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STUDY OF ALASKA TRANSPORTATION

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HEARINGS BEFORE THE COMMITTEE ON COMMERCE UNITED STATES SENATE EIGHTY-SEVENTH CONGRESS

FIRST SESSION

ON

S. 1725, S. 1839, S. 1978, S. 2413, and S. 2484

BILLS TO ESTABLISH THROUGH ROUTES AND JOINT RATES
AND JOINT BOARD TO REVIEW SUCH RATES, TERMINAL AREA
EXEMPTION, PROVIDE FOR THE REGULATION OF THE ALASKA
RAILROAD UNDER THE ICC, ESTABLISH AN INTERNATIONAL
RECEPTION CENTER AT ANCHORAGE;

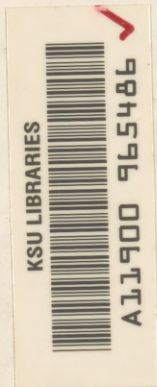
AND

OTHER MATTERS OF ALASKAN TRANSPORTATION
INTERESTS

OCTOBER 20, 21, 23, 25, AND 27, 1961

FAIRBANKS, ALASKA
ANCHORAGE, ALASKA
JUNEAU, ALASKA
KETCHIKAN, ALASKA

Printed for the use of the Committee on Commerce



STUDY OF ALASKA TRANSPORTATION

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HEARINGS

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UNITED STATES SENATE

SEVENTY-SIXTH CONGRESS

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II

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STUDY OF ALASKA TRANSPORTATION

FRIDAY, OCTOBER 20, 1961

U.S. SENATE,
COMMITTEE ON COMMERCE,
Fairbanks, Alaska.

The committee met, pursuant to notice, at 9:30 a.m., the Honorable E. L. Bartlett presiding.

Senator BARTLETT. The committee will be in order.

This is one of a series of hearings being conducted by the U.S. Senate Committee on Commerce, the first meeting having been held in San Rafael, Calif., on October 4, the second in Seattle on October 12, and the subsequent hearings in Alaska; namely, to date, at Petersburg and at Dillingham, Naknek, Homer, and Kodiak.

To date the hearings have been devoted almost exclusively to the fishery. Very little specific legislation has been considered except a bill introduced by Senator Gruening, S. 1230, with a companion bill offered in the House of Representatives by our own Congressman Ralph J. Rivers amending the Saltonstall-Kennedy Act so as to provide additional funds for fishery research.

It has been the main intention of the committee to build an up-to-date factual background for future legislative efforts as needed concerning the very important fishery. I think it can be said now that this is being accomplished because we have had good hearings wherever we have gone and have accumulated not only much testimony but valuable testimony.

I would suspect that here in Fairbanks not too much will be said about the fishery, and that instead the witnesses will be concerned chiefly with transportation. Even so, if there is anyone here who desires to speak about the fishery, or about game, which likewise comes under the jurisdiction, we shall be glad to hear him.

As acting chairman of the committee during its meetings in Alaska I want to express my very real appreciation to the chamber of commerce for making this wonderful room available for today's hearing.

It makes for comfort and pleasure to convene in such a remarkably fine room.

I should like for the benefit of those who are here from Fairbanks to introduce the staff members of the Commerce Committee who are accompanying me.

(Discussion off the record.)

Senator BARTLETT. We have also with us today Mr. Hugh H. Chaffee, district supervisor ICC, Anchorage, and Mr. William Meehan, director, Division of Motor Transportation, State of Alaska, Anchorage.

There are bills before the Commerce Committee to establish a joint board in respect to through service and joint rates for carriers serving Alaska and Hawaii. This is S. 1725. A like bill was passed by the Senate in the 86th Congress but failed of consideration in the House of Representatives. S. 1725 in this Congress was passed by the Senate and encountered a similar fate in the House.

There is also a bill before the committee, S. 1839, which would put joint routes and through rates under the ICC.

Then there is S. 2413, providing for economic regulation of the Alaska Railroad by the Interstate Commerce Commission.

Without objection, the bills will be made a part of the record at this point.

(The bills are as follows:)

[S. 1725, 87th Cong., 1st sess.]

A BILL To permit the establishment of through service and joint rates for carriers serving Alaska or Hawaii and the other States and to establish a joint board to review such rates

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

THROUGH SERVICE AND JOINT RATES

SECTION 1. Air carriers subject to the Federal Aviation Act of 1958, common carriers subject to parts I, II, and III of the Interstate Commerce Act, as amended, and common carriers by water subject to the Shipping Act, 1916, as amended, or the Intercoastal Shipping Act, 1933, as amended (including persons who hold themselves out to transport goods by water but who do not own or operate vessels), may establish through service and joint rates and charges with any other such common carriers in connection with the transportation of property between the State of Alaska or the State of Hawaii and the other States; except that air carriers not directly engaged in the operation of aircraft in air transportation (other than companies engaged in the air express business) may not establish joint rates or charges, under the provisions of this section, with common carriers subject to the Interstate Commerce Act, as amended, and the Shipping Act, 1916, as amended, or the Intercoastal Shipping Act, 1933, as amended: *Provided, however,* That the authority to establish through service and joint rates shall not be applicable to interstate operations within the State of Hawaii by motor common carriers of property.

JOINT RATES TO BE JUST, REASONABLE, AND NONDISCRIMINATORY

SEC. 2. Joint rates and charges established pursuant to this Act and classifications, rules, regulations, and practices affecting such joint rates or charges shall be just and reasonable, and free of unjust discriminations as to shippers and consignees. It shall be the duty of the carriers party thereto to establish just, reasonable, and equitable divisions thereof between the carriers participating therein, which shall not unduly prefer or prejudice any of such participating carriers.

FILING OF TARIFFS

SEC. 3. Where through service and joint rates are established, it shall be the duty of each of the carriers party thereto to file tariffs naming such joint rates with the agency having regulatory jurisdiction over the portion of the through services to be performed by such carrier, in accordance with the tariff rules and regulations of such agency. Such tariffs shall state that they are filed pursuant to this Act.

COMPLIANCE WITH TARIFFS

SEC. 4. No carrier party to a tariff filed in accordance with section 3 shall charge or demand or collect or receive a greater or lesser or different compensation for transportation between points served by it and points served by any other such carrier or for any service in connection therewith, than the rates and charges so filed; and no such carrier shall, in any manner or by any device,

directly or indirectly, or through any agent or broker or others, refund or remit any portion of the rates or charges so specified, or extend to any person any privileges or facilities other than those described in such tariffs. The willful failure of any such carrier to observe tariffs filed in accordance with this section shall be a misdemeanor punishable in accordance with the provisions of title 49, United States Code, section 41(1).

REFERENCE TO JOINT BOARD

SEC. 5. All matters relating to the lawfulness of through service and joint rates established pursuant to this Act, and divisions thereof, and classifications, regulations, and practices relating thereto, shall be determined by a joint board to be created as provided in section 6. Such matters may be referred to the Joint Board by the Interstate Commerce Commission, the Federal Maritime Board, or the Civil Aeronautics Board each upon its own initiative, and shall be referred to the Joint Board by any of such agencies upon the filing with any such agency of a complaint pursuant to this section. Complaints may be filed by any shipper, consignee, or carrier affected thereby, charging that any joint rate or charge established pursuant to this Act, or any classification, regulation, or practice relating thereto, is, or will be, in violation of section 2 of this Act. Any carrier participating in a joint rate established pursuant to this Act may file a complaint charging that the divisions of such joint rate are in violation of section 2 of this Act.

ESTABLISHMENT OF JOINT BOARD

SEC. 6. There is hereby established a joint board to consider and pass upon matters to be referred to the Joint Board as provided in section 5 of this Act. The Joint Board shall consist of three members, one each to be designated from among the membership of the Civil Aeronautics Board, the Federal Maritime Board, and the Interstate Commerce Commission, by the Chairman of each such agency. The Joint Board so designated shall elect a chairman from the membership of the Board. The members of the Joint Board shall serve for a term of one year, but shall be eligible for reappointment. In case of a vacancy, a member to fill the vacancy shall be designated by the appropriate agency chairman to serve the remainder of the term; in case of temporary absence of a member, an alternate member shall be designated in the same manner, to serve for the duration of the absence. The affirmative votes of any two members of the Joint Board shall be sufficient for the disposition of any matter which may come before it. The Joint Board is authorized to use, as needed and with consent of the respective agencies, the available space, services, supplies, equipment, personnel, and facilities of the Interstate Commerce Commission, the Federal Maritime Board, and the Civil Aeronautics Board in carrying out its functions under this Act, such use to be subject to the supervision of the Director of the Bureau of the Budget. The Interstate Commerce Commission, the Federal Maritime Board, and the Civil Aeronautics Board shall, as need arises, assign hearing examiners from their respective staffs, to the work of the Joint Board.

JURISDICTION OF BOARD

SEC. 7. The Joint Board, in passing upon matters referred to it under section 5, shall have the same powers which section 216 of the Interstate Commerce Act, title 49, United States Code, section 316, confers upon the Interstate Commerce Commission in respect of common carriers of property by motor vehicle. In the exercise of its power to prescribe just and reasonable joint rates and charges filed pursuant to this Act, and classifications, regulations, and practices relating thereto, the Joint Board shall observe the standards set forth in section 216(1) of the Interstate Commerce Act, title 49, United States Code, section 316(i): *Provided, however,* That the Joint Board shall not have jurisdiction over local rates and nothing herein shall be construed as removing from the Civil Aeronautics Board, the Federal Maritime Board, and the Interstate Commerce Commission jurisdiction to regulate local rates of carriers establishing joint rates between the State of Alaska or the State of Hawaii, and the other States.

HEARINGS

SEC. 8. All matters referred to the Joint Board shall be determined on the record after opportunity for a hearing in accordance with the Administrative Procedure Act, title 5, United States Code, section 1001 and the following. Any

member of the Joint Board and any hearing examiner assigned to the Board, when duly designated by the Board for such purpose, may hold hearings, sign and issue subpoenas, administer oaths, examine witnesses, and receive evidence at any place in the United States.

PROCEDURAL POWERS OF THE BOARD

SEC. 9. The Joint Board shall have the power to issue such rules, regulations, or orders as may be required for the orderly processing of matters assigned to it. The Board shall have the power to require by subpoena the attendance and testimony of witnesses and the production of all books, papers, and documents and to take testimony by deposition relating to any matter within its jurisdiction. The attendance of witnesses and the production of books, papers, and documents may be required at any designated place of hearing.

REVIEW OF BOARD ORDERS

SEC. 10. Orders of the Joint Board shall take effect within a reasonable time, not less than thirty days, and shall continue in force until its further order, or for a specified period of time, as shall be prescribed in the order, unless the same shall be suspended or modified or set aside by the Joint Board or be suspended or set aside by a court of competent jurisdiction. Such orders shall be reviewable as provided in title 5, United States Code, sections 1031-1041, inclusive.

EFFECTIVE DATE

SEC. 11. The members of the Joint Board shall be designated within one hundred and twenty days after the date of enactment of this Act, and this Act shall take effect one hundred and twenty days after the date of enactment.

[S. 1839, 87th Cong., 1st sess.]

A BILL To amend section 216(c) and 305(b) of the Interstate Commerce Act, relating to the establishment of through routes and joint rates

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (c) of section 216 of the Interstate Commerce Act, as amended (49 U.S.C. 316(c)), is amended by adding at the end thereof the following new sentence: "As used in this subsection, the term 'common carriers by * * * water' includes water common carriers subject to the Shipping Act, 1916, as amended, or the Intercoastal Shipping Act, 1933, as amended (including persons who hold themselves out to transport goods by water but who do not own or operate vessels) engaged in the transportation of property in interstate or foreign commerce between Alaska or Hawaii on the one hand, and, on the other, the other States of the Union, and through routes and joint rates so established and all classifications, regulations, and practices in connection therewith shall be subject to the provisions of this part."

