

December 8, 1965

MARITIME POLICIES

The Current Setting

Federal Costs Rose Sharply -- Federal subsidy payments to the maritime industry have gone from \$65 million to \$400 million in the past 16 years. But this sharp increase has been accompanied by a drastic reduction in the percentage of U.S. foreign trade carried (only 9% in 1964) and no increase in fleet capacity.

Ships are Old -- 700 of the 975 ships in the active fleet are of World War II vintage and must be scrapped within the next several years. (At present subsidy rates, replacement in U.S. yards would cost \$4.5 billion.)

Labor Strife -- A major shipping and longshore strike occurred this year. 9 of the 23 Taft-Hartley injunctions involved the maritime industry.

Dependence on Government Cargoes -- the fleet receives about 60% of its revenues (\$650 million in 1964) from hauling Government sponsored cargo, much at premium rates.

High Passenger Subsidies -- Passenger liner subsidies are about \$50 million for 13 ships (about \$250 per passenger.)

The Debate -- Tangible and Intangible Issues

Against the development of two basic positions --- the Interagency Maritime Task Force (Boyd, Nick Johnson, Schultze, CEA) and the Maritime Advisory Committee (an industry-labor group with public members) -- there rages a heated debate over the course a maritime policy should take. At issue are jobs, budget outlays, prestige, tradition, pride, the efficiency of U.S. ships, the future of U.S. shipyards, passenger liners, and crew sizes. The conflict in Viet-Nam injects fuel to the fire.

There is common agreement on one fundamental: That U.S. policy must be shaped to provide the country with a strong, and efficient Merchant Marine. The critical issue is how.

The Competing Proposals

The Interagency Task Force questions the basic assumptions underlying our Merchant Marine policy. It would:

- . Restructure our operating subsidies by adding incentives to reward efficiency and penalize poor economic performance. But more efficiency means smaller crew sizes.

- . Eliminate cargo preferences (the costly requirement that U.S. tramp ships haul 50% of Government cargoes), and substitute a straightforward and less costly direct subsidy.

- . Sharply reduce construction of subsidized ships in more costly U.S. yards, by confining construction to "national Defense" levels, and placing more work in yards overseas.

- . Eliminate monopoly trade routes and inject competition.

- . Eliminate passenger liner subsidies because no defense requirement exists.

- . Build modern bulk cargo vessels to replace old Liberty ships in our tramp fleet.

Costs would drop by \$10 million next year (to about \$390 million) and level off at about \$375 million by 1985. Fleet capacity by then would be doubled; Jobs would drop from 47,000 to 27,000. (Jobs under current policy would drop to about 27,000 also, but the report assumes an expanding economy with alternative jobs for those displaced).

The Maritime Advisory Committee tends to support and expand existing policies and would:

- . Maintain cargo preferences, and extend them to 75% of Government cargoes, possibly embracing oil imports.

- . Keep construction of all ships in U.S. yards with Government subsidies.

- . Retain subsidized passenger ships.
- . Increase the number of subsidized ships to carry at least 30% of U.S. foreign trade.
- . Build even more modern bulk cargo vessels

Costs would go up \$200 million in 1967 (to about \$600 million) and rise to \$800 million, double the present costs, by 1985. Employment would decline from 47,000 to 38,000 by 1985; Fleet capacity would increase seven-fold, an amount greater than our potential market share.

The Areas of Agreement

Both the task force and the advisors committee would

- Emphasize increased research and development.
- Develop a modern dry bulk carrier fleet (Bulk carriers are the ships we now need in view of our growing bulk trade. The task force recommends 5 such new ships per year; The advisory committee seeks more).
- Increase the number of cargoliners under subsidy.

The Alternatives

Option 1 -- Continue the Present Program. This is patently unsatisfactory since the fleet will decay under it and costs will rise.

Option 2 -- Adopt the Interagency Task Force Report in total. This will be politically difficult (The strong opposition is from Labor, the shipyard industry, Merchant Marine sponsors in Congress, the subsidized lines and there is not that much counterpressure to steam this through. Most features will require changes to the law. Viet-Nam will be raised as the key issue).

Option 3 -- Adopt the Maritime Advisory Committee Report. This is simply too expensive and doesn't really come to grips with the problem.

Option 4 -- Adopt a Mixed Program, building on the areas of agreement.

Administratively
Confidential

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A Suggested Program

The main theme would be the need for a modern, efficient Merchant Marine. This need is now particularly acute in view of Viet-Nam. Its main features are:

I. LABOR PACE → AUTOMATION

1. Expand research and development, particularly into cargo handling facilities and construction. WIRTZ AGREES

2. Revitalize the national defense reserve fleet by accelerating the replacement of old ships, with construction abroad of ships above the 15-17 per year now being built in the U.S. (NO COMMENT)

3. An increase from 5 to 10-15 new bulk ships per year, with 50% of the ships built abroad. (INCREASE BULK SHIPS BUT DO THEM HOME WITH CONGR. SUBSIDIES) THEN GIVE THEM OPERATING SUBSIDIES

4. A restructuring of the operating subsidy to reward efficiency and penalize poor economic performance. WIRTZ AGREES

5. An increase in the number of cargoliners under subsidy. (60 TO 70 WITH CONGR. SUBSIDIES & EXTEND OPERATING SUBSIDIES TO NONE)

6. Permit passenger liner subsidies to continue under current contracts and phase out when these contracts expire. (REFER TO MAC)

7. Eliminate monopoly trade routes.

8. As the new, more efficient bulk ships come into operation, eliminate premium rates under cargo preferences but retain preferential routing. WIRTZ AGREES

Comment:

The net effect of the suggested program would be to achieve some of the principal objectives of the task force and to fragment the opposition (the foregoing plan would probably be supported by all Maritime Industry-Labor groups except shipyards and shipyard labor.). Its cost would be about \$500 million or \$100 million more than the current program.

Administratively
Confidential

✓ Jurisdictional
Negotiations } Executive
✓ Agreement on many
before new subsidies

U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

December 13, 1965

MEMORANDUM FOR MR. CALIFANO

Maritime Policy

I suggest that the purpose of the present round of maritime policy development be recognized as being to achieve the most needed improvements in the present program rather than to establish a whole new policy.

- * The Task Force recommendations call for revision of the Merchant Marine Act of 1936, and for the elimination of any defense considerations from the standards for the maintenance of the U. S. merchant marine. Such legislative surgery is not a practicable possibility at the present time.
- * The frontal attack on the present situation by Mar. Ad. and the Task Force has unquestionably brought basic issues and questions to the surface; but it has also hardened positions which it is now going to take time to soften.
- * There are very important improvements which can be made without major legislative change.

I suggest a program based on these points:

1. Labor relations; jurisdictional disputes; manning scales.

- * It should and can be insisted that all maritime unions and associations accept the President's proposal (now being implemented in specific form) for the resolution of disputes over manning and related issues.
- * Construction subsidies should be conditioned upon prior labor-management agreement on manning scales.

2. The development of a U. S. fleet of approximately 870 ships by 1975. (Compared with 789 proposed by the Task Force; and 1,009 proposed by the Maritime Advisory Committee.)

- * Continue present cargo liner replacement program.
- * Extend construction subsidy to 70 cargo liner vessels to replace and modernize existing non-subsidized cargo-liner fleet of 100-130 vessels.
- * Extend construction subsidy to approximately 125 high-speed automated bulk carriers.

3. Operating subsidies; cargo preference.

- * Continue operating subsidies to presently subsidized cargo-liner fleet and presently subsidized passenger ship fleet.
- * Extend operating subsidies to ^{presently unsubsidized} enlarged cargo-liner and automated bulk carrier vessels indicated in Point 2, above.
- * Restructure the operating subsidy to reward efficiency and penalize poor economic performance.
- * Phase-out premium rate aspect of cargo preference as new high-speed automated bulk carriers come into operation -- retain preferential routing -- all military and aid cargoes to be carried ultimately at world rates.

4. Refer to Maritime Advisory Committee for further consideration and recommendations by July 1, 1966 questions of:

- * Domestic shipping (both construction and operation).
- * U. S. Flag shipping quota on import of petroleum.
- * Long-range passenger ship construction and operating subsidy.
- * U. S. policy with respect to Flag of Necessity vessels.

5. Expand research and development, particularly into cargo handling facilities and construction.

Comments

- * The subsidy cost of the program suggested here could be kept at the present level (about \$400 million) for another year, or even lowered slightly (with respect to construction subsidies) in view of over-all budgetary pressures. It would then rise to a 1975 level of about \$600 million. This compares with a Task Force figure of \$360 million and an Advisory Committee figure of \$650 million, by 1975. The \$600 million figure (by 1975) would represent an increase in the present figure comparable to the prospective increase in the GNP, and a lesser increase than that expected in U. S. foreign trade.
- * The principal difference (although there are others) between this proposal and that contained in your Memorandum of December 9 is that your proposal contemplates enlarged foreign construction of ships which would then receive U. S. operating subsidies.
 - Your suggestion of "fragmenting the opposition" (by dividing the maritime and the ship-building unions) does not accord with my own strong impression of an irrevocably united front here.
- * What the proposal here comes down to is the suggestion that the things to do first are to get the labor relations difficulties straightened out, lay a firm basis for effective automation, and expand the bulk carrier fleet. Then the other points can be explored, and pressed where this seems appropriate.

W. Willard Wirtz
Secretary of Labor



THE UNDER SECRETARY OF COMMERCE
FOR TRANSPORTATION
WASHINGTON, D.C. 20230

MEMORANDUM FOR

Honorable Joseph A. Califano, Jr.
Special Assistant to the President
The White House

I have reviewed the paper you sent with your memorandum of December 8 on the subject of maritime policies. I feel that the analysis of the current situation, the description of the current proposals, and the identification of the areas of agreement and contrast are accurate and comprehensive. The alternatives which you propose cover what I consider to be the reasonable range of possible programs for the Administration.

I am enthusiastic about the proposed program which is set out on page 4 of the memorandum. In my view, this is an excellent job of preserving important principles of the Maritime Task Force report while combining them with the significant modifications necessary to gain support necessary for acceptance of the overall program. I have specific comments on only two points. First, item 3 of the suggested program calls for an increase from 5 to 10-15 new bulk ships per year with 50% of the ships to be built abroad. This should be set up initially as a five-year program with review and evaluation at the end of that time and not left completely open-ended.

Second, item 5 proposes an increase in the number of cargo liners under subsidy. I assume, from the \$500 million figure for the total program, that this means making the 85 cargo liners not currently under subsidy eligible to receive subsidy, that it includes the additional ships which would be built in U.S. shipyards as well as abroad, and that the new bulk cargo ships would be eligible for operating subsidy. On these assumptions, I agree with the proposal.

