportation and national defense purposes. It would be possible to drive from Miami, Florida, to Seattle, Washington, or from San Diego, California, to Portland, Maine, without ever going through a stop-light. This system will be completed in 1972, and 90% of this is paid for by the federal government.

But it is not paid for out of general funds; it is paid for out of the highway trust fund which is made up of the money that you pay the gasoline attendant everytime you put gasoline into your car; 4¢ a gallon goes to this and this generates the money.

50% is the share paid out in the ABC system which is all the secondary roads in the arterial highways that are not on the interstate system of the country.

So, to that extent the highway part of it is self-financing. Aviation and waterways are not.

QUESTION: Sir, with reference to supersonic transport, there appears to be no agreement at all within the industry or government, I gather, on how to finance the development of this thing. They keep shaving the percentage that would be funded by the airlines down lower and lower, and yet the value in astro dollars is extremely high. I wonder if you would extend your comments a little bit to include this financing problem?

SECRETARY MARTIN: Well, I was on the supersonic transport level committee and, of course, there were some differences in

views as to how this should be best accomplished financially. There were some who felt that when you get into excessive government financing of the project, that you invade the realm of private enterprise, initiative and development, and that the best mousetraps are those that are developed by private industry; and the best way to insure their brains and judgment is to have them have something in the act. The question is, how much?

I'm sure you know the supersonic airplane poses a lot of technical problems that, to my knowledge, haven't been resolved. There is the problem of the boom - the overload factor that the people underneath can stand.

As to the financing, the Administration - President Kennedy sent a message to the Congress on the supersonic program, and he had the stipulation in there that the government's participation would not exceed 75%, and the industry would be expected to come forth with 25%. These are the manufacturers who would have a chance to recoup this from the airlines.

Well, nobody knows for sure just exactly how many of these airplanes the industry will want. Off-the-record, I myself was never particularly impressed with the argument that we have to put this over on a crash basis. I remember well the experience that the British had at the end of World War II when they came out with their Comet series they ran into some big technical problems and met two or three disasters that would have put lesser people out of business altogether. Then we came along with the 707 series which

were an outgrowth of the BC-35 tankers. And our B-47 and B-52 development was funded by the Defense Department.

Secretary Gilpatric said that they did not have the requirement for engine development, as far as being funded out of Defense was concerned, and they couldn't allocate a share to this. Well, that was one of the hopes; that through Defense we would pick up a part of the government contribution. I think everybody will recognize that over the last 25 or 30 years - in fact, the whole history of aviation in the military - military push and development has been responsible for the state of the aircraft industry as we've had it here, as we have it now, and as we will have it. The military has paid for the development of engines, going up to these multi-powered monsters. The technique of jet transportation has come right from the military; there isn't any question about it.

Now, how much is this worth in terms of our air-frame industry and our national prestige, etc., to have a supersonic transport? I think it's the consensus of all that we should have a supersonic airplane; we should have a good one, if not the best one. We belong in this business. We've pioneered the way and we should support it. As to the actual mechanics as to how this will be accomplished, there is some dispute. I'm just guessing - I have no way of knowing - but I assume we're going to go ahead with this and maybe they're going to redirect it in some areas of emphasis.

I think the Administration might be impressed with the fact that it isn't an absolute prerequisite that we be there first in

1970 or at the same time the Concord comes out with this aluminum type of theirs; that we be there with the same type of airplane. I think the FAA feels that we should have one that can grow from a Mach 2 or Mach 2.5 into a Mach 3 airplane. We will develop the techniques and the art of production problems of building an airplane of titanium and stainless steel which can exist at much higher speeds.

I think that's what will happen. I think we'll yield that with the best in the business as we always have before. It's going to cost us something and it is worth something. We're not going to write off our whole airplane capability and development of power by saying it's going to cost too much; it's worth too much to us.