SEC. 2 Subsection (b) of section 305 of the Interstate Commerce Act, as amended (49 U.S.C. 905(b)), is amended by inserting between the second and third sentences thereof the following new sentence: "Common carriers by water subject to this part may also establish reasonable through routes and joint rates, charges, and classifications with common carriers by water subject to the Shipping Act, 1916, as amended, or the Intercoastal Shipping Act, 1933, as amended (including persons who hold themselves out to transport goods but who do not own or operate vessels) engaged in the transportation of property in interstate or foreign commerce between Alaska or Hawaii on the one hand, and, on the other, the other States of the Union, and such through routes and joint rates, and all classifications, regulations, and practices established in connection therewith shall be subject to the provisions of this part."

[S. 1978, 87th Cong., 1st sess.]

A BILL To amend section 202(c) of the Interstate Commerce Act to provide for partial exemption from the provisions of part II of such Act of terminal area motor carrier operations performed by or for common carriers by water in interstate commerce subject to the Shipping Act, 1916, and the Intercoastal Shipping Act, 1933

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 202(c) of part II of the Interstate Commerce Act is hereby amended to read as follows:

"(c) Notwithstanding any provision of this section or of section 203, the provisions of this part, except the provisions of section 204 relative to qualifications and maximum hours of service of employees and safety of operation and equipment, shall not apply—

"(1) to transportation by motor vehicle by a carrier by railroad subject to part I, or by a water carrier subject to part III, or by a freight forwarder subject to part IV, or by a common carrier by water in interstate commerce subject to the Shipping Act, 1916, and the Intercoastal Shipping Act, 1933, incidental to transportation or service subject to such parts or such acts, in the performance within terminal areas of transfer, collection, or delivery services; but such transportation shall be considered to be and shall be regulated as transportation subject to part I when performed by such carrier by railroad, as transportation subject to part III when performed by such water carrier, as transportation or service subject to part IV when performed by such freight forwarder, and as transportation or service subject to the Shipping Act, 1916, and the Intercoastal Shipping Act, 1933, when performed by such common carrier by water in interstate commerce;

"(2) to transportation by motor vehicle by any person (whether as agent or under a contractual arrangement) for a common carrier by railroad subject to part I, an express company subject to part I, a motor carrier subject to this part, a water carrier subject to part III, a freight forwarder subject to part IV, or a common carrier in interstate commerce subject to the Shipping Act, 1916, and the Intercoastal Shipping Act, 1933, in the performance within terminal areas of transfer, collection, or delivery service; but such transportation shall be considered to be performed by such carrier, express company, or freight forwarder as part of, and shall be regulated in the same manner as, the transportation by railroad, express, motor vehicle, or water, or the freight forwarder transportation or service, to which such services are incidental.

"The Commission shall have exclusive jurisdiction to determine and prescribe the limits of terminal areas of the various carriers for the purposes of this section 202(2)."

[S. 2413, 87th Cong., 1st sess.]

A BILL To provide for economic regulation of the Alaska Railroad under the Interstate Commerce Act, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the first paragraph of the first section of the Act entitled "An Act to authorize the President of the United States to locate, construct, and operate railroads in the Territory of Alaska, and for other purposes", approved March 12, 1914 (38 Stat. 305), as amended (48 U.S.C. 301), is amended to read as follows:

"That the President of the United States is hereby empowered, authorized, and directed to adopt and use a name by which to designate the railroad or railroads and properties to be located, owned, acquired, or operated under the authority of this Act; to employ such officers, agents, or agencies, in his discretion, as may be necessary to enable him to carry out the purposes of this Act; to authorize and require such officers, agents, or agencies to perform any or all of the duties imposed upon him by the terms of this Act; to detail and require any officer or officers in the Engineer Corps in the Army or Navy to perform service under this Act; to fix the compensation of all officers, agents, or employees appointed or designated by him; to designate and cause to be located a route or routes for a line or lines of railroad in the State of Alaska not to exceed in the aggregate one thousand miles, to be so located as to connect one or more of the open Pacific Ocean harbors on the southern coast of Alaska with the navigable waters in the interior of Alaska, and with a coal field or

fields so as best to aid in the development of the agricultural and mineral or other resources of Alaska, and the settlement of the public lands therein, and so as to provide transportation of coal for the Army and Navy, transportation of troops, arms, munitions of war, the mails, and for other governmental and public uses, and for the transportation of passengers and property; to construct and build a railroad or railroads along such route or routes as he may so designate and locate, with the necessary branch lines, feeders, sidings, switches, and spurs; to purchase or otherwise acquire all real and personal property necessary to carry out the purposes of this Act; to exercise the power of eminent domain in acquiring property for such use, which use is hereby declared to be a public use, by condemnation in the courts of Alaska in accordance with the laws now or hereafter in force there; to acquire rights-of-way, terminal grounds, and all other rights; to purchase or otherwise acquire all necessary equipment for the construction and operation of such railroad or railroads; to build or otherwise acquire docks, wharves, terminal facilities, and all structures needed for the equipment and operation of such railroad or railroads; to establish, change, or modify rates for the transportation of passengers and property; to receive compensation for the transportation of passengers and property, and to perform generally all the usual duties of a common carrier by railroad; to make and establish rules and regulations for the control and operation of said railroad or railroads: *Provided*, That effective one hundred and eighty days after the enactment of this proviso, and thereafter, the operation of the said railroad or railroads and the facilities and equipment thereof shall, to the extent applicable, be subject to the provisions of part I of the Interstate Commerce Act, as amended, in the same manner and to the same extent as if such railroad or railroads and facilities were privately owned and operated, except that so long as such railroad or railroads continue to be both wholly owned and operated by the United States of America or by one of its departments, corporations, or agencies: (1) the Interstate Commerce Commission in determining the lawfulness of rates or charges maintained, or from time to time proposed to be maintained, by such railroad or railroads, shall give due consideration, among other things, to the national public purposes which to a substantial extent prompted the construction, expansion, maintenance, and improvement thereof, with particular reference to the requirements of the national defense, as well as promotion and development of natural resources, and shall to the extent warranted by the facts recognize for valuation and cost-finding purposes a segregation of both capital investment and operating expenses which are found to be solely attributable to such national public purposes, distinguishing them from normal railroad common carrier investment and operational expenses; nor shall such rates and charges be deemed to be unlawful solely because they fail to yield sufficient revenues to cover any amounts for taxes not actually required by law to be paid or provide a return on capital investment; (2) those provisions of part I of the Interstate Commerce Act relating to the abandonment of extension of lines of railroads, discontinuance of service, issuance of securities, safety of operations and equipment, and penalties and forfeitures shall not be applicable; and (3) that in carrying out its duties under section 20 of the Interstate Commerce Act, as amended, the Commission shall consider the needs of the Comptroller General of the United States, the Secretary of the Treasury, the Director of the Bureau of the Budget, and the Secretary of the Interior pursuant to provisions of law with respect to the accounting, auditing, financial reporting, and budgetary requirements of such railroad or railroads. No free pass or free or reduced rate or fare transportation shall be given except as permitted by the provisions of part I of the Interstate Commerce Act. The President is empowered and authorized in his discretion, to lease the said railroad or railroads, or any portion thereof, including telegraph and telephone lines, after completion under such terms as he may deem proper, but no lease of such railroad or railroads shall be for a longer period than twenty years and no other lease authorized in this Act shall be for a longer period than fifty-five years, or in the event of failure to lease, to operate the same until the further action of Congress. If the said railroad or railroads, including telegraph and telephone lines, are leased under the authority given under this Act, they shall be operated by the lessee under the jurisdiction and control of the provisions of the interstate commerce laws. The President also is empowered and authorized to purchase, condemn, or otherwise acquire upon such terms as he may deem proper, any other line or lines of railroad in Alaska which may be necessary to complete the construction of the line or lines of railroad

designated or located by him, but the price to be paid in case of purchase shall in no case exceed the actual physical value of the railroad. The President also is empowered and authorized to make contracts or agreements with any railroad or steamship company or vessel owner for joint transportation of passengers or property over the road or roads herein provided for, and such railroad or steamship line or by such vessel, and to make such other contracts as may be necessary to carry out any of the purposes of this Act: to utilize, in carrying on the work herein provided for, any and all machinery, equipment, instruments, material, and other property of any sort whatsoever used or acquired in connection with the construction of the Panama Canal, so far and as rapidly as the same is no longer needed at Panama, and the successors to the Isthmian Canal Commission are authorized to deliver said property to such officers or persons as the President may designate, and to take credit therefor at such percentage of its original cost as the President may approve, but this amount shall not be charged against the fund provided for in this Act."

SEC. 2. The Act of April 10, 1926 (44 Stat. 239), relating to free transportation on the Alaska Railroad, is hereby repealed.

[S. 2484, 87th Cong., 1st sess.]

A BILL To provide for establishing and operating a foreign-trade zone, a Hall of States, and an international reception and information center at the Anchorage International Airport, Anchorage, Alaska, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there is hereby authorized to be established, operated, and maintained at the Anchorage International Airport, Anchorage, Alaska—

(a) a foreign-trade zone in accordance with the Act entitled "An Act to provide for the establishment, operation, and maintenance of foreign-trade zones in ports of entry of the United States, to expedite and encourage foreign commerce, and for other purposes", approved June 18, 1934, as amended; and

(b) a Hall of States where each State shall be provided with suitable space in which to have an exhibit in which it may display therein information concerning its traditions and may sell the commodities and merchandise it produces and manufactures.

SEC. 2. The United States Information Agency (hereinafter referred to as the "Agency"), acting in cooperation with State and local officials of the State of Alaska, and agencies of the Federal Government concerned with the foreign policy and international objectives of the United States, is authorized to establish an international reception and information center at said Anchorage International Airport, to provide for its staffing and operation, and to take such other action in connection therewith, in accordance with the provisions of this Act and other provisions of law, as may be necessary to create for foreign visitors a climate for better understanding the United States and its ideals and at the same time provide a facility for the operation of a foreign trade zone and a Hall of States.

SEC. 3. (a) In carrying out the provisions of this Act the agency is authorized to prepare plans and specifications for the construction, at or adjacent to the Anchorage International Airport, of a suitable building with requisite equipment, approaches, architectural landscape treatment of the grounds, and connections with public utilities. The preparation of such drawings and specifications and all work incidental thereto shall be under the supervision of the Administrator of the General Services Administration in accordance with the provisions of the Public Buildings Act of May 25, 1926, as amended.

(b) The Agency shall operate an international reception and information center in such building when completed.

SEC. 4. The Agency is authorized to accept from the State of Alaska a lease or conveyance of such land as may be necessary for establishing the international reception and information center and additional facilities herein provided for and, as total compensation to the State of Alaska for such lease or conveyance, shall provide to the State of Alaska or to the city of Anchorage sufficient space in said center so that the said State or city may—

- (a) provide for the establishment, operation, and maintenance of the foreign-trade zone authorized by section 1 of this Act;
- (b) arrange for a Hall of States authorized by section 1 of this Act;
- (c) establish and operate, directly or through lease arrangements, lounges and concessions for the comfort of foreign visitors.

SEC. 5. Foreign or domestic commodities or merchandise sold in the Hall of States or the foreign-trade zone, hereby authorized, shall be sold subject to the provisions of the Act of June 18, 1934, as amended, hereinabove referred to.

SEC. 6. There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act.

Senator BARTLETT. Shortly before the Congress adjourned, I introduced another bill which is not before this committee but instead is before the Senate Post Office and Civil Service Committee, having to do with Alaska Railroad employees.

I think it would be well to call the attention of the group to a letter written to Chairman Warren G. Magnuson, of the Commerce Committee, by Secretary of the Interior Stewart Udall on August 28.

I will read the letter in full text, together with Senator Magnuson's reply for your information.