Alan Boyd
Alan S. Boyd

UNITED STATES GOVERNMENT

U.S. DEPARTMENT OF COMMERCE
MARITIME ADMINISTRATION

Memorandum

ADMINISTRATIVELY CONFIDENTIAL

TO : Mr. Joe Califano
The White House
DATE: December 15, 1965
VIA : Under Secretary of Commerce for Transportation
FROM : *Alan Boyd* Maritime Administrator

SUBJECT: Maritime Policies, December 8, 1965 Memorandum

My views have been expressed by Alan Boyd: commendation of your analysis, and enthusiasm for your proposals. Indeed, it was for that reason I had not responded separately until your express request yesterday.

My additional comments are limited.

(1) Expanded Program. It has been my view since assuming office in March 1964--as a citizen and as Maritime Administrator--that our present policies are inadequate to give us the fleet we will need in 1970 or 1975. It has also been my understanding, however, that policies were to be developed more or less within present budget limits. My contributions to and acceptance of the programs of December 8, 1964, and the Task Force of this year, were based on these assumptions. I would welcome a much larger program. Whatever the size of the program, I believe it will make most sense for the industry and the country to achieve that size along the lines you have proposed.


(2) Ship Construction Protection Limits. I simply want to emphasize the crucial nature of the ship construction issue.

Of 975 ships under American flag only 150 have been built since World War II. New ships deliver five to seven times the shipping capability of the old ships they replace. Without regard to national needs and prestige, we simply cannot afford as a nation to subsidize the operation of a World War II fleet in the 1970s. We, above all nations, should have the world's most technologically advanced and productive fleet. Accordingly, in my judgment, there should be no limit on operators who wish to replace ships--quite the contrary: they should be given every incentive and encouragement by the government to replace faster. There are at least two ways to achieve this: (a) appropriate a virtually unlimited ship construction subsidy for building here,

to be drawn upon as the operators and Maritime Administration believe makes economic sense, or (b) remove the protectionist limitation from operators' foreign construction after the appropriated construction subsidy has been expended. It is only the present combination that is intolerable: no foreign construction plus only enough construction subsidy to build 14 to 17 ships here. I support your solution, and am even quite prepared to leave the political/budget issues to others so long as the ultimate resolution enables this industry to have the capital equipment it needs.

(3) Cargo Preference. Neither State nor Agriculture is represented in your present group. It is they who feel most strongly about the cargo preference phase-out. My understanding is that this issue is of considerable significance to our maritime allies who are trying to eliminate trade restrictions in third countries and find our practices embarrassing. My own view is that U. S. trade and shipping will be more disadvantaged than that of other countries by our perpetuation of these protectionist policies. All I am saying is that these proposals should not be kissed off lightly. Having said that, I fully recognize (a) the great progress represented by a phase-out of the cost differential alone, (b) the political difficulty of doing more, (c) that this step is not inconsistent with doing more later, and (d) the relatively lesser priority of this issue.

(4) Staff Work. Ideas must be translated to action plans--draft legislation, administrative regulations and procedures--and thoroughly evaluated, e.g., can we find purchasers of more than 5 bulk carriers a year who will have adequate cargo for a viable venture? I assume so, but perhaps we ought to know more precisely. Etc.


Nicholas Johnson

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MEMORANDUM

THE WHITE HOUSE
WASHINGTON

December 13, 1965
10:45 a.m., Monday

EXECUTIVE
FG 979-15

FOR THE PRESIDENT

FROM Joe Califano

Lee White and I have been talking to various department and agency heads and interested private groups like the railroads about a Department of Transportation, a program of deregulation and other improvements in the transportation area in line with your numerous public and private statements on this subject.

This morning Lee is meeting with representatives of the trucking industry. We believe that it is important that Senator Magnuson hear about the fact that such proposals are being considered from the White House rather than from the truckers. Obviously, there is no commitment to do anything; the very purpose of these meetings is to explore the views of everyone interested on a totally confidential and off-the-record basis.

Warren G. x
I believe that Lee White should call Senator Magnuson today and let him know that we are exploring various possibilities, that no decision has been made, and that obviously he will be consulted prior to the submission of any program to the Congress. It is important that we get Magnuson's agreement to keep an open mind before any interests (particularly the trucking interest) get to him and get some commitment out of him. If we go forward, you will obviously have to talk to him yourself early in the game. At this stage, however, I would recommend that you authorize Lee White to call him, give him a general idea of what we are doing, and tell him that you would appreciate it if he would keep an open mind until we had an opportunity to get our views more firmly in hand and you had an opportunity to discuss recommendations being made to you with him.

Approve ☒ Disapprove ☐

Orin x
Should Cong. Harris also be talked to?

Yes ☒ No ☐

Staggers x
Should Cong. Staggers also be talked to?

Yes ☒ No ☐

*Filed
3/11/66*

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

EXECUTIVE

TN.
MC
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FBI 175

(8)

December 14, 1965

MEMORANDUM FOR THE FILES

SUBJECT: Transportation Program --
Meeting with Railroad Companies

On Saturday, December 11, Joe Califano and I met with Stuart X Saunders (Pennsylvania RR), Ben X Heineman (CNW) and Tom Rice (Atlantic Coastline) on a confidential and off-the-record basis to discuss the tentative elements of a transportation program. In general their reaction was favorable on the whole package.

On the creation of a Department of Transportation, Mr. Heineman indicated in an earlier effort (1958 or 1959) the western railroads opposed on the ground that the industry was weak and disorganized and that concentrating the transportation policy in one place and in one individual might work to the detriment of the industry. He believed that today the answer would probably be different and did not foresee a great deal of difficulty. All were quite impressed with Alan Boyd and believe that his role would help any organizational effort.

Mr. Saunders was strong for an integrated transportation set up, which means that he thought that the railroads should be permitted to acquire trucking companies. Truckers obviously oppose this, and I did not detect any strong support from the other railroad men present.

They were all enthusiastic about the proposal to have cost of providing services by the dominant factor in rate-making. They pointed out, however, that any proposal must be specific as to whether this meant fully distributed costs (which they claim would put them out of business immediately) or incremental costs. If this is not spelled out in the legislation, they foresee years of litigation to determine its meaning.

They also indicated that their current inability to make contract rates (for example, with coal companies for a long period of time) worked

Nothing else sent to
Central Files as of 1/11/66.
f.w.

to their disadvantage and that they should have that right.

They did not quarrel with the concept of broadening the agricultural exemption for truckers or the exemption for Inland Waterways, but claimed they, too, should have similar rights. In connection with this they noted that they thought it was essential that any exemption granted railroads be accompanied from exemption by anti-trust provisions (Reed-Bullwinkle Act).

They were strong in their support of a Presidentially appointed chairman and in a more effective and modernized ICC. Especially were they anxious that merger applications be acted on in a relatively short period of time.

They recognize political and practical difficulties in pushing through a program and expressed the opinion that unless the President made this a high priority item and devoted a considerable amount of his own time and prestige, it was not likely to go any where. In their view the key to it is Magnuson. They felt that the railroad industry would be able to get considerable support from shippers and the business community at large: including the Chamber of Commerce and NAM.

Mr. Biaggini (Southern Pacific) could not be present, but Mr. Heineman agreed to bring him up to date on our discussions. All were advised that this was not a formal meeting and should be regarded as strictly confidential.

Lee C. White

**THE WHITE HOUSE
WASHINGTON**

LCW set up meeting

**Stuart Saunders
president of Pennsylvania RR
New York City**

**Thomas Rice
president of Atlantic Coastline RR
1500 Water St., Jacksonville, Fla.
home 8739 Riverside Dr., Richmond, Va.**

**B. F. Biaggini
president of Southern Pacific RR
65 Market St.
San Francisco, Calif.**

**Ben Heineman
Chicago & Northwestern RR
Chicago, Ill.**

OK

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Talking Points for Transportation Conversations

RECEIVED
JOE CALIFANO, JR.

Regulation
I. Regulation of Executive Branch

1965 DEC 9 PM 12 32

- A. Either creation of new department or beefing up of the Commerce Department transportation role.
- B. Included would be Bureau of Public Roads, Maritime Administration, St. Lawrence Seaway, Office of Emergency Transportation (all of these already in Commerce) FAA, Alaska Railroad, Coast Guard. Possible additions: rail and motor safety functions, aviation safety functions, environmental sciences, CAB subsidy functions and some aspects of mass transit program.
- C. Creation of National Transportation Council.

II. Regulation

- A. Consolidation of all rate review functions is an ultimate objective.
- B. Strong ICC Chairman.
- C. Thorough review of legislative criteria for rate regulation with increased emphasis on competitive characteristics of various modes. Also a shift of the burden to the regulators and the consumer away from competing carriers (no abandonment of the maximum and minimum or requirement of compensatory ^{not} structure). A revamping of restrictions on common carriers -- not routes but on commodities authorized to be carried.

VP1-73

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

Transportation

1. Gmt. McKee Foster Werner
Bush Murphy Ashley
(A.S.) Turner

Industry

Walter Carey, ~~Cleveland~~

Bill White, Trucking OK Consolidated
Freightways

Melvin M. Leam, Teacher SIC

Jean Trippé Pan Am

C.R. Smith American

Chas. Tillinghast TWA

Nyrop Northwest

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

Ben Heineman CNU
Stuart Sanders Penny
— Begime So. Pac.
Tom Rice ACL

Layne Kirkland — Geo Menny's but.

Walter Renteria?

Geo Leighty — Unions.

Bill Johnson RFA

John Hershey (Houston Barge Line)

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

Braxton Carr

Inland Waterways Bus

Everett Hutcherson

NA Motor Bus

Trounman

Greyhound

Mansfield

Morgan

Harris

Stogges

Garnett.

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

EXECUTIVE

TN.
MC.
TN-1
FD-175

December 14, 1965

MEMORANDUM FOR THE FILES

FROM Lee C. White

SUBJECT: Transportation Program --
Meeting with Truckers.

I met on Monday, December 13, with Mr. Walter Carey (a trucker from Detroit and the immediate past president of the Chamber of Commerce), William White (president of Consolidated Freightways, the nation's largest trucking company), and Malcolm McLean (the initiator of the Sea-Train and a prominent man in the industry). In general they indicated that it is the trucking industry's position that things are not really so bad off right now, and some changes would be warranted.

On the question of a Department of Transportation, they thought generally there would be no strong opposition and that this might be useful.

On the question of a Presidentially appointed ICC chairman, Mr. Carey saw some reluctance to change and, in his view, the advantages of the change were probably not worth any major fight. McLean suggested letting the Commission elect its own chairman for a 5-year term. Generally, the industry believes that the ICC has made considerable progress in the past few years, that cases are moving through more rapidly and that any serious tinkering with it is likely to arouse opposition from truckers.

On the question of extending operating rights for the existing motor carriers (both routes and commodities) they were certain that this would raise a lot of opposition. Bill White said that his company would certainly grow even stronger and larger with such rights simply because their size would enable them to move into areas where they presently are not certified and squeeze out the smaller operators; he was satisfied, however, that it would not be in the national interest or that it would be bitterly opposed by most truckers.