So, speaking for myself, I assume we're going to go ahead. But it will probably cost us more than the 75% of the cost. We really don't know what the cost is. It has been estimated at a billion dollars, and it could be twice that; maybe three times that; there are a lot of problems here. They've had problems with the RS-70; they're not flying that around too much yet.

QUESTION: Mr. Martin, in ten days the 180-day freeze on the railroads will be lifted on most of the secondary issues. As far as I know, there has been no progress toward settlement and there may be a possibility for a railroad strike at that time. May I ask, has Congress any contingency planning, or is there anything that you can take into account or any effective action that can be taken?

SECRETARY MARTIN: Yes. We had this problem last summer and early fall when a strike was a distinct possibility. I'm not as

pessimistic as all that, although my friends in the Labor Department tell me that the thing hasn't been resolved, as you all know, as yet. We're just not going to have a strike like that. The threat is there and the Congress did take some steps to set up this 180-day period. In the mediation of the secondary issues in dispute, etc., maybe they are using that as a device to frustrate the express wish of the Congress that the featherbedding issue be dispatched with.

As to what we would do in the event there was a strike, we had a series of meetings last summer with the various agencies of the government in deciding what we would do under the circumstances. And the first mechanics of setting up agencies to handle priorities and allocations of transportation were set up. It would get progressively worse. Passenger movements would not be effected. We have plenty of good air transportation and bus transportation for passengers.

With the freight it would begin to take hold just as quick as the stocks in the warehouses at the terminal points would start to go down, because the trucks are not geared for this kind of movement. They handle long-haul movements and big bulk movements, and as soon as those stocks depleted in food, construction, etc., industrial activity would start to peter out. It would peter out quite rapidly, particularly considering the fact that the economy is in full swing today; it's in a maximum swing.

But to answer your question specifically, yes, the Interstate Commerce Commission, the FAA, the CAB, our own shop, the Emergency

Transportation Section, OEP, and the Department of Interior, they have all been alerted to this. They've been through drills on it, and the fact that they had a run on it last summer would show up in case of any emergency we would have now.

QUESTION: Mr. Secretary, is your office receiving data that is adequate and timely, allowing you to prepare responsibilities for plans for transportation relating to national emergencies or involving national security, and if it isn't, what are your problems?

SECRETARY MARTIN: Well, I assume we are getting adequate information. We work very closely with the Defense people both as to what the civil requirements are going to be and what the military requirements are going to be. We've spent the better part of the last 1½ years assessing just what the essential civilian requirements in case of an emergency will be. And the Defense Department keeps us supplied with what their requirements are going to be. So, I'd hope that the figures are right, and if the figures are right I'm not aware of any disaster there that we can't come up with it.

QUESTION: Mr. Secretary, some of the coast-wise shippers seem to feel that the President's plan for extension of certain exemptions of other carriers result in a rate war that might drive them out of business. Would you comment on this?

SECRETARY MARTIN: Yes. I am quite familiar with that. In the first place this comes from what has happened in the last ten years. The story I think you are referring to was in the New York

Times, yesterday. One of the Merchant Marine labor groups brought this up. I must say that in two years of deliberation over the transportation proposals that the Administration sent up to the Hill that was the first time that I've heard from the deep water people. They wait until about the time we look like we're going to get a bill, and this is a little annoying.

Their problem has been many years in the making, and it comes from the freedom that the railroads already have to make selective rate cuts. They really put an awful dent in the coastwise and intercoastal shipping. Just since we've been here I've known three substantial operators who were engaged in inter-coastal business who have thrown in the sponge. They just can't put up with it. Their ships are running at capacity on hauls back from the East Coast. The usual movement is from the West Coast through the Canal. The principal shipment is lumber and canned goods, the canned goods coming out of California. And then on the back-haul they take case merchandise of any description and move it back to the markets in the West.

And with the thought that water is the low-cost form of transportation you would think they'd do right well, particularly when time and speed aren't principal elements. It certainly isn't in canned goods because that stuff comes back here and is stored for considerable periods of time in warehouses.