DEAR SENATOR MAGNUSON: As you know, the officials of the city and the port of Anchorage have lodged complaints against the Alaska Railroad with this Department and with the Federal Maritime Board, and the Federal Maritime Board has sent a team of investigators to Alaska to investigate the complaints.

I have given considerable thought to policy questions involved and the subject matter which has given rise to these complaints and the thought occurs to me that the issue is one of broad transportation policy rather than narrow Department policy on how this railroad should be operated. The nub of the matter is the interconnection—whether at Seward or Anchorage—of water-borne traffic to or from the State of Alaska.

Based upon these considerations, it has seemed to me that it might be appropriate for your committee, or its staff, to look into the substance of the complaints by the Anchorage officials, the overall question of this Department's operation of a railroad in Alaska, and the overall transportation policy for this area.

If you should find this suggestion to have merit, I will be pleased to have representatives of the railroad, or any other department officials you may care to see, cooperate with you in every way. Assistant Secretary John A. Carver, Jr., will be handling this matter for me.

Sincerely yours,

S. UDALL, *Secretary of the Interior.*

SEPTEMBER 5, 1961.

DEAR SECRETARY UDALL: This is in acknowledgment of your letter dated August 28 in which you suggested that the Commerce Committee, or its staff, should inquire "into the substance of the complaints by the Anchorage officials, the overall question of this Department's operation of a railroad in Alaska, and the overall transportation policy for this area."

Although operations of the Alaska Railroad, to a very considerable extent, fall within the legislative purview of the Committee on Interior and Insular Affairs, it is true that the Commerce Committee has a jurisdiction applying not only to the railroad itself but the railroad's connection with the overall transportation problems of Alaska.

After your letter arrived, I discussed its contents with Senator Bartlett of Alaska. He will be in Alaska some time after adjournment of Congress and will hold hearings while there in connection with fishery matters. I have given him the additional assignment and he has accepted it of making the inquiry you suggest relating to transportation, and Senator Bartlett will be in touch with Assistant Secretary Carver about this.

With best wishes, I am,
Sincerely yours,

WARREN G. MAGNUSON, *Chairman.*

I read this without any knowledge at all about whether this subject will be of interest here in Fairbanks. But if it is, you are at perfect freedom to testify concerning it.

The first witness this morning will be Representative Frank Chapados, who is a member of the State legislature, a member of the legislative committee of the Alaska Carriers Association, and whose address is 515 Third Avenue, Graehl, in Fairbanks.

We are delighted to have you here as the first witness, Mr. Chapados. You may proceed in your own manner.

STATEMENT OF FRANK CHAPADOS, MEMBER OF THE STATE LEGISLATURE, AND MEMBER OF LEGISLATIVE COMMITTEE OF THE ALASKA CARRIERS ASSOCIATION, GRAEHL, FAIRBANKS, ALASKA

Mr. CHAPADOS. Thank you very much, Senator Bartlett. It is certainly a pleasure to be able to appear before this committee and to make comments concerning the subject of transportation, which is the subject that I am interested in, of course, representing the Alaska Carriers Association.

Senator BARTLETT. May I ask you if you have, in addition to a general interest in transportation, a personal business interest?

Mr. CHAPADOS. That is right. I am a partner in the H & S Warehouse Association, which is a business operating in the Fairbanks area. At the present time we hold a temporary permit with the Interstate Commerce Commission to operate in interstate commerce, and also permit with the Public Service Commission of Alaska. We have been active, of course, in the affairs and activities and the promotion of the Alaska Carriers Association.

As you have already indicated, I am here representing the Alaska Carriers Association as a member of the legislative committee. Due to the fact that we are not too well informed and do not have available many of the bills and other statutes which are involved in the specific legislation before the committee, I will not be able to go into specific recommendations and considerations. However, I think from a general standpoint that I can speak for the carriers association and pass on to you their general feeling toward the various pieces of legislation, and I am sure that at the time you meet in Anchorage that the executive director of the association will then go into the specifics of the various bills.

To begin with, considering Senate bill 1725, I know that you are aware that the carriers association has supported this approach to regulated water carriers and the provisions for joint service and the filing of joint tariffs between the United States and Alaska, and they continued that support until as recent as May 5 of this year at which time the resolution was passed by the carriers association in their annual convention supporting the passage of S. 1725.

Since that time—

Senator BARTLETT. S. 1725 is the joint board bill, is it not?

Mr. CHAPADOS. That is right. That is the bill that you introduced in Congress.

Senator BARTLETT. Yes.

Mr. CHAPADOS. It is my understanding that since that time there has been a change in attitude on the part of many of the interested parties, who are at least trying to resolve this particular problem of regulation, and the situation has changed.

The carriers association, in their desire to try and support an approach that will produce the best possible solution, feel that the approach taken by the introduction of S. 1839 would perhaps be more desirable, since it would eliminate the fact that so many boards would be involved. The joint board concept, of course, would involve several regulatory agencies. On the other hand, S. 1839 would provide for regulation of water carriers by the Interstate Commerce Commission, and certainly would simplify the approach to this particular problem.

For that reason I am sure that the carriers association has decided to support the approach of S. 1839 rather than that as set forth in the provisions of S. 1725.

They, of course, are not completely happy with the provisions of S. 1839 because they feel that the provisions are not necessarily as complete as they should be. This is my understanding. I go along with this particular thinking on the subject.

The carriers would prefer to see an approach taken whereby the Interstate Commerce Commission would be the responsible agency—the responsible regulatory board, and that the provisions covering the regulation of water carriers would be mandatory rather than permissive, such as the provisions of S. 1839 would provide for.

I believe, to try to explain our position, that the carriers are not necessarily insisting that the water carriers be forced to enter into joint tariffs with the land carriers a hundred percent without at least some provisions that would establish the standards which the land carriers, for example, would have to be required to meet in order to qualify so as to enter into joint tariffs with the water carriers.

In other words, if the land carrier is not meeting certain qualifications, I believe that in order to maintain good standards that you are going to have to not make it mandatory for the water carrier to enter into an agreement with them unless they do meet a particular standard of service.

Senator BARTLETT. You think there would have to be a qualification hedged about the word "mandatory?"

Mr. CHAPADOS. Yes, sir.

Mr. GRINSTEIN. Basically you would like to have mandatory joint rates as between rail, water, and highway movements?

Mr. CHAPADOS. I think so. I think a situation should never occur whereby any group of carriers or any particular type of carrier would be in a position to enter into an agreement with a carrier who would meet certain qualifications and standards.

Senator BARTLETT. Those qualifications and standards, Mr. Chapados, should be established in your opinion by law or by the ICC?

Mr. CHAPADOS. I would say that certainly the law should permit the ICC to regulate within this area. If the law is so tight that the regulatory group cannot promulgate regulations under the law, then, of course, we defeat our purpose here. I think the law should indicate that it is permissible for the commission to regulate so as to establish standards.

Does that answer your question, Senator?

Senator BARTLETT. Yes; completely.

Mr. CHAPADOS. Of course, in support of the need for regulation of carriers, and for the creating of a situation where land carriers as well as water carriers can file joint rates between the United States and Alaska, there is no question. We recognize that this is a very important and desirable thing here in the State of Alaska.

Senator BARTLETT. What is important?

Mr. CHAPADOS. That by the creation of a bill like S. 1839 it would then permit Alaskans to be in a position to transmit their goods between the United States and Alaska on a through bill of lading which, as I understand it now, is not possible—is not legally possible anyway.

Senator BARTLETT. Mr. Chapados, would you agree with the testimony that has been presented to this committee, on occasion after occasion, if this could be accomplished, and if the savings were passed on to the consumers, it is they, the consumers, who would benefit chiefly from this arrangement? This would make it possible to bring down the cost of living to a certain extent, would it not?

Mr. CHAPADOS. I certainly believe that it would. It is just common-sense that if you eliminate the need for separate billings and separate rating agencies and that sort of thing and can handle it under one agency, on one through bill, you are going to reduce your costs. I think that certainly this would be then passed on to the public and would be desirable, here in Alaska especially.

Senator BARTLETT. In the early days of consideration of legislation of this kind we were told that the freight saving might be on the order of 10 percent. Personally, I think that it wouldn't be that much. No one knows. But in any case, the submissions made to the committee tend to demonstrate that they would be quite substantial.

Mr. CHAPADOS. They certainly would bring about a saving without a doubt, and certainly would improve, I think, perhaps the distribution of goods from all points of the United States into Alaska by the fact that there would be an easier and a better known method of shipping to the State. At the present time it is most difficult for any shipper to determine how to move goods from one point to another because he has to go to the various carriers and ask for rates, and then in turn the carrier must review all the tariffs they have on file and try to figure out the best combination of things. Certainly with a situation where through rates could be devised and could be published and could be worked on as time goes on in such a way as to eliminate the wrinkles, I think you are going to reduce costs that way and you are going to improve the manner of distribution and the acquisition of supplies here in Alaska by having a joint board, an opportunity to file joint rates, and to have through bills of lading between the continental United States and Alaska.

Senator BARTLETT. Can we go back for a minute to your recommendation that there be a mandatory requirement for arrangements between carriers. You referred to the necessity for certain standards. What kinds of standards did you have in mind?

Mr. CHAPADOS. Certainly all carriers that will receive their certificates under the Interstate Commerce Commission will have to meet certain standards. On the other hand, there may be carriers that serve only a limited area. Actually, I have not given too much thought to what these standards might be.

SENATOR BARTLETT. You mean standards of service?

MR. CHAPADOS. Standards of service and equipment. Service would include many things. That would result in good equipment and everything else and the area that they might cover from the point of accepting the freight and making distribution throughout Alaska.

I don't feel that the carriers association has a right to insist on water carriers being placed in a position where they have to, by the mandatory requirements of the law, enter into joint tariffs with just any carrier that comes along and says, "I am qualified to operate."

They should be in a position to judge whether it will be a good or bad situation. They should have the right to appeal, but on the other hand I think there should be equity between carriers and between water carriers, and that everybody should have a fair chance, providing they can perform service.

SENATOR BARTLETT. There is one thing which occurs to me in this connection. You put in the word "mandatory," and then you add a proviso or two or three or more. Don't you then in effect have what amounts to a permissive arrangement? I recall that when this joint board bill, which seems to have been before us forever, was being considered by the committee, a very strong argument was made by practically every witness against any mandatory provision. One of the bases for this argument was that if the word "permissive" is used, it is sure as shooting that two carriers are going to get together and inaugurate a joint rate, and that once this has occurred, all the others are obliged, in effect, to fall into line.

Would you have any comment on that?

MR. CHAPADOS. No, sir.

In fact, I know that I have testified before your Committee on Interstate Commerce in favor of the permissive type of a joint board bill. We are not, of course, talking about a joint board bill now. At least I am recommending that we have the type where the Interstate Commerce would be the only regulatory board.

SENATOR BARTLETT. Different legislation requires a different approach.

MR. CHAPADOS. I think that probably would be one of the considerations. My feeling in using the word "mandatory" is that there be equity and that people who can qualify should be given an opportunity to enter into joint rates with water carriers, and that water carriers should not in any way be in a position to refuse to at least deal with them, and that in the event that the carrier could meet the qualifications, that they be required then to enter into agreement as with any other carrier that they desire to enter into agreements with.

I think we will find in Alaska that eventually we are going to have large companies and we are going to have small companies. I think that in Alaska all companies should be given a fair and equitable opportunity to deal in this particular traffic.

MR. GRINSTEIN. Is it your opinion that the carriers in Alaska are anxious to enter into joint rates and through route agreements and provide ultimately single factor billing?

MR. CHAPADOS. I think so, because at the present time we are not permitted to do so. Of course, this gets us into a situation where we would start talking about other bills being the economic regulation of the Alaska Railroad. As a carrier regulated by Interstate Commerce

we are not permitted to enter into joint tariffs with unregulated carriers. On the other hand, we have the situation in the State where actually many carriers are regulated under the Interstate Commerce and the Alaska Railroad, as an example, and have filed joint tariffs with the Federal Maritime Board. I may be wrong, but I don't think this actually is legal. But they do exist. These carriers that do not enter into these joint tariffs and file them are at a distinct disadvantage because they cannot quote through rates.