Nothing else sent to
Central Files as of

Upon hearing the basic outline of the proposed rate-making changes, they regarded it as very close to the "railroad industry line" and promised that it would make the truckers fighting mad. According to Carey, the four items that the industry is watching with great anxiety are: (1) decertification, (2) common ownership of rail and trucks, (3) changes in rate-making and, (4) taxes.

They also would oppose any extension of the agriculture exemption. In fact, they spoke about the abuses of the exemption indicating that \$1 billion to \$2 billion worth of trucking business is illegal and would prefer a repeal or at least effective enforcement to push this business where it properly belongs in common carriers.

They could see no reason for changing the burden of proof in the rate-making process claiming that it is the man who submits the rate who has or should have the information upon which it is based and accordingly he should bear the burden of demonstrating that it is reasonable. And they saw no distinction between putting rates down or up.

In short, their position was that there is plenty of vigorous competition in the industry today, that the United States has the most efficient transportation system in the world and that any movement to deregulate would bring a return to chaos and irresponsibility. They believe that the railroads are really doing pretty well right now and it is only the small rail companies that are in difficulty and that this might be alleviated by some actions taken by the big railroads.

As to changing the container requirements and eliminating the mixing rules, they considered those desirable, but clearly not important enough to make the whole package any where near acceptable.

It is obvious that these men who, I believe, were candid and were reporting quite accurately what could be expected from their end of industry made it clear that the truckers are going to be our toughest nuts to crack.

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

EXECUTIVE

T.H.
FBI 75

T.H. 7
FBI 251
FBI 120-5

December 16, 1965

MEMORANDUM FOR THE FILES

FROM: Lee C. White

SUBJECT: Transportation Program --
Meeting with Inland Waterways People.

On Wednesday, December 15, Joe Califano and I met with John Hershey (operator of a Houston-based regulated water carrier) and Braxton Carr (of the Association of Inland Waterways operators).

In general, their reaction was not totally negative. In their view the industry might well be brought around to the point where it could support the proposals, particularly if some changes were made.

On the Department of Transportation, I think it fair to say they felt the industry would be hard pressed to oppose it. They were interested in whether the Corps of Engineers would be included and were advised that at least at this stage it has not been proposed and is not likely to be recommended.

As far as the ICC chairmanship is concerned, they seemed to think it was a good idea although pointed out the chairman, like any other member, rotates on the various divisions and it would, therefore, make sense to figure out whether the Presidentially-appointed chairman would continue to do that or instead take a fixed position on one of the important divisions (probably division 2 which handles rates).

On the general question of cost-based rates, they felt that the single greatest threat to their industry was the price-cutting tactics of the railroads and any extension of the authority of the railroads to do this will only speed up their demise. So far as they are concerned, some standard which requires the rails, and for that matter any other carrier, to ~~REKNYXGE~~ incorporate in their rate-making process some realistic reflection of the capital investment. In their

Nothing else sent to
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view, the most serious problem was the railroads placing undue burdens on poorly located communities to subsidize their non-compensatory rates used in a predatory fashion against water carriers. This obviously is the principal gut issue.

Additionally, they were opposed to the extension of the agriculture exemption as a weakening of the common carrier concept. Mr. Hershey, in response to the question as to what he would propose, offered the following five-point program: (1) rates must be compensatory, (2) rates could not be discriminatory or prejudicial as among shippers of substantially the same commodities over the same distances, unless there was a showing of cost differential, (3) no discrimination among connecting carriers, (4) penalties for violation of regulations or requirements against discriminatory practices and, (5) the unregulated water carriers should subject themselves to regulation if they are to secure its protection and blessings. Mr. Carr endorsed the first four points and said many of the people in the segment of the industry that he represents would oppose regulation, primarily on the psychological and traditional grounds.

In brief, it seemed that the waterways industry would not be vigorous in its opposition as would be the truckers.

Page 1
EXECUTIVE

FG 979-75

FG 226

Dec 20, 1965

FOR Lee White
FROM Joe Califano

**Attached are Bozo McKee's views on a
Department of Transportation.**

Attach.

*Area not sent
to Sec 105 of 3/12/66*

Department of Transportation

Reasons For

1. Centralizes direction, authority and control over coordination of policy and programs.
2. Facilitates determination of priorities and Government expenditures, subsidies, and grants-in-aid, thus increasing possibility of economies.
3. Transportation affects the national economy in many ways and is important to national defense. Its many facets require unified direction and handling.
4. Transportation systems are both complementary and competitive. Their demand on Federal resources and funds should be coordinated in the interest of economy.
5. All-inclusive responsibility in a single agency will insure adequate and early attention for new transportation requirements.

Reasons Against

1. The merit of a unified Department requires the inclusion in it of the economic regulatory agencies such as CAB, ICC, Maritime, etc., since they formulate policy and authorize services in competitive transportation modes. Political realities suggest that the Congress would be very reluctant to merge these agencies into a Department of Transportation.
2. If the economic regulatory agencies continue their independence existence, present Government organizations can do the remaining task as well as if not better than a Department with only partial authority and functional responsibility.
3. Proposals for a Department have been made previously, but have never caught on. The Senate Commerce Committee studied the problem through a special committee it set up headed by retired Air Force Major General Doyle, but neither the Senate Committee nor the Congress took any action after the Doyle group recommended creation of a Department of Transportation in 1962. Congressional disinterest might still exist.
4. Transportation is an essential element in the Nation's commerce and industry and is properly placed at the present time in the Department of Commerce, thus negating any need to create a separate Department.
5. The Under Secretary of Commerce for Transportation can be given broad authority to coordinate transportation policy in consultation with the heads of the economic regulatory boards and commissions and independent agencies in the Executive Branch. Clear and complete authority to develop

coordinated policies and program guidance on such a consultative basis is the most expeditious and effective organizational approach to the task. The Under Secretary as Coordinator of Transportation Policy can be given a directive broad enough to insure that he will anticipate and plan for new transportation needs and encourage developing forms of transportation.

6. The functional interfaces that justify reorganization exist predominantly in the economic regulatory agencies and only to a very minor extent, if at all, in the several small functional operating agencies. Lacking such functional interfaces, the possibility of integrated transportation systems development is not sufficient to justify a Department that does not include the economic regulatory agencies.
7. There is some doubt that Cabinet status is required for a field as specialized as transportation, in light of the framework of the President's Cabinet. If some form of reorganization is felt desirable, creation of an independent agency in the Executive Branch might be more appropriate as a first step. Consider, for example, that the Department of HEW was preceded by the Federal Security Agency, and that the Department of Urban Affairs was preceded by the Housing and Home Finance Agency.
8. The momentum to group everything relating to transportation in one organization tends to overlook the need for specialized attention and emphasis, including special organizational arrangements, for major problem programs and specialized systems involving still developing state-of-the-art and technology, such as those that are found in aviation and space transportation. The action of the Congress in creating an independent FAA as recently as 1958 would have to be taken into account.
9. There is more theory than documented need behind the proposals for a Department, since Government agencies work well together whenever issues arise that require coordinated action, largely through the budget process and inter-agency consultation, and very well lend themselves to continued coordination under some formally prescribed coordinating authority.
10. Major reorganization should fit validated requirements in a substantial way and not be undertaken if only peripheral results are attainable.

Recommendations

1. Designate the Under Secretary of Commerce for Transportation as the *Federal* Coordinator of Transportation Policy, authorizing him to develop and coordinate transportation policy, in conjunction with the heads of other agencies that have functions relating to transportation. The Under Secretary as Coordinator would therefore deal directly with the heads of such agencies as CAB, ICC, Maritime, FAA, St. Lawrence Seaway, as well as with the heads of organizations already housed in the Department of Commerce. No organizational changes would be required beyond the assignment of such functional responsibility to the Under Secretary.

- make
needed
find*
2. If desirable, reorganize the Department of Commerce as the Department of Commerce and Transportation (or alternatively, as the Department of Commerce, Transportation and Communications).

Alternative Recommendations

1. The President can establish a Commission on Coordination of Transportation. Members -- heads of independent and regulatory agencies with responsibility for any aspect of transportation; members of the Senate and House of Representatives. The Commission would analyze all existing studies and be required to make final recommendations within two years. It should periodically publish statistics and other information in order to permit the formulation of a meaningful consensus on the manner in which transportation activities in Government should be handled.
2. Submit legislation, as a more appropriate first step, to create an independent agency in the Executive Branch headed by the Administrator in the same manner that the Federal Security Agency preceded creation of the Department of Health, Education and Welfare, and the Housing and Home Finance Agency preceded the creation of the Department of Urban Affairs.

Other Possible Actions

If housekeeping arrangements are desired for the smaller operating agencies in a place other than the Department of Commerce, in order to free the Office of the Under Secretary of Commerce for Transportation from administrative details and responsibilities that interfere with his prime mission of formulating coordinated policy and program guidance, consideration can be given to transferring them to the General Services Administration to operate under a Commissioner for Transportation Services.



THE UNDER SECRETARY OF COMMERCE
FOR TRANSPORTATION
WASHINGTON, D.C. 20230

EXECUTIVE

TN
FD 175
SA2
FD 155
FD 1600/T *

MEMORANDUM FOR Honorable Joseph A. Califano, Jr.
Special Assistant to the President
The White House

In response to your request at our meeting on December 11,

I am enclosing draft memoranda on three subjects:

1. Transportation Organization,
2. Transportation Regulation,
3. Highway Safety.

Alan S. Boyd
Chairman, Transportation
Task Force

Enclosures

12/22/65

TO: LEE WHITE
FROM: JOE CALIFANO

A PROPOSED PROGRAM FOR TRANSPORTATION REGULATION

The Problem

Transportation regulation, and particularly the regulation of surface transportation, is geared to principles which are largely irrelevant to present-day conditions. The transportation industry is no longer characterized by railroad monopolies but has become highly competitive and market oriented. Regulation still deals with the most minor aspects of transportation operations which must be submitted for Federal approval. Agency budgets have grown, lengthy delays in regulatory proceedings are commonplace and court litigation has increased. As a result, management initiative has been stifled, general rate levels have risen, many shipping needs remain unsatisfied and we do not derive the maximum benefits from modern technology and automation.

Unless a more realistic approach based on economic considerations is taken, transportation costs and inefficiencies may well increase to a point where the country's economic growth and well-being are seriously hampered.

A Program for Regulatory Change

The Department of Commerce with the general concurrence of BOB and CEA recommends a broad program for revising the transportation regulatory framework. It is based on two principles: (1) economic efficiency as the controlling regulatory criterion; (2) efficiency and flexibility of regulatory procedures and administration.

These principles are entirely consistent with the fundamental historical and economic concept that traffic shall move as freely as

possible. Simplification and reorientation of the regulatory process along these lines also is a necessary first step toward the creation of a single transportation regulatory agency.

Elements of the Regulatory Proposal

The proposed program deals with six basic areas in the light of the principles stated above. In most instances, specific legislative changes will be necessary. All the proposals are supported by detailed staff studies and were decided upon after consideration of numerous alternatives in each case.