But the railroads apparently have been able to reduce the rates and get the traffic. And to get this traffic they cut the rates so low that even if the ships do get it they can't cover their costs.

So, the problem is that water is not the low-cost form of transportation on a coast-wise movement; it must be the more expensive movement, because people like Polk, Talbot and Luckenbach, who are large inter-coastal operators - names that might be familiar to you, - came in and told us that even with the west-bound movement with their ships full, they didn't get enough revenue out of the ship to pay the cost of the voyage. And that's just about what the problem is.

This bill that they're focusing on doesn't go to this at all. The exemption from minimum rate regulation and from Interstate Commerce Control only affects agricultural movement - unfinished agricultural products - not manufactured agricultural products. This does not include canned goods; bulk grains and the like of that.

So, I think what they're worried about is that if the railroads get this and they demonstrate that they can do an even better job it might be an opening wedge to get into this higher rate of traffic where the revenue is. That's what they're really worried about.

QUESTION: In addition to the fact that you have the Office of Emergency Transportation, I have the feeling, sometimes, that possibly you are the Under Secretary with Partial Portfolio for Transportation with such agencies as ICB and other types - CAB, etc. With these agencies having certain functions that are almost contrary - subsidizing on the one hand and on the other hand they are regulating. Is there any thought to a reorganization of transportation activities of the government organizations in order to give you a full portfolio?

SECRETARY MARTIN: Well, my good friend from the OEP - that has been kicked around and talked around in this government for a good long time; there is a lot of information about it. I was asked the same question the other day at a meeting out West. A fellow wanted to know if that was about to happen, and I said "Not in my time or yours." That was my answer to it.

It is too bad that the transportation activities of the government are so fragmentized. Before our time FAA used to be part of the Department of Commerce. It's a tremendous promotional program. They employ as many people as the whole department put together. They have their own programs. The promotional aspect of the CAB and the Interstate Commerce Commission, the President recognized this in his Transportation Message of '62, in which he asked that the Aviation Loan Guarantee Program, which was then lodged with Senator Isbourg, be transferred to the Department of Commerce; and also, that the Railroad Loan Guarantee Program- which would be a promotional program - and which had loaned out some \$500 million to various railroads in the Eastern and Northeastern sections that were in financial difficulty, over a period of years; that this program be transferred to the Department of Commerce if the law was extended, which expired June 30th of last year. That was June of '63.

I think much to the surprise of some of our aviation friends we were successful in transferring the Aviation Loan Guarantee Program to the department and it's in my shop now; we administer that law.

On the railroad end of it, the Congress has not been too happy about even extending the program. I mentioned we have some \$500 million of loans out, a lot of it to these Eastern railroads, and a lot of those loans could be bad and the government left holding the sack. They've kept them alive. The last disaster we had was the New Haven about two years ago. There was the ICC loan, on committee recommendation, additional monies were loaned to them and they haven't come back for any more. They hopefully are now in a static cash position. They're not in the black, but their cash flow holds even and they don't need any more money because they have forgiveness on their taxes and other things.

Now, those are two promotional programs. In the maritime area, of course, we have the whole promotional program in the department. The Maritime Administration spends about \$500 million a year, \$300 million for operating subsidies and about \$200 million for construction subsidies, which go principally to our 16 subsidized operators. We also have Title 11 insurance programs for the non-subsidized portion, cargo preference and the like of that. All of this is administered in the department.

So, I think that the thought was that the promotional programs should be centered someplace, which is logical, and the regulatory, which is really separate from the administrative process, is administered by CAB, ICC and the Communications Commission, principally, and they're arms of the Congress; they're not part of the administration. They're separate and they're only responsible to

the Congress. Except that in it the President makes appointments to the commissions.

I think it's a good idea, but there are so many big forces at work here that I don't think there is going to be anything like that happening very soon.

DR. WORSLEY: Mr. Secretary, we appreciate very much your coming here and giving us the benefit of your views.