As an example, we operate between Valdez and Fairbanks. If I were asked to quote a rate on a particular item, from the continental United States to Alaska, I have to refer then to the proportional tariff of the Alaska Steamship Co. as an example, figure out their water rates, figure out wharfage charge in Seattle, wharfage charge in Valdez, add the interstate commerce rate which we have filed with the ICC, and come up with a total which then is compared with the through rates of other carriers who apparently can join together and for various considerations, volume and many other things, could very well work out a much more equitable rate.

The carrier that is not in a position to do that just cannot quote rates that are competitive. That, I think, would be very desirable for all carriers in Alaska who desire and are eligible to compete in interstate commerce between the continental States and Alaska to be in a position to file joint tariffs. For other reasons the joint tariffs which would provide the through bill of lading and that sort of thing would be quite an improvement, I think, in the present situation.

Mr. GRINSTEIN. The reason I ask the question, railroads subject to part I of the act and water carriers subject to part III of the act presently have a compulsory joint rate and through-route provision. The results have been less than remarkable in three standout cases. It has taken 14 years, 10 years, and 8 years to get the ICC to enforce them. In each case, by the time the ICC had acted, the traffic had gone, the shipper had gone, and the carrier was not in good health.

What troubles me is whether the situation in Alaska would be different; whether the carriers are so anxious to enter into such agreements here that you wouldn't run into the legal snarl that you frequently run into over the division of rates, which is really the heart of the problem.

It would be your judgment that the carriers here would be more anxious, rail, water and highway, to enter into these agreements and probably have less of a problem over the division of rates?

Mr. CHAPADOS. I am not sure that I can speak for the railroad. As a motor freight carrier it certainly would be desirable as long as we are going to file with the Interstate Commerce, and if the situation develops that a regulation is by the Interstate Commerce, that is, of the water carriers also, that the division of the rates on a through tariff would be a matter that certainly should be solved without too much difficulty since you file with both agencies and it is just a matter of totaling up the filings of the water carrier and the land carrier to produce the through rate.

If there is going to be a dispute between the carriers as to what division one or the other should have, I would think that would be their own problem and that they would certainly have to work out

something, especially if they are forced to comply with the requirements of the joint tariff.

Mr. GRINSTEIN. In a situation where you just add the two or three local rates, as the case may be, together, there is no problem in the division of rates. But if the saving that Senator Bartlett was talking about is to be effective, your joint rate would be lower than the sum of the local rates. That is where they get into the difficult problem of the division of rates, what each carrier is going to get. This is what has stymied the ICC, and in fact, cut the heart out of the present mandatory provisions for joint rates and through rates between rail and motor carriers.

Mr. CHAPADOS. I am not here to try and insist on a certain approach to be taken, because I am not an expert in this field, and I certainly do not have the benefit of the experience that you refer to. I think that these points should be raised and if they are good ones they should be considered on their merits.

During the course of your hearings you may get suggestions here in Alaska that will be much better than perhaps the one involving the mandatory approach.

Once again I would like to say that I am thinking more, when I think of the mandatory approach, in terms of establishing equity among the carriers so that everyone has a fair chance to do business and is not excluded because of a right to, without any qualification not enter into an agreement.

But as far as the suggestion that I have made here, or the recommendations, you may find that they are not the best; I am giving you the best of my knowledge on the subject.

Mr. GRINSTEIN. I was just inquiring because if the forms of transportation are in a cooperative mood, then it could work out. It hasn't worked well in the south 48 States.

Mr. CHAPADOS. I think you may know, or maybe you don't know, in Alaska the Alaska Carriers Association is composed of 175 members. The major portion of the members, of course, are active members. We have associate members also. I am sure that they are in agreement on the necessity for some plan of regulation that will at least let us know where we stand.

At the present time, nobody knows where they stand. We have a situation that is far more harmful, I believe, than one that might result from a dispute between carriers as to the division of the rates on the joint tariff. I think that is a minor problem as compared to the one that we presently have, and it would be an improvement. Certainly, as time goes on perhaps the joint tariff could be improved, too, and take care of the particular problems that are developed here.

Mr. GRINSTEIN. In other words, you think for the convenience of the shipping and consuming public that it would be better just to allow them to add up the totals of the local rates so that you can get single-factor billing, and reduce the problems of liability for damage from the shipper's point of view, and later consider how you can possibly achieve certain reductions in proportions of those rates?

Mr. CHAPADOS. Yes. But I believe that at the beginning the carriers in Alaska, at least the carriers that I am familiar with, can sit down with water carriers and work out rates that are going to be compensatory but not to the extent of being a burden on the people of Alaska. I know the Alaska Carriers Association recognizes their

responsibility in this field and wants very much to create a situation here that is desirable for the public and also one that will provide the motor freight industry with an opportunity to make a living. That isn't the case now. There is no rhyme or reason to what appears to be going on.

Senator Bartlett, in reading a letter here, referred to a policy of transportation for Alaska, and we certainly need one up here. We should all think seriously along those lines, and when the policy is established, it should be followed because that is the only way we are going to improve the situation that exists here now.

SENATOR BARTLETT. Do you have any questions, Mr. McElroy, on those points?

MR. MCELROY. The only questions on my mind are very likely to be commented upon by other witnesses.

MR. CHAPADOS. I want to comment briefly on S. 2413; I believe that is the bill—

MR. GRINSTEIN. That provides for economic regulation of the Alaska Railroad.

MR. CHAPADOS. I received a copy of the report by the Interstate Commerce Commission relative to this bill. I notice in the report that the Interstate Commerce Commission recognizes the need for the regulation of the railroad. Their explanation of the bill, as they see it, it would appear to me that this would be beneficial in many respects to the Alaska Railroad. Certainly, it would be desirable from the standpoint of the overall regulation of the transportation in Alaska.

They point out there, very frankly, that until all carriers in the State are regulated by one group or another, or actually under regulation, that certainly no form of regulation by the Interstate Commerce Commission is going to be effective.

I certainly believe that this is true.

The Alaska Carriers Association feels that it is true. The Alaska State Legislature passed a resolution in the 1959 legislature requesting that some action be taken along these lines. And generally speaking, there seems to be every justification for it.

The Carriers Association feel that perhaps the present bill is not quite strong enough due to the fact that it does not require the Alaska Railroad, or at least as I understand the bill, the regulation by the Interstate Commerce Commission would not necessarily be based on the complete picture as required by the motor carriers to be regulated under.

Take into consideration the need for paying taxes and many other expenses that a private carrier must pay. The Alaska Railroad at the present time does not pay taxes in any form that I know of to the State of Alaska. It operates on the Alaska highways without licenses, without paying motor fuel taxes, and all of these things.

No question but that the Alaska Railroad, in my mind, has performed a service to Alaska, and perhaps can continue to do that. But it certainly doesn't appear to be a fair situation where the very Government that we pay taxes to operates a business in competition with its citizens who in turn try to make a living and pay taxes on the earnings of that activity.

I think that the situation should be resolved and that any regulation of the Alaska Railroad should take into consideration these matters.

There also should be considered the capital investment of the railroad, the manner in which it came about. Certainly they shouldn't be required to earn profits that would offset the cost of these capital improvements because many of them were made, and we all recognize this, during times of national emergency and a lot of money was spent that probably a private concern never would consider spending under normal conditions.

I would like to get across the impression that my understanding of the Carriers Association is not to feel that we are a special group, that we should be given any special consideration, but certainly what is fair for us is fair for any other agency or party that is competing with us, and we should all be operating under the same conditions. And until such a time, I do not think that you are going to have successful regulation here in the State of Alaska.

I might say that regulation without being properly enforced is worse than having no regulation at all.

Mr. GRINSTEIN. One of the problems that is current in the Senate, as Senator Bartlett well knows, is that of competitive ratemaking between trucks and railroads.

Is it your idea that if the Alaska Railroad were brought under regulation, that some recognition should be given to the fact that they are largely tax free, that they have a large amount of Government investment in the railroad? In other words, this should be computed in figuring their rates?

Mr. CHAPADOS. Not necessarily.

Mr. GRINSTEIN. Or it should be weighted?

Mr. CHAPADOS. I think it should be looked upon just like any other business concern. Certainly if a private concern were to buy the Alaska Railroad and then operate in competition and come under the regulations of the Interstate Commerce Commission, it would be almost unfair to them to expect them to earn profits that would take into consideration the huge improvement that exists there. I don't see how they could operate. They just couldn't make it. If they were going to start a new railroad you would probably approach it from the standpoint of the actual needs in order to meet current conditions, and perhaps we ought to look at the Alaska Railroad from that standpoint at this time.

On the other hand, if they are permitted to operate in competition with regulated carriers in the State, and are allowed to compete directly without the payment of taxes, motor fuel taxes, licenses, and all that sort of thing in a motor operation, I think those things should be taken into consideration and that their rates should take into consideration the cost of doing business on that basis. But whatever is fair, I think we should give them fair consideration. On the other hand, once that has been determined then they should be regulated on that basis.

If the railroad then is not able to make a profit, or to continue operations on its own earnings, then I think we should go and think in terms of the need of the railroad and the support that it provides to military institutions here in Alaska, and so on, and perhaps under those conditions a subsidy might be in order in order to maintain it in operation. But I don't think that Alaska carriers who are citizens of the State or trying to operate a business up here should be the

ones who should have to pay for this subsidy. I think it should be one that is supported by the American people.

Mr. GRINSTEIN. In Alaska you have exactly the reverse of the historical situation in the original 48 States. The railroads have historically charged the trucks with being largely subsidized by the taxpayer and almost wholly unregulated. Here you are 180 degrees the other way.

Mr. CHAPADOS. Perhaps these are considerations that should be taken into consideration in Alaska. I think that motor carriers have no right to ask for any special consideration, just an opportunity to do business on an equitable basis.

I think that these things should be resolved. If they were gone into by responsible agencies and worked out, we would then have to compete on service and other considerations. If we can't compete, then we had better look for some other line of business. Certainly, Alaska needs a transportation system as much as any country in the world today. We have a responsibility as carriers, and the regulatory bodies have the same responsibility to make every effort to try and produce the conditions that will provide Alaska with a good transportation system, and straighten out what appears to be a situation now where no one knows what the answer is.

I want to comment briefly on a couple of subjects that are not necessarily related to any bills before the committee, but they are on transportation, if I might be permitted to do that.

Senator BARTLETT. Surely.

Mr. CHAPADOS. First, I am under the impression, or I have been informed, that there is a bill in Congress that will provide for a new approach to the section 22 quotation situation that we find with the U.S. Government and the military especially here in Alaska. This is probably a statement on my own, and I have never contacted any of the carriers about this. But I believe that if the U.S. Government is going to have the responsibility of enforcing the national transportation policy, that they should apply the same rules to themselves, and I see no reason why the Federal Government should receive rates far below what the general public is paying and be in a position to get carriers to bid against each other to get these rates even lower.

If there is such a bill before Congress, I wholeheartedly support it, and I hope that something will be done to clear up this particular point.

Mr. GRINSTEIN. The bill is S. 1145 to repeal section 22, except in the case of national emergency.

Mr. CHAPADOS. On another subject I would urge that if any legislation relative to unregulated freight forwarders in the movement of household goods comes before Congress, that every effort be made to place these particular carriers under regulation also. Once more, I believe that carriers that are unregulated and are permitted to compete with regulated carriers is a poor thing and that certainly if they are going to do business they should meet the same conditions as anyone else.

Mr. GRINSTEIN. That is S. 2560.

Mr. CHAPADOS. That is all that I have to say, Senator Bartlett.