1. National Transportation Policy - The policy statement in the Interstate Commerce Act would be rewritten to give substantive effect to its stated principles. The principles themselves would be amended to include a recognition of technological advances, realistic costing principles, and carrier capabilities and economies. Procedural reforms would also be included.
2. Rates and Discrimination
 - (a) Control of minimum and maximum rates would be retained; however, a cost standard would be given prima facie weight in determining the reasonableness of minimum passenger fares and freight rates. This would clearly benefit the railroads and would probably benefit many smaller motor carriers.
 - (b) Cost-based rates would be accorded prima facie weight as a yardstick in determining the need for rate adjustments

for similar services in other geographic areas. This would aid shippers and water carriers by lessening discriminatory pricing.

- (c) Joint interagency boards would be created to establish through routes and joint rates. This proposal has unanimous approval of the regulatory agencies. All modes and shippers would benefit.
- (d) Interstate Commerce Act requirement that rates be based on reasonable classifications of property would be repealed, thereby ending the sanctioning of carrier commodity discrimination among shippers.
- (e) Interstate Commerce Act would be amended to require rail and motor carriers to accept shipper owned or leased equipment at cost-based rates. This would aid shippers and help solve the perennial car shortage problem of the railroads.
- (f) A uniform 60-day suspension period would be applied to rates filed subject to the Interstate Commerce Act or the Federal Aviation Act. This would reduce procedural delay. All modes would benefit from this procedural reform. Shippers would be afforded the prompt benefit of new rates.

- (g) Mixing rules on shipments in containers, requiring that loadings consisting of different commodities be limited to certain percentages of each commodity, would be prohibited. Cost-oriented concepts would control to the advantage of shippers and competitive carriers.
- (h) The Civil Aeronautics Board would be given authority to regulate rates and practices of U.S. and foreign air carriers in international air transport to and from the United States.
3. Control of Entry and Abandonment - Statutory amendments would be based on a liberalized standard. The ICC would be given the opportunity to establish, by rule-making, a prima facie standard to determine economic performance as a standard for motor carrier entry. Overall, this should lead to the expansion of motor carrier operations. Railroad abandonment procedures would be amended to make them similar to liberal rail passenger discontinuance proposals.
4. Merger and Carrier Organization - No legislative changes are contemplated but Commerce Department facilities would aid in the development of public interest positions, considering efficiency and other sound criteria, and in evaluating financial incentives for merger activity.
5. Exemptions - The ICC would be authorized to extend exempt carriage, where justified by specific market and economic

criteria, in the field of commodities related to agricultural production and processing. Since greater exemptions can be expected, the regulated carriers would be in opposition.

Farmers and those serving them would benefit, however.

Water carrier bulk traffic would be made completely exempt from economic regulation.

6. Procedural Aspects of Regulation - The foregoing legislative proposals would embrace procedural changes to establish evidence of economic performance as the primary test of regulatory decisions. Where possible, regulatory procedures would be made uniform from one agency to another.

ICC Proposal

The ICC has suggested a very limited change in the regulatory framework through partial deregulation of motor carrier entry controls. Their suggestion would allow economically justifiable extensions of authority by authorized carriers, the same approach taken by Commerce. The ICC also suggested grants of operating rights in broad terms, exemption of brokers and a general power in the ICC to exempt matters of minor significance.

Industry Position

Generally, the motor carrier industry favors increased regulation and the railroads favor less regulation. The water carriers are largely content with the protection afforded them under present law. Labor in each segment tends to follow the industry position.

Costs

The implementation of this program of deregulation would not require expenditures by the Federal Government.

A PROPOSAL FOR A DEPARTMENT OF TRANSPORTATION

The Problem

Federal expenditures for transportation are in excess of \$6 billion annually. Total transportation expenditures throughout the economy are \$120 billion, more than 20 percent of GNP. The U.S. lacks rational organization within the Federal Government for dealing with transportation problems. There is no comprehensive, coordinated national transportation policy. Fragmented responsibility makes it virtually impossible to have effective leadership or control within the Executive Branch of capital investment, operations, subsidy, research and development or safety in the field of transportation.

Present Organization

The Office of the Under Secretary of Commerce for Transportation was established in 1949 as a substitute for a Department of Transportation, bringing together the three major promotional programs in the Federal Government--highways, aviation and merchant marine. This did not achieve coordinated attention at the highest levels of Government and there was woefully inadequate development of the transportation system. In 1958, the FAA was established outside Commerce largely because of insufficient progress in airway modernization. The Federal program to assist urban mass transit was placed in the HHFA. The Civil Aeronautics Board is responsible for the local service airline subsidy program and has major responsibilities for aviation safety. The Corps of Engineers exerts an important influence on transportation through its rivers and harbors program. There is no effective mechanism for coordinating Executive Branch

policy with the responsibilities of the independent regulatory agencies.

At least 25 Federal agencies have significant transportation responsibilities.

Need for a Department of Transportation

A Department of Transportation would provide an effective means of formulating and implementing comprehensive, integrated national transportation policy. It would provide a focal point of responsibilities, at Cabinet level, for assuring that the U.S. has a national transportation system adequate to our peacetime and emergency needs and for making full use of modern technology.

Creation of a Department of Transportation was recommended by the Task Force of the Hoover Commission in 1949, the Doyle Report in 1961 and the Presidential Task Forces on Transportation and Government Organization in 1964.

Agencies to be Included in a Department of Transportation

A Department of Transportation should include all the transportation activities of the Department of Commerce plus the FAA, the mass transportation activities of HUD, the Coast Guard, the safety functions of the ICC, the safety and subsidy functions of the CAB and the aeronautical research functions of NASA. The Department would exercise policy direction over the rivers and harbors functions of the Corps of Engineers.

Alternative Organizational Arrangements

1. Continuation of the present organizational structure. This has proved clearly inadequate and probably cannot be strengthened sufficiently

to accomplish the necessary results.

2. Creation of interagency coordinative committees. The possible creation of an Interagency National Transportation Council and Transportation Investment Review Board could improve coordination but would be ineffective for doing the total job. Policy responsibilities would still far exceed authority.

3. Create a Department of Commerce and Transportation. This would have some of the advantages of a Department of Transportation but still subordinate these functions to the basic Commerce mission.

Timing and Support

A decision to create a Department of Transportation should be considered in connection with proposals for substantial amendments in transportation regulatory law. Executive Branch organization is the most urgent problem in transportation and an effort to create a Department and revise the regulatory laws in the same year would afford an opportunity for those who would oppose each separately to combine forces and defeat both.

There is virtually unanimous support for a Department of Transportation within Government. Reaction from industry is mixed, some segments favor a Department, others believe they can best serve their own special interests through a fragmented Government structure.

Costs

The creation of a Department of Transportation would involve no more than nominal costs to the Federal Government. Some new positions would have to be created in organizing the Department but it is probable that in

dollar terms these could be offset through economies achieved elsewhere within the new organization.

A PROPOSED FEDERAL HIGHWAY SAFETY PROGRAM

The Problem

The mounting toll in traffic accidents and injuries (nearly 50,000 lives lost and 3 million injured in 1964) requires expanded Federal effort to reverse this trend since State and local groups now find investment requirements to meet this need beyond their resource capability. At present highway safety programs are widely dispersed with Federal, State, local and private efforts proceeding separately under little or no coordination. At the Federal level, there is no clearly assigned focus of responsibility for mobilizing the available national resources for solving this problem.

Present Status of Federal Programs

Highway safety activities are widely dispersed throughout the Federal Government with responsibility for "public-oriented" programs primarily located in the Departments of Commerce, HEW, and ICC. The Secretary of Commerce is recognized as having a leading role but no specific assignment of such responsibility has been made. Coordination is provided through an Interdepartmental Highway Safety Board over which the Secretary of Commerce is chairman. The President's Committee for Traffic Safety has responsibility for promoting a national "actions" program for highway safety. Divisions of responsibility between these latter two units are not clear. Federal highway safety activities are divided between several agencies with human factors located in the Department of HEW (Public Health Service), highway facility and vehicle in Commerce, and regulatory enforcement of commercial vehicles in ICC. Federal in-house safety programs involve, Labor, GSA, Post Office, and Defense. GSA recently received authority to establish vehicle safety design standards for federally purchased vehicles. Present organizational arrangements are clearly unsatisfactory and

must be modified to support any expansion in a Federal highway safety program.

Proposed Program Elements

The Department of Commerce has completed a comprehensive review of Federal highway safety programs and its findings support major organizational changes and expansion in safety programs. A recommended program of corrective action is proposed in which the Bureau of the Budget and the Office of Science and Technology generally concur. The program elements are as follows:

A. Strengthen Federal policy direction over highway safety programs

by:

- Issuing an Executive Order to (1) give the Secretary of Commerce major responsibility for Federal leadership; (2) reconstitute President's Committee for Traffic Safety as a public advisory committee reporting to the Secretary of Commerce; (3) clarify role of Interdepartmental Highway Safety Board and change name to Interagency Highway Safety Committee; and (4) give the Federal Safety Counsel increased responsibility for coordination of internal Federal highway safety programs.
- Creating necessary central support staff under the Office of the Under Secretary of Commerce for Transportation.
- Continue and strengthen existing programs of Commerce, HEW and ICC.

B. Establish data information and research programs to better understand highway safety problems including:

- Data information center and funds for planning development of needed research test facilities.

-- Provide support for accident investigation teams.

C. Program expansion to increase support to Federal, State and local programs for:

-- Improved medical service.

-- Upgrading quality of driver education and training.

-- Expanded vehicle inspection program support.

-- Development and application of advanced technology towards improvement in safety performance standards for automobiles and components sold for use in interstate commerce.

-- Improved police traffic supervision and application of advanced traffic control technology.

D. Build corrective safety features into new and existing highways by continued emphasis on spot improvement program in Public Roads and selective extension to non-Federal-aid System highways.

Legislative and Budgetary Requirements

Budgetary requests for highway safety during FY 1967 will be \$25 million (an increase of \$14 million over 1966 level). A substantial portion of this can be financed from the Highway Trust Fund as well as highway spot improvement costs which are normally financed with Trust Fund monies. Longer-term program costs could grow substantially to level of from \$75 million to \$400 million annually depending upon program needs growing out of initial research into problems and results of cost utility measures established to discover areas of total greatest pay-off. Initial budget requests will be devoted to research, data collection, formulation of program standards and limited expansion in State grant programs. Planning funds for research facilities also are needed in 1967 to determine types of facilities needed to assure integrated investigation

of highway accident phenomenon. Capital investment in a facility could be phased over the next 3-year period. Some new programs recommended will require additional legislation but costs for these are not reflected in 1967 budget.