Mr. GRINSTEIN. In looking toward an overall transportation policy for the State of Alaska, would the Alaska Carriers Association look

favorably upon the idea that it is becoming increasingly more talked about, and that is, placing all modes—water, between Seattle and Alaska, for example; highway in Alaska and to Alaska; and the railroad—under the economic regulation of the ICC?

Mr. CHAPADOS. Would we favor that?

Mr. GRINSTEIN. Yes.

Mr. CHAPADOS. I am sure that that would be desirable and would be looked upon with favor by the Carriers Association; it would appear to me that the simpler we can make the approach that we take, the better off we will be in the long run, and you will receive better enforcement and probably much earlier action perhaps than any matter that might come before you by having just one group.

Certainly, the Interstate Commerce Commission is capable of doing this. They have this responsibility as I understand it in the United States between ports and inland waters. I see no reason why this shouldn't exist in Alaska. I think it would be beneficial.

Senator BARTLETT. Mr. Chapados, you referred to truck operations being conducted by the Alaska Railroad. How extensive are these?

Mr. CHAPADOS. I am in no position to give you any specific information, Senator. However, they have in recent years operated fleets of delivery trucks in Fairbanks and Anchorage areas, and I believe enter into participating agreements with Alaska carriers to move to points beyond perhaps the recognized delivery areas in the various localities. But they do have quite a large fleet of trucks and they are in competition with regulated carriers in that sense.

Senator BARTLETT. Chiefly within municipal boundaries?

Mr. CHAPADOS. To be safe I would say that is true, or within certain areas defined within their tariffs as free delivery zones. As a rule in the Fairbanks area they don't extend beyond what we consider the normal delivery areas.

Senator BARTLETT. It seems to me that this subcommittee was told in 1959, while conducting hearings here and elsewhere in Alaska, that the trucking operations extended out from Fairbanks as far south as Delta.

Mr. CHAPADOS. In their tariffs as I recall there is information indicating that they can provide that service. But I am sure that it is a substituted service or with motor carriers who are presently under regulation in the State.

Senator BARTLETT. Returning to the proposal to impose ICC economic regulation over the Alaska Railroad, do you believe it is possible to have a rounded transportation policy for Alaska without doing this?

Mr. CHAPADOS. No, sir.

Senator BARTLETT. I think it is a matter of gratification that the management of the Alaska Railroad is not opposing this legislation, that it is agreeable to the general principle. Naturally I can't speak for the management and I don't know whether that management agrees with all the particulars of the bill before us or not. But I think it is a great advance that the railroad and the Department of the Interior is not only acquiescing in the proposition but willing to make its contribution to enactment. It represents a right-about-face from the original situation and I think we are going to be able to

come up with something. It probably won't be satisfactory altogether to the carriers or to the railroad. Legislation is generally a matter of compromise.

Of course, the railroad has its problems. For example, right now there is under consideration by the Department of Defense a proposal to substitute natural gas for coal at Elmendorf and Fort Richardson. If this is done, one of the economic effects would be to deny the railroad something on the order of \$628,000 annually in gross revenue which it now obtains from transporting coal from the Matanuska Valley to the military installations.

In any case the Interior Department is not fighting the bill.

Mr. CHAPADOS, do you know how it is that the Alaska Carriers Association came to the conclusion that instead of advocating the joint board proposal it would be better to urge single regulatory control through the ICC over both water and land carriers? What brought about the change in attitude?

Mr. CHAPADOS. Basically I am sure that the carriers always did want a situation whereby the Interstate Commerce Commission would have control of the water carrier movement, and that recognizing several years ago that considerable opposition existed, and feeling that perhaps any measure that would bring about some measure of control that would permit the filing of joint tariffs, they supported what appeared at that time to be the best approach to this problem, and that was the bill which you introduced in the 86th Congress, I believe, and then reintroduced in this last Congress.

As I have already stated, they had supported this approach. I have no specific information, but it is my understanding that there has been a considerable change in thinking on the part of persons or companies that may have at one time opposed the approach of having a single agency.

Senator BARTLETT. What do you mean when you say "companies"?

Mr. CHAPADOS. I have been under the understanding that many of the water carriers, for instance, were in opposition to control by the Interstate Commerce Commission. But now that that is my understanding that has occurred—hearsay—this is not necessarily true. Certainly the carriers, recognizing and desiring all along that we have a single agency control, and certainly in favor of the Interstate Commerce Commission being the regulator agency, they have reversed their position now and would support an approach that would provide for regulation by the Interstate Commerce Commission.

Senator BARTLETT. This hasn't been publicly stated by any of the water carriers concerned, has it?

Mr. CHAPADOS. No, sir, not that I know. In speaking and talking with people in the industry, I have come to that conclusion. I hear no strong opposition to the introduction of S. 1839 except, of course, the carriers association feels it is not quite a strong enough bill at this point and that it should be amended to provide certain features that have already been gone into.

The bill, S. 1725, was supported by the carriers and the carriers association appreciates and recognizes the work that went into the development of this particular bill and the efforts that have been made, and is in no way a discredit to those supporting the bill, or to your efforts whatsoever whenever they change their approach. It is just a matter of a new look at things. I think it goes back to the remark

you made just a few minutes ago concerning the Alaska Railroad and their attitude toward economic regulation by the Interstate Commerce Commission. There is a general change taking place on this question of transportation in Alaska, and we are beginning to get together, we are going toward a point perhaps where we can all sit down around a table and solve these problems amicably without a lot of difficulty.

Senator BARTLETT. It does seem we are at an impasse here, perhaps a double one. As I mentioned earlier, twice the Senate Commerce Committee has reported out, and twice the Senate has passed the joint board bill. On each occasion the House Committee on Interstate and Foreign Commerce has shown less than notable enthusiasm. In fact, it has shown no enthusiasm at all. And failure to hear the bill even on the House side gives at least a clue that the Senate may continue to pass this bill time after time without any action in the House. So we go through this exercise annually without any benefits to anyone.

For my own part, I am inclined to favor ICC control over all of these elements of transportation. In fact, that was my position and a very strong position when the statehood bill was under consideration. You may recall, Mr. Chapados, that at that time the carriers serving Hawaii were adamant in their position that Federal Maritime Board control must be maintained. And so far as Hawaii was concerned in the Hawaii statehood bill there was no considerable argument about that. My recollection is that the Alaska carriers favored the Federal Maritime Board but didn't take nearly so strong a position.

This came to issue in the committee and I sought to have the ICC placed in control. Their vote held in committee, and my proposition was rejected.

Subsequently I renewed it, and it was accepted. It was just about that time, Mr. Chaffee, that the ICC ruled against Alaska in the so-called Rail Export case. My reaction then was a plague on both your houses. When the Federal Maritime Board people renewed their contention within the committee and called up that amendment again I did not oppose it.

It seems to me, as time goes on, that it becomes clearer and clearer that for orderly regulation, for proper regulation, we are probably going to gain by placing the ICC in a position of supervision. However, after saying that I must add, and you indicated by your remarks that you know something about this, that we had some very stormy sessions here some years ago before the Commerce Committee when the whole subject of ICC jurisdiction over waterborne commerce was explored.

Industry came in, and labor came in, and there was hollering, shouting, roaring, and screaming, and the net of the testimony, and all of the testimony, was that the ICC wasn't concerned with water carriers, that they didn't care about water transportation, and that they were a railroad-oriented board. In proof, witnesses disclosed to the committee that after the ICC had taken control, I believe in 1940, the then prosperous water industry, intercoastal and coastwise, consisting of a very large fleet, had shrunk to almost nothing. This was proof that the ICC should be restricted rather than expanded in its activities relating to maritime transportation.

Whatever the justice of those complaints may have been, I think that this situation wouldn't be operative in Alaska trade because we don't have parallel railroads and water carriers. So it might be that it would work out much better here.

I would assume, without having sure knowledge on the subject, that if this were done the law sooner or later would contain provisions for certificates of necessity—would almost have to—which would—inferentially at least—confer grandfather rights upon existing carriers. How does that strike you?

Mr. CHAPADOS. It would appear to be the only fair way to approach the problem. I am in no position to judge the number of carriers and the services that are being performed. But certainly with any growth in the State of Alaska, of the type that we project now, there will be a need for practically any carrier that is in existence today to carry on the traffic that will be available in the future. So perhaps not too much harm would be done by going along with the granting of grandfather rights to the various carriers that are now operating.

Senator BARTLETT. You think it would be in the public interest to arrange a situation whereby a fellow couldn't lease a barge, we will say, and go around to the shippers and say, "I'm going to go up on Wednesday of next week and I will quote you a rate 30 percent below that offered by the existing carrier, and you arrange for your shipment."

It comes up and you save this money. Then he comes to you again and you give him your business likewise, only to discover that he hadn't got a full load that time and doesn't make the trip. I have heard these complaints, in other words, that certain services are offered on an irregular, infrequent basis that aren't always performed. Sometimes the carrier doesn't go from Seattle or from another port on the coast at the time promised, all of which leads to this question: Do you believe it would be better for the public, the consuming public I mean, to have regular, dependable service at established rates which are known in advance, rather than to subject the trade to the intense competition which has been present in some cases now and which may occur with increasing frequency by the kind of service described?

Mr. CHAPADOS. I certainly do. I think that the situation that you describe does exist to some extent and that it is very harmful to the general development of the transportation system to the State of Alaska.

I think the public suffers and I think that generally it would be a very, very poor situation to permit that to continue.

Senator BARTLETT. Mr. Chapados, I heard—and this generally is by way of hearsay—that a talk was made at the State chamber of commerce at Ketchikan the other day relating to transportation, and the principal recommendation made in that speech was that we are new here, we ought not to rush pellmell to regulation in respect to all forms of transportation, that we ought to take time and have a good, long look and perhaps wait 5 years before regulation of any kind—State regulation or Federal regulation.

Mindful of the fact that I have disclosed to you that I don't know whether this actually occurred, but assuming that it did, would you have any comment to make on that?

Mr. CHAPADOS. I certainly would. My feeling is that we need regulation and we need it now. But I think that it should be taken in steps, and that in the beginning we should establish the right of the various carriers to operate in the State, and that they should be limited in numbers in such a way as to provide adequate services at reasonable rates to the public, and that at such time if this is not the case that additional carriers should be given the opportunity to operate.

I think it is very important that right in the beginning we should establish this right. Because to try and go beyond the establishment of the right to operate, to prepare the tariffs, and to try to regulate, is almost an impossible job to begin with. I think some very basic approaches should be taken in regulation and that you should grow into this matter of the refinements of the tariffs and many of the other considerations involved. Basically we certainly should determine who is entitled to operate and make sure through our regulatory body that the public is protected in that there are enough carriers and that the average level of rates is such that they are compensatory but not creating a hardship to the public, and that at such time as a need for additional carriers is recognized, that then the carriers be given the opportunity to participate.

But unless carriers can operate in the State or in any place for that matter, and make a living at it or pay their bills and expect to get a reasonable profit, we are never going to have a good transportation system.

I feel that if we were to restrict the number of carriers to an insufficient number, then the public is going to suffer because they are going to offer poor service and the rates are going to go up. I think there is a delicate balance there, that the regulatory group should handle. And I think this is the time in Alaska when it should be done. If we wait 5 years we are going to have a situation where we will never be able to get to the point where we can even begin to regulate, because I think there will be too much opposition against it by those that have already dug in.

Senator BARTLETT. Mr. Chapados, the other day the Matson Steamship Co., serving Hawaii, according to the papers, filed for a rate increase, the third substantial increase in less than 2 years. This relates directly to a broad inquiry made by this committee earlier this year into the whole proposition of so-called domestic offshore shipping, where it is going and how and why and what, if anything, should be done by Government in consideration of the fact that to all intents and purposes not only Puerto Rico and Hawaii, literally islands, but Alaska, in respect of transportation, is one, too, and that the people of Puerto Rico, the people of Hawaii, and the people of Alaska, small, comparatively, in number in each case, are required to support separate merchant marines.

Much testimony was offered to the effect that appropriate development of these areas could not occur with constantly increasing maritime transportation costs.

This leaves aside entirely the argument of whether the rate increases are justified. They are coming, they have been experienced.

The committee was told that the increases of the past since the end of the war are fractional to those foreseen during the next 10 or 20

years, when, among other things, existing fleets will be worn out and the ships will have to be replaced.

Consideration has been given to Federal Government assistance of one kind or another. The formula whereby this may be done is not easily arrived at. Indeed, it is most difficult. Furthermore, coast-wise shipping has never in the history of the United States Government had financial support of any kind.

There is, of course, a substantial body of opinion which holds and would continue to hold that it is unnecessary and undesirable for the Federal Government to intervene in a matter of this kind.

My view is exactly to the contrary. I feel very positively that Alaska, for example, cannot develop its resources and create a healthy economy with a constantly accelerating maritime transportation increase in rates.

Have you considered this matter, Representative Chapados, and if so would you have any comments you might care to make?

Mr. CHAPADOS. It is certainly true that continual increases in freight rates to the State of Alaska are going to have an effect on the development of the economy. They will slow it up and reduce the interests of outside capital and other activities that might help with the development because of the cost involved. There are many other costs, of course, that are high in the State, and all of these things contribute to an overall problem of trying to operate within the State of Alaska.

As far as the transportation goes, or any activity for that matter, to my mind these activities have to stand on their own two feet. They have to be able to provide a service that in turn people are willing to pay for to the extent of what that service is worth so that it is producing revenue that is compensatory.

It would appear to me that if subsidy were suggested to carriers between Alaska and the United States—the continental United States—that we would just be helping out perhaps during a period of time that it might take for the proper type of development to take place which would permit carriers to return loads from Alaska into the continental United States and other points, whereby they could then reduce the rates that they have one way at the present time.

I think that eventually transportation and the flow of traffic, if it goes in both directions, will adjust this situation to the point where the rates will be reasonable.

But it just costs a certain amount of money to operate a carrier between the States and Alaska and it costs any business for that matter, depending on the conditions under which they have to work.

I think one of the things that perhaps comes into this thought is the fact that modern methods of handling and new types of equipment, and that sort of an approach, is one that must not be overlooked. I think that all carriers have a responsibility to recognize the trends and to try and adjust their operations in such a way as to be competitive with the use of improved handling methods and improved equipment.

Certainly this is not as easy as it might sound. A company with an investment for example in a large fleet of ships just can't put the ships in drydock and go out and buy barges or some other method that might be less expensive to operate. But I think that in the course of the regulating by the regulating agency that we are going to have to

take these things into consideration, and that they are going to have to think in terms of approving rates that eventually are going to cause these people within a time limit, within a reasonable time and within their means, to adjust themselves to the change in the manner of operations in such a way as to produce a lower level of rates.

There is no question about the fact that if rates continue to increase, they are going to have an effect on the economy here in the State of Alaska.

Recently the rates—I think they are the rates between the Far East and Alaska—have been reduced considerably. That in itself is an example of the kind of thing that can really give the economy of Alaska a shot in the arm because it puts us in a position to be competitive in a foreign market.

If we can't reduce our freight rates into the State and out of the State, then we are going to have that in addition to many other problems to overcome.

Senator BARTLETT. Representative Chapados, I want to thank you for a most informative and enlightening statement. You have painted a broad picture here and have made recommendations which will be very helpful to the committee.

Mr. CHAPADOS. Thank you very much, Senator Bartlett. I enjoyed very much being here.

Senator BARTLETT. Mr. Vogt.

STATEMENT OF GEORGE VOGT, FAIRBANKS, ALASKA, REPRESENTING CHECKER AND YELLOW CABS

Mr. VOGT. I am an attorney, Senator Bartlett. My name is George Vogt; my address is 319 Cushman, Fairbanks, Alaska.

Ordinarily I only represent the Yellow Cab. Recently, however, we have had certain problems come up in which, because of the unified attitude of both companies, I have been representing both Checker and Yellow in this town.

The problem that I have to deal with doesn't deal with the larger and broader areas of transportation in Alaska, and yet it does. Your cab companies are more or less of a public utility in Alaska. At least in my experience of having been around Alaska some 12 years it has always been rather unfeasible for bus type transportation to serve the communities because of the fact that in the winter you will find a larger number of people who seek transportation than do in the summer, and if bus companies can make a go of it, they have only peak load hours and they might be helpful during those hours, but the result of it is that they inevitably, so to speak, fall on their face during the rest of the day.

The practical results of this has been that the cab companies have developed into what is in essence the only public transportation system in the community.

We have at the present time two, I would say, rather peculiar problems. One of them has to do with the Army base at Fort Wainwright.

When the Air Force had control of the base, of course, at Ladd, we had fares set up on zones established, that sort of thing.

Senator BARTLETT. Zones within the military reservation?

Mr. VOGT. Yes. And, of course, these fares ran from the town to certain areas on the base and return. Then we would have within the post itself certain specific fares, particularly fares running from certain areas, residential areas of the base, to the commissary, for example.

Actually it had been some 17 years since the cab companies had obtained or asked for a raise in fares to what is presently called Fort Wainwright.

The Army came in. They had a change in personnel and at this point we were suddenly faced with a problem. The Army told us there are no zones in existence here now; you are operating on a courtesy basis only. This is the Army; this is not the Air Force. And we faced what I would call a somewhat military attitude.

We had several negotiations regarding the possible setting up of new fares, new zones, and that sort of thing. Among other things that they wanted, for example, was a taxicab operating entirely on base, on base stands. From prior experience both cab companies had known of other people who had tried this particular operation and inevitably it had turned out to be disastrous financially.

Naturally, of course, under those conditions the cab companies did not want to comply with that particular request of the officials at Fort Wainwright.

We actually gave in considerably. We had offered to reduce the fares from the living quarters, officers quarters, and I forgot from what area, I believe we offered to reduce from \$2 to \$1.75 plus a change in the package rates.

Senator BARTLETT. From where to where?

Mr. VOGT. This would have been the officers quarters, 4100 area, the housing area, to the commissary. We had offered to reduce that fare from \$2 to \$1.75.

Senator BARTLETT. That is from the officers quarters to the commissary?

Mr. VOGT. Yes; it is.

Senator BARTLETT. How far is that?

Mr. VOGT. That would be from Ladd housing, general housing, not the commissary.

That would be about a mile and a half or a mile and a quarter, approximately. The problem involved, however, is that the cab must come from town. This would make a total trip of approximately, certainly roughly, 9 miles.

The fare for that has been \$2.

On a recent trip to Detroit, less than 2 weeks ago, I was checking the mileage rates there. Their rates run approximately 17 cents, something in that area.

Nine into \$2 comes to a little over 20 cents.

Considering the high maintenance costs up here in the winter, et cetera, and also the fact that you inevitably have a dead load coming back, we were obviously, I think, considering it unreasonable.

Senator BARTLETT. What do you mean by package rates?

Mr. VOGT. Ordinarily what you get is the housewife going shopping, that particular situation. We had arranged for the first two packages to be, as I recall, free.

Senator BARTLETT. What is a package?

Mr. VOGT. This has obviously been somewhat of a problem. We resolved it down to the fact that, I think, a package could not consist of more than 30 pounds, and actually the driver would be obliged to carry the two at one trip.

If he had to make more than one trip, then we started charging 25 cents extra, in essence, per trip. This was our second recommended offer. Prior to that it had been 25 cents per package extra. It did amount to quite a reduction.

Senator BARTLETT. The reason I ask, someone, of course, could get on the cab with a package and then again someone might get on a cab with a package.

Mr. VOGT. Yes, sir. This is a problem that we have had. We have had cabdrivers, human nature being what it is, who would be interested in getting 25 cents for carrying in a box of Rinso, and on the other hand we have had passengers who would find the largest box in town and be interested in having it carried in under the free rate.

So it broke about even. We tried to break it down as well as you could. Actually, this is a commonsense-type problem. It is something that just simply is a problem that you have to resolve when it comes up. We defined it, I thought, as well as we could and didn't attempt to go any further, being afraid of the fact that our definition itself might create more problems than it would avoid.

That was one issue.

The second issue that came up, I believe this was the 4100 area, the enlisted men's area, where we were charging \$2.50—that is the 3600 area. There is another area, the officers area, where we were charging \$2.

There are some six-tenths of a mile difference. This had more or less developed over a period of years. They wanted, in essence, to have this dropped. What they wanted was to have the drop in the enlisted men's area, but no increase in the officers' area. We offered to switch it around. This seemed equitable to us.

Actually a lot of it has been rather, I feel, picayunish in a sense. The problem involved is that the cab companies were already operating at what amounted to, if they had to operate on Fort Wainwright fares, they would be operating at a complete loss, no question about it. This is a surplusage type thing. They exist on the profits they make in town, and they serve Fort Wainwright.

The additional income that they get from Fort Wainwright, of course, helps make the concerns going concerns. And I might add that neither concern is in what you would call a profitable position. Considering the investment that they have, both companies are obviously not getting anywhere near the return that they should be getting.

Recently in the city of Fairbanks we did obtain a fare increase. It was a very nominal one. Part of it was through the changing of zones, and a small percentage of increase in fares. I would say roughly 5 percent.

Senator BARTLETT. What is the charge for one passenger from here, for example, to the gate at Fort Wainwright?

Mr. VOGT. \$1.26, and 25 cents extra per passenger if they get off at the same stop, if there is no extra—if you don't have to make a variation from the direct route.

Senator BARTLETT. What is the charge for one passenger from the Chamber of Commerce Building where we are, to the Travelers Inn?

Mr. VOGT. \$1.02.

Senator BARTLETT. And how far is it approximately from here to the Travelers Inn?

Mr. VOGT. About eight-tenths of a mile.

Senator BARTLETT. And how far from here to the Fort Wainwright gate?

Mr. VOGT. About 1.2 miles. It is 14 or 15 blocks. At least that.

Senator BARTLETT. Go ahead.

Mr. VOGT. Clearly here you have hit it in a sense. Your fares in town are already considerably higher than they are at Fort Wainwright.

The zone fares, too, if we went across the river, got into our changing line, Minny Street, the change in zone is from \$1.02 to \$1.26. The next zone increase is \$1.55. I am thinking about the comparison of the zone rates on Fort Wainwright and the zone rates in town.

For your information, Mr. Chairman, this is Joe Cooper from Yellow Cab, and Mr. Brown from Checker Cab.

If you take into consideration the distance we travel in South Fairbanks, we go out of the \$2.50 zone long before we would enter the \$2.50 zone at Fort Wainwright. Probably a mile and a half before we enter the \$2.50 zone at Fort Wainwright, in distance.

Going to South Fairbanks, you would pass through the \$1.02, then it would be \$1.26, then \$1.55. The reason the 2 cents is set up, we have to charge tax and try to make it come out even, a dollar and a nickel.

The odd fare is such that when the sales tax is added it comes out to an even amount.

Mr. McELROY. Is there any shuttle bus service provided at Fort Wainwright?

Mr. VOGT. It hasn't been much in the past. At the present time the cab companies are not serving Fort Wainwright. We have refused, of course, to go along with their proposed fare rates and as a result neither company is operating on Fort Wainwright at the present time.

This has been somewhat of a problem to the cab companies in town. Actually we were debating asking them for a fare increase when they came along with this, and in essence wanted the fares to come down.

As I pointed out before, it has been some 17 years since there has been a cab raise in that area at all, a fare raise.

Actually, I think business has dropped off there in recent years. I have here a letter which was written to Senator Bartlett by the Department of the Army. Basically it goes through the same things that I have described.

DEAR SENATOR BARTLETT: This is in reply to your inquiry concerning the operation of a transportation service by local taxicab companies for Fort Wainwright, Alaska.