THE SECRETARY OF COMMERCE
WASHINGTON, D.C. 20230

December 22, 1965

~~CONFIDENTIAL~~
MEMORANDUM FOR:

Determined to be an
administrative marking

By MIE On 5/25/77

Joseph Califano
Special Assistant to the President
The White House

I have just seen today copies of the memoranda transmitted to you last Friday by Under Secretary Boyd concerning proposed programs and legislation in the transportation area.

As I have previously made known, I support the idea of a separate Department of Transportation as being in the public interest because of the great importance of getting unified management of the diversified activities of the Federal Government in the transportation field, and their growing complexity and scope. Specifically, I support the idea of transferring from the Commerce Department to the new Department the transportation activities now residing in Commerce, even though such a move might well be considered to diminish the stature of Commerce, and the power and influence of the Secretary of Commerce.

But I do want to make it clear to all concerned that I am not recommending to the President the transfer of particular functions or bureaus from other Departments to a new Department of Transportation. For example, I am not expressing any opinion as to the proposal of transferring the Coast Guard to the proposed new Department. I'm not familiar with the pros and the cons, and I don't know Fowler's views.

Further, I would like to make clear my definite and strong opposition to the transfer to the new Department of Transportation of the recently reorganized Environmental Science Services Administration within the Department of Commerce. I mention this specifically because others have proposed it, and they may do so again. In my opinion the functions of ESSA can be much better managed within Commerce than within Transportation. With respect to the proposed changes in transportation regulations and highway safety, I am in general agreement with the proposals submitted,

~~CONFIDENTIAL~~

6
C.F.
FG 175
FG 155
TN
FG 155-19

JAC says to hold this paper - it is

IMPORTANT

~~CONFIDENTIAL~~

Page 2.

and Mr. Boyd will take up with me any proposed amendments that emerge from the continuing studies and discussions.

For your information, following our regular procedure, I have assigned to our General Counsel, Mr. Robert Giles, the responsibility for drafting the necessary legislation on these matters, as well as its clearance within Commerce and through the Bureau of the Budget, with other interested departments and agencies.


Secretary of Commerce

cc: Bureau of the Budget Director Schultze
Under Secretary for Transportation Boyd
General Counsel Giles

~~CONFIDENTIAL~~

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

December 28, 1965

GARDNER ACKLEY, CHAIRMAN
OTTO ECKSTEIN
ARTHUR M. OKUN

MEMORANDUM FOR MESSRS. JOSEPH A. CALIFANO, JR.
LEE C. WHITE

Subject: The Case for a New Look in Transportation Regulation

1. Without adding to the Federal Budget, the proposed 1966 program would (a) immediately and significantly lower prices of freight transportation; (b) speed modernization and innovation; and also (c) prove that the Johnson Administration is determined to remove oppressive and archaic regulation over private business.
2. To be sure, our transportation industries perform well; our system is the best in the world; and productivity and profits have been rising in all major transportation industries -- railroads, trucks, pipelines, barges, and airlines. It might be asked why the boat -- or barge -- should be rocked at this time. But we can improve the system immensely by: (a) viewing transportation as a total system of services; (b) developing a cost-oriented rate structure; and (c) encouraging more flexible adjustment to new opportunities and innovations.
3. Transportation as a Total System

Air, water, highway, and railroad transporters should be able to compete actively for freight tonnage. Regulation should permit traffic to move by the combination of routes and methods that has the lowest cost. It does not do this now: some transfers from one type of transportation to another are prohibited; some rates are deliberately held far above cost, thereby preventing the efficient type of transportation from getting the traffic. A total systems approach would rely on individual initiative and market competition to find low-cost route and method combinations and would require regulatory agencies to allow rates to promptly reflect cost changes.

A total systems approach also points to a Department of Transportation to coordinate Federal activities and investments in land, air, and water transport facilities.

4. Cost Oriented Rates

Present regulated rates for railroad service are obsolete. If railroads had the freedom to bring rates down in line with costs, as proposed, an estimated \$400 million a year would be saved, beginning at once. And red-tape would be eliminated: there would be a sharp decline in number from the 3500 ICC protests on rate reductions in 1964 that came from competing carriers.

Regulation to keep rates up has slowed the introduction of cost-saving innovations. Unit trains, which now carry 20 million tons of coal annually to the Eastern seaboard, were held up more than five years by the ICC attachment to archaic carload rates; in Coal to New York Harbor [311 ICC 355 (1960)] the ICC refused to allow that new service, which lowers cost by \$.50 to \$1.00 per ton of coal.

5. Flexibility in Introducing New Techniques

Investment in new techniques is a two-sided process -- getting out of the old as well as getting into the new. Present railroad regulation has slowed down carrier initiative on both, by freezing railroads and truckers into particular routes, types of services, and commodities. They can neither readily give up old types of business, nor branch out into new ones. Such controls may have made sense when certain towns were at the mercy of the railroads. Inter-city trucking changed all this. But the controls continue unchanged.

The proposed program will finally bring the controls in line with modern reality. It will prevent a repeat performance of such incidents as the following: "Big John" freight car service was held up as long as four years by ICC rulings. It took two Supreme Court decisions to establish the legality of this new low-cost freight car. Meanwhile, consumers lost \$40 million a year of potential savings on meat, bread, butter, and milk prices.

6. With the proposed program, consumers will gain substantially from rate reductions. Railroads will add to profits and revenues from increased tonnage. But not every single part of the transportation system can come out ahead. There may be some shifts away from

barge or lake transport. Nevertheless, in a growing economy, these would show up principally in low rates of growth rather than in cutbacks in these industries.



Arthur M. Okun
Member

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

December 23, 1965

EXECUTIVE

TN

CA

FH 175

FH 251

FH 211

FH 226

MEMORANDUM FOR THE FILES

FROM: Lee C. White

SUBJECT: Transportation Program --
Meeting with Airline Presidents

On Wednesday, December 22, Joe Califano and I met with Juan Tripp (Pan Am), Charles Tillinghast (TWA), and Don Nyrop (NW) to discuss the possible transportation package on a completely confidential and off-the-record basis.

Basically all three supported the general concept of pulling the government's transportation functions into a central agency. Mr. Tripp was extremely strong for the creation of a Department and pointed out that in the 1950s he had served on an advisory committee that had recommended the creation of a Department of Transportation.

Tillinghast, though approving centralization, objected to the creation of a new Cabinet department, primarily upon philosophical grounds -- in his own company he says he attempts to have as few divisions with as few division heads reporting to him as he can. He assumes the President would not want to have yet another agency with which he must deal directly. He was quite concerned too with any delay or lost momentum that inevitably occurs with the creation of a new department or other major reorganization.

Mr. Nyrop generally approved the department proposal, but argued that the subsidy function of the CAB was so closely related to the rate and certification functions that it should not be moved from the CAB (a position with which Tillinghast disagreed). He also had reservations about putting the FAA within the department on the ground that McKee was a good man who would find it very difficult to accept assignment subordinate either to a new Secretary or Under

Nothing else sent to
Central Files as of 1/1/66

Secretary; he also wondered about whether the SST program would be needlessly delayed under a large reorganization. He was extremely enthusiastic about the CAB safety functions being placed in an executive rather than in a 5-man framework.

All were enthusiastic about a Presidentially-appointed Chairman of the ICC.

All were enthusiastic about centralized promotion activities and generally had little to say about any changes in the rate making or certification changes inasmuch as it involved ICC functions rather than CAB. They had no difficulty with the concept that cost of service should be the dominant factor in rate making.

It was their view that the industry would more or less reflect their positions -- namely that they would support the package generally, although there might be a range of views about which functions ought to be in the centralized agency and whether there should be a new Department as distinguished from a beefed-up division within the Commerce Department.

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

EXECUTIVE (4).

EE/Trucking
FI-1
TN
FG251
FG 977-15

Wednesday, 8:00 p.m.
January 5, 1966

FOR THE PRESIDENT

FROM Joe Califano *jc*

Representatives of the Trucking Association were in to see me today. They again expressed their opposition to user charges, but they also talked about some of the transportation matters Lee and I had discussed with the presidents of some trucking companies.

My distinct impression is that they would not oppose (they said many, many truckers would favor) a Department of Transportation. They also indicated that they thought the ICC Chairman should be appointed by the President. On the other hand, I am quite confident they would oppose any economic regulatory changes that increased competition.

Nothing else sent to
Central Files as of *2/2/66*

*Filed
3/11/66*

204/L
EXECUTIVE (5)

LE/TN

TN

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76251

Monday, January 10, 1966
6:30 p.m.

Magnuson, Warren

FOR THE PRESIDENT

FROM Lee C. White

X
I went into some detail with Jerry Grinstein of the Senate Commerce Committee staff on the suggestions for transportation program that have been received at the White House. He checked with Maggie on a confidential basis and called late this afternoon to report that Maggie is now strong for the Department of Transportation and the Presidentially appointed ICC chairmanship. He would like to introduce the bill and will speak on its behalf.

With respect to the regulatory proposals, he believes that they should not be submitted and that they won't get anywhere if they are. Similarly, on one of the central issues in the maritime field, he is strong against having any vessels built abroad which are subsidized.

cc: Joe Califano

Being sent to file as of 5/14/66

JAC

Wednesday, January 5, 1966
6:40 p.m.

FOR THE PRESIDENT

FROM Lee C. White

I discussed today with Jerry Grinstein, of Senator Magnuson's Commerce Committee staff, some of the transportation proposals that are being considered in the Executive Branch. It was done on a confidential basis and I have every reason to believe that he is totally reliable.

His best judgment was that Maggy would support the proposal to create a Department of Transportation and the recommendation that the Chairman of the ICC be appointed by the President.

He was, however, quite pessimistic about the prospects of Maggy going along with any fundamental changes with the criteria to be used in regulatory activities. Certainly he anticipated serious difficulty in connection with the major recommendations, although perhaps some of the less fundamental changes might be acceptable.

bcc: Joe Califano

RECEIVED
AUG 19 1968
FEDERAL FILES

Monday, January 10, 1966
6:30 p.m.

FOR THE PRESIDENT

FROM Lee C. White

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cc: Joe Califano ✓

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JOE CALIFANO JR.
RECEIVED

EXECUTIVE

FH 175

FH 155

FH 431/H

SA2

January 14, 1966

MEMORANDUM FOR THE FILE

Subject: Conference with Senator Abraham Ribicoff^x

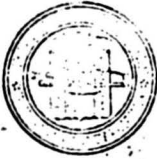
Yesterday I discussed Department of Transportation and highway safety with Senator Ribicoff, who is Subcommittee Chairman of the Government Operations Committee. He stated that he is planning to hold hearings on highway safety beginning February 1 and expects to find the Administration unprepared. He also expressed the hope that he would not be forgotten in the highway safety legislation, having spent ten years trying to promote it. I told him I was sure the Administration appreciated the great contribution he had made which had a great influence on the program that will be sent forward.

The Senator also stated that he is expecting to go ahead very quickly with hearings on a Department of Transportation. He expressed a fear of deep disappointment in the probable failure of the Administration to take a bold approach in establishing the Department. Again I told him that we had prepared a comprehensive and I thought well-rounded program, which I hope we could submit before the end of this month.

(S) Alan S. Boyd

cc: Secretary Connor
Under Secretary Collins
Mr. Joseph Califano
Mr. Lee White ✓
Mr. Paul Southwick
Mr. Langhorne Bond

Nothing else sent to
Central Files as of 1/26/66



OFFICE OF THE CHAIRMAN

CIVIL AERONAUTICS BOARD

WASHINGTON, D. C. 20428

January 14, 1966

Lee White (2)
EXECUTIVE

FH 211

TN

CA

MEMORANDUM

TO: Honorable Joseph A. Califano, Jr.
Special Assistant to the President

FROM: Charles S. Murphy *CSM*
Chairman

SUBJECT: Transfer of CAB Promotional Functions

Further reflection makes it seem clear to me that it would be a mistake to undertake to transfer away from the CAB any of its responsibilities for encouraging and promoting the development of our air transport system. In addition, it would be inconsistent with the President's admonitions to me as to what he would like for the CAB to do. He has asked us to undertake a number of specific lines of promotional activity with the airlines.

It might be noted that it would be possible to give promotional responsibilities with respect to air transportation to anyone else who should have them without taking any away from the CAB. It is not necessary to be exclusive about this. But the CAB can provide an effectiveness in its promotional activities that no other agency can, simply because they are coupled with CAB's regulatory functions.

January 17, 1966

FOR Lee White

FROM Joe Califano *JAC*

When you have read, let's discuss.

Attach.

MEMORANDUM

EXECUTIVE

THE WHITE HOUSE

WASHINGTON

Monday, January 10, 1966
6:30 p.m.

FOR THE PRESIDENT

FROM Lee C. White

I went into some detail with Jerry Grinstein of the Senate Commerce Committee staff on the suggestions for transportation program that have been received at the White House. He checked with Maggie on a confidential basis and called late this afternoon to report that Maggie is now strong for the Department of Transportation and the Presidentially appointed ICC chairmanship. He would like to introduce the bill and will speak on its behalf.

With respect to the regulatory proposals, he believes that they should not be submitted and that they won't get anywhere if they are. Similarly, on one of the central issues in the maritime field, he is strong against having any vessels built abroad which are subsidized.

Nothing else sent to
Central Files as of 1/11/66
2.21.

EYES ONLY

THE UNDER SECRETARY OF COMMERCE
FOR TRANSPORTATION
WASHINGTON, D.C. 20230

JAN 10 1966

C.F.
FG175
TH
FH155



MEMORANDUM FOR Honorable Joseph A. Califano, Jr.
Special Assistant to the President
The White House

Attached per our conversation are my comments on the attached memorandum which sets out arguments for and against the creation of a Department of Transportation.

Alan S. Boyd
Alan S. Boyd

Attachment

EYES ONLY

EYES ONLY

ANALYSIS OF COMMENTS ON DEPARTMENT OF TRANSPORTATION

This is an analysis of the attached paper commenting on a proposed Department of Transportation. To the extent possible, it has been keyed directly to the individual items as set out in the attached paper.

Reasons For

Extensive position papers supporting a Department of Transportation have been presented. The case has also been argued independently countless times. No justifications for a DOT are therefore presented, and comments are restricted to responses to the specific criticisms and recommendations in the paper. The arguments in favor of a DOT, however, as presented in the paper, are incomplete and, in some instances, misleading, and are not accepted as either comprehensive or necessarily relevant.

Reasons Against (See items 1, 2 and 6 of attached paper)

Underlying these three objections is the theme that the real problems of transportation lie with the regulatory agencies and that a plan which does not drastically change the regulatory system can offer no prospect for substantial improvement. This reveals a misunderstanding of the true dimensions of the situation.

The regulatory system can be subjected to legitimate criticism, and there is no doubt that a reorientation of regulatory policy is necessary. To this end, a major regulatory program has been proposed. However, until there has been substantial change in the substantive regulatory agencies, reorganization of the three, ICC, CAB and FMC, into a single body is simply not feasible. The DOT proposal of itself does not contemplate disturbing traditional regulatory concepts, but change in the regulatory system is not thereby precluded. In fact, the regulatory proposals now under consideration would remove some inhibitions to transportation development and integration without altering the traditional independence of the Commissions. In addition, it is contemplated that the Secretary of Transportation would appear before the Commissions to present positions on transportation policy based on an overall intermodal point of view. This would make it possible for the Commissions to consider the broad transportation picture without losing their traditional right of independent decision.

Also, it should be noted that current proposals include legislation to provide for an ICC Chairman appointed by the President for a term of years.

But it does not follow that because the regulatory agencies are not to be completely overhauled no significant improvement in other areas is possible. The real issue is whether the DOT, by uniting within a single Cabinet-level department the multiple, uncoordinated programs of many independent agencies, can provide the Nation with a better total transportation system.

EYES ONLY

The answer must be in the affirmative. The present governmental system is so badly structured that a change leading to greater central control would be a positive achievement for the better.

The non-regulatory Federal transportation effort is quite large. Federal highway expenditures, for example, are over \$4 billion per year, and involve an enormous amount of administrators (Federal and state), contractors, equipment manufacturers, etc. The FAA budget is over \$800 million per year and the Agency employs 45,000 people. To say (as objection 6 does) that problems "exist to a very minor extent, if at all, in the several small functional operating agencies" is a gross understatement. The annual Federal investment in transportation is not small: it is immense, amounting to over \$6 billion per year. And it is allocated in an irrational and arbitrary way without benefit of overall policy guidance.

Many economists today believe that the regulatory agencies do not affect the overall level of rates of the regulated industries as profoundly as does Federal investment in transportation facilities (and inconsistent tax treatment). The trucking and railroad industries reflect the long-term effect of unbalanced Federal investment in right-of-way.

Reasons Against (see item 3 of attached paper)

The fact that a DOT has not been created in the past can hardly be used as an intelligent objection to the creation of a DOT today.

It should be noted, however, that creation of a Department of Transportation has never been seriously urged upon Congress as an Administration-sponsored proposal.

Reasons Against (see item 4 of attached paper)

Transportation is indeed an essential element in the Nation's commerce and industry. So is defense, and housing, and education. In fact, almost every element of Government is related in some way to commerce.

But the transportation system is conceptually separable from the traditional business-related responsibilities of Commerce and lends itself well to separate administration.

The transportation elements within the Department of Commerce have operated independently from the business-oriented elements. Commerce is a sort of Government "holding company" containing disparate, and sometimes unrelated responsibilities, within a single department. There are disadvantages to leaving transportation in Commerce. There are many compelling reasons why transportation should be given its own Cabinet-level department.

Reasons Against

For comment on item 5 of attached paper, see Recommendation No. 1 below.

Reasons Against (see item 7 of attached paper)

Transportation in all its forms accounts for about 20 percent of the GNP. It is the largest single industry in the country. Its size, its effect on other segments of the economy, and its social influence all indicate that transportation deserves full Cabinet status. Every other advanced nation has given transportation Cabinet-level priority within its government.

Creation of an independent agency would solve no problems. If it contained all the elements of the proposed DOT, it would simply downgrade transportation as a whole. If it only included a part of the proposed elements of DOT, it would continue the current imbalance.

Reasons Against (see item 8 of attached paper)

There is nothing, either historically or conceptually, to indicate that a DOT would overlook the need for specialized attention and emphasis of any one mode. One of the goals of a DOT is an increased program of transportation research and technology.

The present organization has resulted in considerable imbalance in research investment. Owing in part to an extensive military program, aviation has obviously done very well. Other modes in which the Government has no military or operational role have been badly neglected. Spending more money on a neglected mode, however, is not a cure. The transportation system as a whole must be examined and a total systems approach applied. If the current fragmented organization is continued, this approach can never be realized.

Reasons Against (see item 9 of attached paper)

The need for a reorientation of the Government's transportation policy has been carefully and factually documented. The present necessity for a DOT is indicated by theory and observable facts.

The very statement that agencies work well together "whenever issues arise that require coordinated action" is revealing. First, it is factually incorrect because real interagency coordination is minimal. But most important, it reflects the inevitable result of rigidly compartmentalized thinking. There is always a need for coordination. Transportation is a single system, completely interrelated and interdependent. In the real world, transportation modes do not (or should not) operate independently. To the extent that the Government has established separation between modes, its policy has retarded development of the overall system. The Government's goal should be complete intermodal integration and management of investment that will yield maximum benefits from a cost point of view.

EYES ONLY

4

Reasons Against (see item 10 of attached paper)

Item 10 is completely correct and is a good statement of why a DOT should be created. Reorganization for the sake of reorganization, or even for the sake of small improvements, is wasted effort.

The Nation's transportation policy lacks direction: the Government's program is characterized by modal compartmentalization and by irrational investment of resources. The result has been that large portions are underutilized while other segments are artificially stimulated by Federal subsidy.

The DOT will create organizational structure within which it will be possible more effectively to consider the system as the interrelated whole it really is, and to implement policies to promote efficiency and growth of the system.

Comments on Recommendations Set Out in the Attached Paper

1. Designation of the Under Secretary of Commerce for Transportation as Federal Coordinator of Transportation Policy would be recognition of the existence of a serious problem of coordination, but it would be an inadequate solution.

First, an Under Secretary, no matter how able, will always lack the status and power to influence the decisions of the heads of powerful independent agencies, each supported by its own industry and its friends in Congress.

Second, and most important, any proposal which fails to place all the various modal organizations under a single, Cabinet-level head will not achieve the necessary control. The present system is so structured that coordination is virtually impossible. Coordination will remain impossible until the independent agencies are under a single transportation executive.

Under the present organization comprehensive policy planning cannot be accomplished. An essential element of intermodal planning is the power to consider various investment alternatives. With this power, deliberate decisions as to channels of investment can be made. If this choice is not available at the planning stage, no comprehensive policy can be developed.

In addition, the DOT, by presenting a single budget and by reducing the independence of agencies which represent various modes, will be more able to implement an integrated policy.

EYES ONLY

EYES ONLY

5

2. The precise meaning of this recommendation is not clear on its face. Would the agencies proposed for inclusion in DOT be brought into Commerce? Or would nothing be added to Commerce but a new title?

If the former, transportation would inevitably be subordinated to the business functions of Commerce; if the latter, no improvement at all would be made.

Comments on Alternative Recommendations

1. The transportation problem is immediate. It should not be buried in a committee made up of the heads of the independent agencies. A predictable result would be that no major change would be recommended.

Nothing could possibly be gained by further delay and "study" -- the need for a DOT has been carefully demonstrated in the past.

2. Answered in Reasons Against, Item 7, above.

Other Possible Actions

No comment.

EYES ONLY

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

January 19, 1966
Wednesday, 10:45 a.m.

EXECUTIVE
FG155-18
FG135
FG999-15
~~FG251~~
FG211
FG170
FG165-4
FG283

FOR THE PRESIDENT

FROM Joe Califano

Abraham

Katzenbach has talked to Ribicoff about the move of the Community Relations Service to Justice. I have talked to him about that move and about other organizational possibilities.