The operation of a transportation service on a Federal reservation may be authorized by a license properly issued in compliance with Departmental Regulations AR 505-80 and AR 210-10. In the absence of properly granted license, taxicabs may not legally operate on a military reservation.

Yellow and Checker (Transfare) Cab Cos. had been operating on Fort Wainwright (Ladd Air Force Base until January 1, 1961) for many years under informal rate and zone agreements with the U.S. Air Force. On July 17, 1961, Army officials met with the cab company owners to arrange for a formal granting of a license to operate a taxi service. At first, the taxi operators declined to submit proposals in spite of repeated requests for them to do so. On August 11, 1961, they were advised that all taxi operations on Fort Wainwright would cease by September 1, 1961, if no agreement was reached. Although two exten-

sions were granted to midnight September 15, and later to September 20, 1961, no agreement on rates or zones was reached.

Although the cab companies were forbidden to operate on the reservation after midnight September 20, 1961, they were advised that Army officials would remain open to further negotiations. The taxicab companies were given permission for emergency entrance to the post for delivery of personnel to the U.S. Air Force Hospital. This was provided to ensure emergency service to the 670 military families residing in Fairbanks. Several proposals have been submitted by the cab companies since the date of the embargo; however, they provided increased rates in general above those originally proposed by them. Commercial transportation service has not been denied military personnel since there is an approved agreement with Alaska Overland, Inc., to operate bus service on the post, executed July 24, 1960. Since the date of this agreement, the bus company has voluntarily increased the scheduled service to the installation and reduced the fare between the hospital area (near the south post housing area) and the city proper to 25 cents. The fare to the rest of the post is 50 cents one way or 40 cents if tokens are used. The bus company has indicated it will meet any requirements for transportation as needed and may voluntarily reduce the fare should business justify it.

Fort Wainwright is currently developing specifications to advertise and circulate to all interested parties for the establishment of an onpost only taxi service. The taxicab companies indicated during negotiations that they were not interested in operating an onpost only service. They were advised that should a firm sign a contract for onpost taxi service only, the other cab companies should be prohibited from operating on the post in order to make it sufficiently remunerative to the successful contractor.

Only after taxi service was suspended did cab companies indicate any serious intention of attempting to comply with applicable laws and departmental regulations. Subsequent negotiations resolved all differences except those pertaining to rates. The rates proposed by the cab companies is \$2.50 for a zone which includes the barracks of nearly all lower ranking and lower paid personnel is not acceptable to the post since at the same time the companies proposed a rate of \$2 for a zone which includes the post headquarters and an officers' housing area. This latter zone is six-tenths of a mile farther from downtown Fairbanks than the proposed \$2.50 troop area zone. The distance from downtown Fairbanks to the headquarters area and the troop area are 4.6 miles and 4 miles respectively. The cab companies were advised that the military authorities would accept a \$2 rate to each of these zones.

Further, the post authorities consider that the one-way rate proposal of \$1.75 from the south post housing area to the commissary is exorbitant, even though this includes the carrying of two packages. The distances involved in this zone vary from eight-tenths of a mile to 1 7/10 miles. However, the cab companies were advised that lack of agreement on rates in this zone would not necessarily preclude the granting of a license to operate in other areas of the post.

The informal taxi service service on Fort Wainwright was terminated after over 2 months of negotiations to arrive at fair rates and to establish zones. Fort Wainwright officials will remain receptive to whatever proposals may be received to provide transportation at a fair price to the troops desiring this service.

I trust this information will be of assistance to you.

Sincerely,

R. E. VOLLENDORFF,

Lieutenant Colonel, G.S., Office, Chief of Legislative Liaison.

Senator BARTLETT. What is the date of that letter, Mr. Vogt?

Mr. VOGT. They apparently didn't put a date on it. There is a date over here. It looks like October 10.

Senator BARTLETT. I haven't seen it. It came after I left Washington.

Mr. VOGT. This is stamped on here, whatever that means.

The problems involved, as we see it, for one thing, you see, by regulating Fort Wainwright fares, what they have in essence done is regulated a large amount of transportation in town. If they can regulate fares to that extent, the cab company has to stop at the gate, and only one cab company, for example, could pick up on the base. This would

mean that this company would be the only one that could, in essence, bring the people back to the city.

Senator BARTLETT. What is this bus service referred to in the letter?

Mr. VOGT. The bus service is Overland Bus Co. They operate on the base, and they have some minor transportation routes throughout the community. I am not very much aware of their facilities or equipment. The obvious problem involved there is that they have specific routes and schedules, and if they don't, they are becoming taxicabs. But I would rather expect that the service from the Overland Bus Co. is rather exaggerated.

Mr. McELROY. Are they under franchise from the city of Fairbanks, the State, or the base?

Mr. VOGT. They would have to have a separate contract with the base to operate.

Senator BARTLETT. Is it a franchise operation otherwise?

Mr. VOGT. I would assume that is a State franchise.

Mr. McELROY. Was that service being rendered prior to the time you were having your difficulties on rates at the base?

Mr. VOGT. Yes; it was. But not to the degree that it is.

Mr. McELROY. It has been expanded?

Mr. VOGT. It wasn't running a shuttle service on the base.

Senator BARTLETT. It was just from the base to town and vice versa?

Mr. VOGT. Yes, sir. It is a bit of a problem.

Senator BARTLETT. It is, of course, a very real problem for the cab companies concerned. However, Mr. Vogt, it is something entirely beyond the area of jurisdiction of this committee.

Mr. VOGT. This was the attitude that I visualized when I was asked to come here this morning. This is a rather isolated type problem, and yet in a sense it is not, because if the cab companies are adversely affected to a degree that it would damage their income to the point where they couldn't provide adequate service for the community, in view of the fact that they are a necessary public utility in this area, we are getting into something serious.

Senator BARTLETT. I can agree with that as an individual Senator, of course, and have heard from the cab companies and have taken it up, as you know. But this just doesn't fall within the jurisdiction of the Commerce Committee. I find difficulty in determining what we could do, no matter what our desires might be.

Mr. VOGT. I would guess there would be little except possibly an informal type recommendation.

Senator BARTLETT. Yes, and on an individual basis as a member of the Alaska delegation, perhaps.

But if you have a recommendation to make, as to how the committee might appropriately and properly—mindful of its jurisdiction—take this up, I will be glad to entertain it.

Mr. VOGT. I think that the only thing that the committee could do would be to give an informal recommendation in the sense that the cab operations, in view of the rather peculiar type capacity that they occupy in this community, they could give an informal recommendation to the Army officials, which I suspect might be of some value in hastening a settlement.

Senator BARTLETT. Off the record.
(Discussion off the record.)

Senator BARTLETT. Are there any other witnesses here who desire transportation or associated matters?

(No response.)

Senator BARTLETT. Mr. Buckley is in the room, I believe.

Mr. BUCKLEY. I am with the railroad. I am not here to testify.

Senator BARTLETT. Will you come up for a moment?

Mr. BUCKLEY. I have a luncheon engagement at 12 o'clock and I am trying to get out in a hurry.

Senator BARTLETT. Please give your name and address.

APPEARANCE OF LARRY BUCKLEY, DISTRICT FREIGHT AND PASSENGER AGENT, ALASKA RAILROAD, FAIRBANKS, ALASKA

Mr. BUCKLEY. I am Larry Buckley, district freight and passenger agent, Alaska Railroad, Fairbanks.

Senator BARTLETT. And you are not here to testify, Mr. Buckley?

Mr. BUCKLEY. No, sir.

Senator BARTLETT. We will note your presence.

You can leave with our blessing because I know we will have testimony from the railroad on figures in Anchorage.

Mr. BUCKLEY. My only reason for being here, if there are any questions concerning the questions asked this morning, I will do what I did in the past and get the answers from Anchorage.

Senator BARTLETT. We are going to open our hearings there in the morning.

We will seek to obtain them there. Thank you, Mr. Buckley.

Mr. BUCKLEY. You are welcome, sir.

Senator BARTLETT. Let the record show that Mr. John Titus, Fairbanks agent for Alaska Steamship Co., has been good enough to attend the hearing.

Are there further witnesses?

If not, and quite unexpectedly, as far as the chairman is concerned, because some of us are leaving for Anchorage at 7:30 p.m. today, we find ourselves in a situation where we are going to recess. I say quite unexpectedly because I thought the testimony would continue until about 7:18 p.m., and we would have to dash for the plane.

We have had a good record made here and we have been privileged to meet with you and to hear your views on transportation problems and related matters.

Mr. Huse has been good enough to remind me to say something I always forget to say and should say, and that is that the record will be kept open for 30 days. During that time anyone who has testified may file supplementary testimony with the committee in the form of a written statement, or anyone who has not testified may do so in written form on matters within the jurisdiction of the committee by writing Mr. Harry Huse, Committee on Commerce, U.S. Senate, Washington 25, D.C.

The committee will now stand in recess until 10 a.m., Saturday, October 21, when it will reconvene at the Loussac Library, in Anchorage.

Thank you all.

(Whereupon, at 12:20 p.m., the hearing was recessed, to reconvene at 10 a.m., Saturday, October 21, 1961, at the Loussac Library, in Anchorage, Alaska.)

STUDY OF ALASKA TRANSPORTATION

SATURDAY, OCTOBER 21, 1961

U.S. SENATE,
COMMITTEE ON COMMERCE,
Anchorage, Alaska.

The committee met at 10:30 a.m., pursuant to notice, Senator E. L. Bartlett, presiding.

Senator BARTLETT. The committee will be in order.

This is another in a series of hearings being conducted on the Pacific coast by the U.S. Senate Committee on Commerce.

The first hearing was held October 4 at San Rafael; the second October 12 at Seattle, Wash.; and subsequent hearings have been conducted at Dillingham, Naknek, Homer, Kodiak, and Fairbanks. From here, following the conclusion of the hearings on Monday, the committee will go to Cordova, thence to Juneau, and conclude at Ketchikan.

In California, and in Seattle, testimony was exclusively on the subject of the Pacific fishery. Here most of the testimony to date has been on the same subject. However, at Fairbanks there was an emphasis on transportation problems. Here in Anchorage the hearings will be divided into four parts.

First, we are going to hear testimony on the bill introduced in the U.S. Senate by Senator Gruening relating to the establishment of an International Reception Center at the Anchorage Airport. This bill was cosponsored by me. I think that it might be more appropriately called the Byer bill, because it was the former mayor of Anchorage, George Byer, who inspired the movement which led to the introduction of the bill.

Then we are going into the fishery, and thence into transportation.

During the afternoon—this afternoon—we are going to take a little time out and hear testimony on a bill which is not before this committee but instead is before the Senate Committee on Post Office and Civil Service. It is a bill numbered S. 2593, and is entitled "A bill to improve and encourage collective bargaining between the management of the Alaska Railroad and representatives of its employees, and to permit, to the extent practicable, the adoption by the Alaska Railroad of the personnel problems and practices of the railroad industry."

The chairman has just been advised that Senator Gruening will testify on the airport bill and on other matters Monday morning.

To continue on the subject of S. 2593, the Alaska Railroad personnel bill, it is the chairman's understanding that this is somewhat controversial and although the bill is not before the Commerce Committee, it is my intention to place testimony in the record with the

intention of transmitting it to the Senate Committee on Post Office and Civil Service, because it is highly unlikely that that committee will hold hearings in Alaska on the bill.

At Fairbanks I read, and shall not repeat the reading here, a letter addressed to Chairman Magnuson of this committee by Secretary of the Interior Udall noting that:

The officials of the city and port of Anchorage have lodged complaints against the Alaska Railroad with this Department, and with the Federal Maritime Board, and the Federal Maritime Board has sent a team of investigators to Alaska to investigate the complaints.

Later on in the letter the Interior Secretary suggests that Senator Magnuson might want to have his committee inquire into these matters.