We are also ready to move ahead on the Department of Transportation and the Presidential appointment of the ICC Chairman. While all components of the Department of Transportation are not yet firmly established, it is clear that the regulatory functions of the ICC and CAB will not be moved into the Department.

Ribicoff will be most interested in how the Department of Housing and Urban Development is going to reorganize. He is a strong supporter of very strong regional directors to decentralize authority.

Less likely reorganization actions that we are now considering and are not yet in the position to make firm recommendations to you on include a reorganization of the health services of HEW, moving SBA to the Commerce Department with a new Assistant Secretary, a single AEC Administrator or some strengthening of the Chairman, some change in the organization of the government to deal with air and water pollution.

Ribicoff is also interested in a Department of Education -- something we have abandoned for the time being. Finally, he may be interested in how mass transit and urban highways will be handled between the Department of Transportation and HUD. We are still trying to work this out. In any case, should he raise this, I recommend you indicate that we will not permit urban highways and mass transit to adversely affect the revitalization of our cities. Mass transit is now in HUD. Urban highways are now in Commerce under the Bureau of Public Roads.

Nothing else sent to
Central Files as of 3/3/66

sent to Mrs. Lasker

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

EXECUTIVE (3)

FG 977-15

FG 251

January 25, 1966
Tuesday, 5:00 p.m.

TO: THE PRESIDENT

FROM: Lee C. White

William L. I met with Congressman Stagger this afternoon to discuss the transportation legislation. He was quite positive about the departmental bill and indicated that he would cooperate fully with Congressman Dawson and whoever on the Government Operations Committee handles the bill. Similarly, he had no difficulty with the proposal to change the ICC Chairmanship to a Presidentially designated individual.

With respect to the changes in the principles for regulation by the ICC, he regarded the proposals as "worth striving for," but predicted bitter opposition and controversy over them. I told him that we had not yet made a staff recommendation, but that certainly his reaction would be reported to you.

He was most cooperative, and I assured him that you were anxious to learn his views on all matters before his Committee and that you had given instructions for all of us to work very closely with him.

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

January 28, 1966
Friday, 11:30 a.m.

FOR THE PRESIDENT

FROM Joe Califano and Lee White

We recommend that the following components go into the Department of Transportation:

1. From the Commerce Department
 - Bureau of Public Roads
 - Highway Safety Program
 - Policy, research and related functions in the office of the Under Secretary of Commerce for Transportation, including the Office of Emergency Transportation
 - Great Lakes Pilotage Administration
 - The Maritime Administration
2. Federal Aviation Agency
3. The Alaska Railroad from the Interior Department
4. The St. Lawrence Seaway Development Corporation
5. The Coast Guard from the Treasury Department
6. The safety functions and the car service functions of the ICC
7. The safety functions and policy control over the subsidy functions of the CAB.
8. "Nuts and bolts" research in Mass Transit from HUD.

The foregoing components of the Transportation Department are unanimously recommended by all interested agency heads with the exception of the following:

orig sent to Reps Transit

1. Coast Guard. Joe Barr and the Commandant of the Coast Guard have urged that the Coast Guard be left in the Treasury Department. Fowler agrees, but has not signed any memorandum to this effect (I believe) because he wants to be free to support a decision to move the Coast Guard to the Department of Transportation. Bob McNamara's preference would be to wipe out the Coast Guard and fold its functions into the Navy, but he realizes this is unrealistic. He recommends that the Coast Guard be moved into the Department of Transportation and will certify that such a move at this time will have no effect on our national security.

Schultze, Lee White, Connor, Boyd, Ackley and I recommend that the Coast Guard be moved into the Transportation Department, as a single unit. 75% of the money and work of the Coast Guard is associated with civilian safety and maritime shipping (inland and off shore) problems.

2. Civil Aeronautics Board. Charlie Murphy mildly objects to moving the safety functions out of CAB, but will support a decision to do so. Murphy has strong feelings that the subsidy functions of the CAB should remain there. As you recall, the CAB subsidizes operations while FAA subsidizes airport construction and improvements.

Many people think both subsidy functions should be in the Department of Transportation; some think they should be left as they are. I believe we can resolve the problem by agreeing on legislative language to give the Transportation Department authority to give general policy guidance on operating subsidies to the CAB, leaving the application of the policy on a case-by-case basis to the CAB.

The precise division of responsibilities between the new Department of Transportation and the Department of Housing and Urban Development has been agreed upon in principle. The details of this will require additional careful staff work. The Message should therefore request the two Secretaries to recommend to you the exact details of this reallocation of responsibilities within the terms of agreement, which are:

- HUD will have over-all responsibility for planning urban facilities, including all modes of transportation. This will require shifting some responsibilities currently in the Bureau of Public Roads to HUD.
- The Department of Transportation will be responsible for the technical/engineering aspects of urban transportation. Certain activities will therefore have to move from HUD to the new Department.

We have worked out with the Corps of Engineers language which subjects their navigation projects to review by the Secretary of the Department of Transportation.

A task force has been set up and is currently working on the draft legislation and a preliminary organizational concept for the new Department. We plan to use this group as a focal point for all administration activity in support of the legislation to create the new Department.

If you approve, we will proceed along the lines indicated above. I will get papers from the appropriate officials recommending these components to the Bureau of the Budget.

Approve _____

Disapprove _____

*I don't know enough - Cost
your research difference
before fact*

EXECUTIVE

FBI/75

FBI

①

January 28, 1966
Friday, 11:30 a.m.

FOR THE PRESIDENT

FROM Joe Califano and Lee White

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- Highway Safety Program
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- Great Lakes Pilotage Administration
- The Maritime Administration

2. Federal Aviation Agency

3. The Alaska Railroad from the Interior Department

4. The St. Lawrence Seaway Development Corporation

5. The Coast Guard from the Treasury Department

6. The safety functions and the car service functions of the ICC

7. The safety functions and policy control over the subsidy functions of the CAB.

8. "Nuts and bolts" research in Mass Transit from HUD.

The foregoing components of the Transportation Department are unanimously recommended by all interested agency heads with the exception of the following:

cc Lee White

Nothing else sent to
Central Files as of 11/2/66.
F.W.

1. Coast Guard. Joe Barr and the Commandant of the Coast Guard have urged that the Coast Guard be left in the Treasury Department. Fowler agrees, but has not signed any memorandum to this effect (I believe) because he wants to be free to support a decision to move the Coast Guard to the Department of Transportation. Bob McNamara's preference would be to wipe out the Coast Guard and fold its functions into the Navy, but he realizes this is unrealistic. He recommends that the Coast Guard be moved into the Department of Transportation and will certify that such a move at this time will have no effect on our national security.

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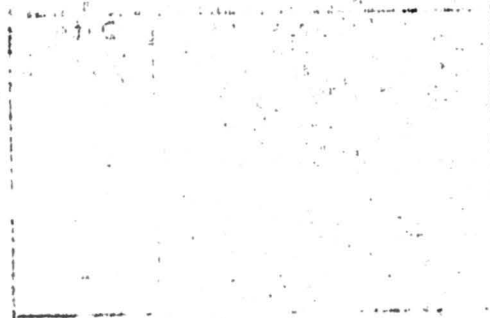
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A task force has been set up and is currently working on the draft legislation and a preliminary organizational concept for the new Department. We plan to use this group as a focal point for all administration activity in support of the legislation to create the new Department.

If you approve, we will proceed along the lines indicated above. I will get papers from the appropriate officials recommending these components to the Bureau of the Budget.

Approve _____

Disapprove _____



MEMORANDUM

THE WHITE HOUSE
WASHINGTON

Tuesday, 2:00 p.m.
February 1, 1966

FOR THE PRESIDENT
FROM Joe Califano and Lee White
SUBJECT: Transportation Message

The few remaining issues of what should be in the Department of Transportation are virtually resolved.

On the proposal to have the ICC Chairman appointed by the President from among the Commission members, at least six members of the eleven-man ICC support it. According to this year's Chairman, Jack Bush, at least one more member can be pulled over to support, and he is confident that the Commission will formally support the change. Maggie and Staggers support it, as do the rails and trucks. We recommend this change be a part of your program and be in the message.

Approve 1 Disapprove

Although the industry is generally behind the departmental bill, it is clear that any proposals to change significantly the standards to be used by the ICC in approving routes and rates would be backed by the railroads, but opposed strenuously by trucks and inland waterways. In this category are:

- (1) making cost the dominant factor in establishing rates,
- (2) extending the exemption for those who carry agricultural commodities to a much larger range of products that can be hauled on return trips,
- (3) shifting the burden from those who propose rates to shippers or the ICC itself who wish to oppose, and taking away the right of competing means of transportation to protest.

Some less controversial changes might be proposed. Although not as meaningful, they are at least steps in the right direction. They include:

- (1) encouragement of through and joint rates among various modes of transportation,
- (2) requiring rail and motor carriers to accept shipper-owned or leased equipment on a nondiscriminatory basis,

(3) simplifying railroad abandonment procedures, and,

(4) reducing the period rates could be suspended by protests from seven months to 60 or 90 days.

The three alternatives are:

1. Go for the whole package of reforms -- Although the railroads would be happy, the trucks and waterways would be so irritated as to jeopardize the departmental bill, and realistically there is no possibility of getting them this year.

2. Send up the easier, less controversial package -- This would follow the direction you ultimately expected to go and some of the proposals might even get through. There would be criticism, however, that the Administration was not willing to really try to solve the basic transportation problems. In addition, some of these items which the various modes would like to have, might well make the tougher ones more acceptable if they were offered as a total package next year.

3. Wait with all of these until next year -- This, too, would be criticized as an unwillingness to face the tough problems. However, it does make sense to establish the department this year and have it be the spear-head for regulatory reforms next year since it will possess greater stature and authority in the field when it is in existence. Maggie is openly opposed to any changes and Staggers said that there is a history of not getting anywhere on them although he believes they make sense.

We believe the real choice is between the last two alternatives and recommend the third, a view shared by Alan Boyd.

Alternative 1 _____

Alternative 2 _____

Alternative 3 _____

Other _____

THIRD

**A MAJOR NEW TRANSPORTATION
PROGRAM**

**"In a country that spans a continent modern transportation
is vital to continued growth".**

President Lyndon B. Johnson, January 4, 1965

TRANSPORTATION

**" I will recommend heavier reliance on competition in transportation
and a new policy for our merchant marine "**

President Lyndon B. Johnson, Jan. 4, 1965

● A NEW DEPARTMENT OF TRANSPORTATION

● STREAMLINING REGULATION

- PRESIDENTIAL APPOINTMENT OF ICC CHAIRMAN**
- REVISE THE INTERSTATE COMMERCE ACT TO MODERNIZE PROCEDURES,
BASE RATE-MAKING ON COSTS AND ENHANCE THE MOST EFFICIENT
FLOW OF GOODS ACROSS THE CONTINENT**

● HIGHWAY SAFETY

STRENGTHEN FEDERAL LEADERSHIP

- PLAN FOR THE CONSTRUCTION OF A FEDERAL RESEARCH AND TEST CENTER
FOR HIGHWAY SAFETY, WITH GROUND TO BE BROKEN IN FY 1968**
- BEGIN A COMPREHENSIVE COLLECTION OF DATA AND STATISTICS
ON ACCIDENTS**
- ISSUE AN EXECUTIVE ORDER MAKING THE SECRETARY OF
TRANSPORTATION (OR COMMERCE) THE FEDERAL COORDINATOR**
- REVAMP AND RESTRUCTURE THE EXISTING ADVISORY COMMITTEES,
INCLUDING THE PRESIDENT'S COMMITTEE FOR TRAFFIC SAFETY**

NOTES

HIGHWAY DEATHS AND INJURIES

- Approximately 140 Americans are killed every day in traffic accidents
- One American is killed every 10 minutes or approximately 6 each hour as a result of traffic accidents.
- One American is injured in an automobile every 19 seconds. This amounts to approximately 5,000 casualties per day
- During the 1965 Christmas - New Year holiday period more Americans will be killed (approximately 1,800) than the total number of American combat fatalities that have occurred since our involvement in Viet Nam
- The weekly fatalities (920) and injuries (32,700) due to traffic accidents exceed the highest weekly casualty figures for either Korea or Viet Nam
- Approximately 500,000 people are severely injured in traffic accidents each year.
- If a fully loaded Boeing 707 crashed every day of the year killing all on board, the total number of deaths would not equal the number killed in traffic accidents over the same period.
- Over the next ten years the number of lives lost would be approximately 500,000 to 600,000 and the total economic loss in 1965 dollars would approach \$60 to \$70 billion.

BUILD-IN SAFETY TO OUR NEW AND EXISTING HIGHWAYS

- EMPHASIZE A "SPOT" IMPROVEMENT PROGRAM IN DANGER AREAS
- DESIGN NEW HIGHWAYS WITH PRIME REGARD FOR SAFETY FEATURES

ESTABLISH A FEDERAL—STATE — PRIVATE ENTERPRISE PARTNERSHIP

- IMPROVE MEDICAL SERVICE TECHNIQUES (LIKE HELICOPTER EVACUATIONS)
- UPGRADE THE QUALITY OF DRIVER EDUCATION
- ENLARGE VEHICLE INSPECTION PROGRAMS
- DEVELOP SAFETY STANDARDS FOR VEHICLES AND PARTS (TIRES, HEADLIGHTS) SOLD IN INTERSTATE COMMERCE
- DEVELOP MODERN POLICE AND TRAFFIC CONTROL TECHNIQUES

NOTES

Maritime

Wirtz is dead set against foreign construction.

Connor is against it for balance of payments reasons.

Ackley, Schultze, Nick Johnson, Boyd feel that overseas construction is a "must" if we want to expand our Merchant Fleet in an economical way. It costs about \$14,000,000 to build a new cargo ship here; less than \$7 million in a foreign shipyard.

Proposal: Have Lee White take Congressional soundings on foreign construction issue. Then get Wirtz and Connor to agree on program you can sponsor.

FILE MEMO
December, 1965

extra copy

SP 2-4/1965
PR 10
LE

The following sent to Central Files above date by Toi Bachelder - folder and envelopes of Charts and background material used in preparing State of the Union Message for 1966. Charts re: The Great Society, International Health, International Education, International Food, Transportation, Water Pollution, Crime Prevention, Civil Rights, Natural Beauty and Rural life. - Charts filed ON THE SHELF #99

Name involved - Bob Logan

x

x

8/21/66 ✓
MEMORANDUM

18
THE WHITE HOUSE
WASHINGTON

Saturday, January 22, 1966
5:15 pm.

CF
Executive
FG 175
IN
FG 810
FG 155

FOR THE PRESIDENT

FROM Joe Califano *JC*

In the attached memorandum Secretary Connor recommends the establishment of a prestigious private committee to support the creation of a Department of Transportation. He suggests the following as possibilities for chairman:

1. Donald ^XCook
2. Carter ^XBurgess
3. Kenneth ^XRoyall
4. Roger ^XLewis

Can't we get other names?

Connor
If you approve, I can call any of them on your behalf and have Jack get in touch with them to let them know that we would be most appreciative of any citizens committee in support of this legislation.

Approve _____

Disapprove _____

Which of the above individuals would you like to see as chairman? _____

Jack also notes that Charles ^XBeard, Traffic and Assistant Vice President of Union Carbide, would like to chair an Ad Hoc Committee to support the Department of Transportation working with the transportation industry and major users, and that Juan ^XTrippe desires to set up an Ad Hoc Committee on Transportation in the Business Council to promote and support the legislation. I will urge Jack Connor to encourage both of these activities.

Attach.

*See me -
I think Connor should
make the contacts -*

and sent to New York

~~CONFIDENTIAL~~



THE SECRETARY OF COMMERCE
WASHINGTON 25, D. C.

JAN 21 1956

Determined to be an
administrative marking

By MIE On 5/25/77

MEMORANDUM TO MR. JOSEPH CALIFANO

Re: Support for Department of Transportation Legislation

In view of the statutes prohibiting lobbying activities by governmental personnel and the requirement for such legislation, I have several suggestions:

- (1) A prestigious committee should be established to explain the importance of the President's proposal to establish a Department of Transportation, describe its benefits and urge the support of Congress. The committee should be headed by a man of national stature who has knowledge of Government and preferably is not tied directly to the transportation industry. Mr. Donald Cook, Mr. Carter Burgess, Mr. Kenneth Royall, Mr. Roger Lewis would seem to fit the qualifications as chairman of such a committee. If any of these would be willing to serve, I believe it would be relatively easy to fill out an Ad Hoc Committee.
- (2) Charles Beard, Traffic and Assistant Vice President of Union Carbide Company has acted from time to time as a consultant to the Under Secretary of Commerce for Transportation. He is highly regarded by the transportation industry and probably knows more people in the industry than any other single individual. He is prepared to establish and chair an Ad Hoc Committee to support and promote the Department of Transportation legislation, working directly with the transportation industry and the major users thereof.
- (3) Juan T. Trippe, President of Pan American World Airways, has obtained the agreement of W. B. Murphy, Chairman of the Business Council to establish an Ad Hoc Committee on Transportation of the Business Council to promote and support the legislation. His suggested members would include John M. Franklin, United States Lines Company; F. R. Kappel, American Telephone and Telegraph; Stuart T. Saunders, Pennsylvania Railroad; Frank Stanton, Columbia

~~CONFIDENTIAL~~

Broadcasting System; and Gardiner Symonds, Tennessee Gas Transmission Company; Juan T. Trippe and a non-member of the Business Council - Mr. William White, President of Consolidated Freightways, the largest truck lines in the United States.

I would urge your approval of items (1) and (2) and action on (1). I would further urge that the President personally contact one of the individuals named in paragraph (1), requesting his assistance in establishing and financing a public committee. Suggest fairly quick action to aim for maximum impact at local levels during Easter Recess.

For your information, Mr. Andrew Shea, Executive Vice President, W. R. Grace, strongly supports the concept of the Department of Transportation. Also, Dick Jackson, President of Seaboard World Airlines has publicly stated his full support.


John T. Connor

~~CONFIDENTIAL~~

Bureau of the Budget
ROUTE SLIP

TO

Larry Levinson

Take necessary action ☐

Approval or signature ☐

Comment ☐

Prepare reply ☐

Discuss with me ☐

For your information ☐

See remarks below ☐

FROM

C. Zurch

DATE

3/23

REMARKS

Larry,
By itself this is not
too bad. The issue will have
to be joined with Murphy
some time, however. Question:
should we use this as an opportunity
to raise the whole issue of positive
support or let it go and wait
for another perhaps better
opportunity?

Charlie

EX-111

16999-15

11 211

CIVIL AERONAUTICS BOARD

WASHINGTON, D.C. 20428

FG-999-15
FG-211
FG-131/16
IN REPLY REFER TO:

X
Honorable John L. McClellan
Chairman, Committee on
★ Government Operations
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

This is in reply to your letters of February 15, 1965, and March 8, 1966, requesting reports by the Board on S. 1122 and S. 3010, bills to establish a Department of Transportation.

Insofar as the Board is concerned, S. 1122 would provide for a study by the Secretary of Transportation to determine which functions presently exercised by the Board should be transferred to the new Department. In contrast, S. 3010 embodies a present determination of those Board functions which should be transferred. Such bill, which implements the President's Message of March 2, 1966, would retain the Board as an independent agency, but would transfer to the Secretary of Transportation in the proposed Department of Transportation all of the Board's safety functions under titles VI and VII of the Federal Aviation Act of 1958.

The Board is gratified to note that S. 3010 recognizes that its independent status and economic regulatory functions should continue unimpaired. In this connection, we note that the only provision of the bill affecting the economic functions of the Board is section 8(a) which would establish a requirement that, in applying clause (3) of subsection (b) of section 406 of the Federal Aviation Act (the subsidy provision), the Board shall take into consideration standards and criteria prescribed by the Secretary of Transportation for determining the character and quality of transportation required for the commerce of the United States and the national defense. Since the Board would not be bound by such standards and criteria, this provision would not impair in any manner the Board's independence in subsidy matters. Rather, it would embody the established principle that a regulatory agency such as the Board should give weight to the views of other governmental components having responsibility in related areas, and would thus insure that the Board's subsidy program would be administered with due regard for overall national transportation policy.

Honorable John L. McClellan (2)

With regard to the transfer of its safety functions, while the Board has taken special pride in the discharge of these functions and the staff personnel employed in performing them, we recognize the potential benefits of a coordinated safety program for the various modes of transportation such as would be provided by S. 3010. Indeed, the investigative staff of experts, as well as other personnel to be transferred from the Board to the new Department, would bring with them special skills and experience that might serve as a catalyst for developing new and improved techniques for safety investigation in the other modes of transportation.

With the excellence of its safety staff, the Board believes that it has successfully discharged its safety functions. As an independent agency, it has succeeded in protecting the rights of persons appealing from adverse actions taken by the Federal Aviation Agency with respect to licenses, without impairing the ability of the Administrator to discharge his functions properly. It believes that it similarly has succeeded in instilling public confidence in its findings and recommendations with respect to aircraft accidents. Indeed, the Board's techniques and procedures in this field have served as a model for numerous foreign countries, and have resulted in establishing the Board as the leading authority on the determination of probable cause in aircraft accidents. Nevertheless, the Board recognizes that broader considerations of policy and governmental organization, such as the desirability of a comprehensive safety program keyed to a total transportation system, may well justify the transfer of these functions to the Department of Transportation.

In view of the foregoing, the Board opposes the enactment of S. 1122 and supports the enactment of S. 3010.