In his reply Chairman Magnuson stated that:

Senator Bartlett will be in Alaska some time after adjournment of Congress and will hold hearings while there in connection with fishery matters. I have given him the additional assignment, and he has accepted it, of making the inquiry you suggest relating to transportation.

So we will go into those matters as well.

I note the presence in the hearing room of Anchorage's new mayor, Mayor Sharrock. I wonder, Mr. Mayor, if you have anything which you would like to relate by way of testimony or by way of greeting or whatever to the committee before we go forth.

Mr. SHARROCK. Senator Bartlett, ladies and gentlemen.

We are very happy to have these meetings here to give the people of Anchorage an opportunity to express their opinions.

In regard to the specific bill on the International Reception Center, I would like to yield to former Mayor Byer and let him make his presentation.

Senator BARTLETT. With me here is Mr. Jerry Grinstein, committee counsel.

Since much of the meeting will be devoted to transportation, I consider it a privilege to invite Mr. Charles Herbert, chairman of the State commission, to join us, if he cares to.

The first witness today will be former Mayor George Byer.

STATEMENT OF GEORGE BYER, ANCHORAGE, ALASKA

Mr. BYER. Thank you.

Hon. Senator Bartlett, ladies and gentlemen, Anchorage, Alaska, has a role and destiny to play in the international picture of tomorrow. It is one of the new and promising international cities of the world. Anchorage, Alaska, can well become the new Geneva between the East and the West. Anchorage, Alaska, is unique, distinct, and unusual.

Mr. Halaby, the Director of the FAA, when he was here but a few weeks ago, said that Anchorage will become a main point on the supersonic jets of tomorrow.

Anchorage is unusual because of its geographical area, world and jet location in which some 15,000 foreign travelers and 60 international flights a month pass through here. People of every country of the world have passed through Anchorage. Not long ago 60 people of the Leipzig Orchestra from Germany passed through, and the

Olympic teams went through here by the dozens to Melbourne. This is unique and distinct because no city in America can quite equal this unusual situation whereby these people for 1 hour see only America—the airport.

What makes it unusual and takes it away from the number of cities across the land is that they don't go into the city, they don't travel to any other cities in America as they would if they went into New York, Miami, New Orleans, Houston, Los Angeles, or San Francisco. They have no opportunity or occasion to visit any other American city.

Through the bill by Senator Gruening and Senator Bartlett they will be able to learn about the populations, to see Niagara Falls, Yellowstone Falls, Grand Canyon, American cities, the plains, farms, superhighways, and so forth.

In the international part of the reception center they are able to see how and when America was discovered, the first flight, Declaration of Independence, Abe Lincoln, Thomas Jefferson, the 50 States intermingled, colleges, supermarkets, and our way of life.

In the trade zones the passengers may make small purchases such as cheese from Wisconsin, pottery from New Mexico, citrus fruit from California, jade and furs from Alaska, and so on and so on. There can be a place at the center where people could meditate on world religions for a few brief moments, or see the world time zones around the world and the weather. It is not difficult to visualize, as more direct flights become possible in and out of Anchorage to New York, Chicago, and the west coast, to someday have a wholesalers' market where people can come and look at and order products from around the world, woolens from England, laces from India, rayon from Japan, and so on and so forth.

It is not only an honor and privilege and distinction for Anchorage and Alaska to show America to all the foreign travelers, but to show Canada also.

Vision is a hard thing to sell. I realized this some 5 years ago when I first started to see the picture unfold last week at Canadian Pacific's international inaugural jet flight to Tokyo. I proposed the situation to the Senators, and Senator Brunt of Ontario liked the idea and accepted it, and asked me to forward all material to them in Ottawa so he could present the case to the Senators, and he will personally take it to Prime Minister Diefenbaker and report to Senators Gruening and Bartlett that they would like to join the exhibits.

Miami, New York, San Juan, Honolulu, and Anchorage are the five top international cities in America today. They have given their wholehearted support because they feel here is a distinct move for cities such as theirs to become a new showplace for America.

The U.S. mayors, some 1,500 strong, in June, also wholeheartedly endorsed the resolution for the Senate.

The resolution committee of the American Municipal Congress in Seattle wholeheartedly endorsed it. Last year when President Kennedy, then Senator, was here, a year ago September, I talked at length with him about it when he arrived at the airport. He was amazed and interested and said he would do what he could.

The Honorable Vice President Johnson, on July 18, 1961, said, and I quote:

I certainly believe that your idea of an international reception center at Anchorage is a good one. It is one which will afford travelers from all over the world a brief glimpse of America, and a brief glimpse is better than none.

State Department officials; Congressmen; civic groups; Rotaries; Senator Fong, of Hawaii; other Senators and Congressmen; mayors of Miami, New York, San Juan, Honolulu; editors of magazines, foreign and domestic; Mr. Erwin, General Counsel of the U.S. Information Agency; the Department of Commerce; the chamber of commerce president; the People to People Sports Committee and others have wholeheartedly endorsed and supported this.

With all this it needs repetition for all to see the full picture. If the picture is seen in its right light without jealousy and selfish interests, Anchorage's true role and destiny can be realized, for we are one of the promising of the newest of international cities.

May I publicly extend on behalf of Anchorage, Alaska, our warm and sincere appreciation to you, Bob, to Senator Gruening and Congressman Rivers, for your interest and efforts. May we wish you well.

In ending I would like to say, Edward Everett Hale said:

If we neglect this great heritage of freedom so dearly purchased, we shall fail to meet the true challenge of our time.

A true challenge that tells a story of America to those who otherwise would never have such an opportunity, now presents itself in S. 2484. Let us all join this honored and privileged endeavor to let the world see America through Anchorage.

I would like, Senator Bartlett, if I may, to introduce Mr. Milton, vice president of the International People to People's Sports Committee, and maybe Mr. Milton would like to testify a few words. May I do that?

Senator BARTLETT. Thank you very much, Mr. Byer.

Does that conclude your statement?

Mr. BYER. It does.

Senator BARTLETT. We will be very glad to hear from Mr. Milton in a few minutes.

What do you estimate as the cost of such a building?

Mr. BYER. I talked with the contractors and some of the State Department officials to make the building worthwhile. They feel that \$2,500,000 will be a logical figure.

Senator BARTLETT. Has there been a further estimate of the annual cost to the Federal Government?

Mr. BYER. No, there hasn't. We have discussed nothing exactly.

Senator BARTLETT. You mentioned the names of several highly placed persons in public life who have endorsed the bill, or at least the concept of the bill. I should add that although he has not done that, because he has not had opportunity to study it carefully, Senator Mike Monroney, of Oklahoma, chairman of the Aviation Subcommittee of the Commerce Committee, is greatly interested.

Breaking the bill down into sections, it is noted that section 1 authorizes the establishment and operation of a foreign trade zone and Hall of States. George, since you are certainly the author of the idea of the proposed legislation, would you tell us what your concept of the foreign trade zone is?

Mr. BYER. As I get that, Bob, that is more or less Senator Gruening's idea. I think it is a very worthy one. I see no reason why it will take anything away from local merchants in that, to purchase any articles in this trade zone, they would have to have through passage. This is merely a place to have these States present some of their best, smaller items for purchases for foreigners. I think it is a great showcase of American products.

Senator BARTLETT. And this would be a duplicate, more or less, of that which is found at Shannon Airport in Ireland?

Mr. BYER. I have never been there, but from hearing Senator Gruening, I think it is very much like that.

Senator BARTLETT. When Senator Gruening testifies Monday, I think we will go into this further. It is just possible that we are going to have to switch this around and arrive at a different approach.

The foreign trade zone, I am advised, while desirable and helpful in many instances, may not fit exactly here.

Section 2 of the bill, according to my understanding provides that the U.S. Information Agency, cooperating with State officials and Anchorage officials, would construct and maintain the building housing the International Reception Center and the Hall of States and also the foreign trade zone. Is that right?

Mr. BYER. That is my idea. Not my idea but my understanding of it.

Senator BARTLETT. And would also staff the foreign trade zone and Hall of States sections.

Mr. BYER. I would think so.

Senator BARTLETT. Section 3 makes it possible for the USIA to prepare plans for the building and equipment, subject to the approval of General Services Administration.

Section 4 authorizes the USIA to develop from the State the land on which the building would be placed. In return for the donation of that land, USIA would be required, under the terms of the bill, to provide the State and the city space in the building.

Section 5 provides that foreign and domestic commodities sold in the foreign trade zone shall be subject to the provisions of the Foreign Trade Zone Act. This means essentially that goods purchased in the area and taken out of the United States could be bought free of any duty or tax.

Mr. BYER. I think that Governor Egan has already given the land permission, and that is all worked out.

Senator BARTLETT. The land will be available?

Mr. BYER. Yes.

Senator BARTLETT. Section 6, being the final section, but a very essential one, authorizes an appropriation to carry out the provisions of the act.

Mr. BYER. I would say that is very, very essential.

Senator BARTLETT. You are right. Thank you, George, very much.

Mr. BYER. Thank you very much.

Senator BARTLETT. Mr. Milton?

Before Mr. Milton comes on the stand, I am going to offer for incorporation in the record a statement made in the Senate August 30 last, by Senator Gruening on introducing the bill.

(The statement is as follows:)

[From the Congressional Record, Aug. 30, 1961]

A FOREIGN TRADE ZONE, A HALL OF STATES, AND AN INTERNATIONAL RECEPTION AND INFORMATION CENTER FOR ANCHORAGE, ALASKA, AIR CROSSWAYS OF THE NORTHERN HEMISPHERE

Mr. GRUENING. Mr. President, on behalf of myself and my colleague, the Senator from Alaska [Mr. Bartlett], I introduce, for appropriate reference, a bill to provide for establishing and operating a foreign trade zone, a Hall of States, and an international reception and information center at the Anchorage International Airport, Anchorage, Alaska.

It was my privilege recently, in connection with a trip made to Scandinavia for the Senate Committee on Public Works, during an informal Senate recess, to spend on the way home a brief period at the airport at Shannon, Ireland, and I had an opportunity to inspect the free port operated so successfully there. I soon realized that Shannon has its counterpart in one location—and one location only—in the United States; namely, at Anchorage, Alaska.

At the Anchorage International Airport foreign visitors, in ever-increasing numbers, are obtaining a brief respite in their journeys across the pole while their planes are being refueled. The planes then take off for another foreign country, so that the Anchorage International Airport is the only glimpse they have of the United States of America. In addition to our American airlines passing through Anchorage are such foreign carriers—Orient or Europe bound—as SAS, the Scandinavian Airway System, Air France, Japan Airlines, and KLM, the Netherlands line. Others may be expected.

Latest figures show that foreign visitors to the Anchorage International Airport in between 2 foreign countries now number close to 150,000 annually.

It seemed to me that at the Anchorage International Airport the United States is not taking full advantage of this great influx of visitors. We, too, could have our "Shannon," where not only could duty-free goods of other nations be sold but where we could have an opportunity to sell goods manufactured and produced in the 50 States of the Union, giving these foreign visitors a glimpse of and an opportunity to buy or order some of the many and varied products produced under the American system of free enterprise.

There could be exhibited and sold at such a free port textiles made from the fine cotton grown in our Southern States; salmon and king crab from Alaska, as well as Alaska's native arts and crafts, the painting of Alaskan artists; turquoise and silver jewelry from the southwestern part of the United States; monkey pod bowls, shell bracelets and necklaces and macadamia nuts from Hawaii; from California and Florida, citrus fruits and jellies; from New York, Steuben glassware and Syracuse china; from Connecticut Lionel trains, silver from the various silver manufacturers in that State; from Wisconsin choice cheese products and luggage; leather goods from Delaware; maple sirup and maple sugar candy from Vermont; tobacco products and spirits from Kentucky; from Virginia the finest in milk glassware; from West Virginia the State's famous Fostoria glassware; canned meat products from Iowa and Texas; glassware and toys from West Virginia; apparel from Missouri; the finest mechanical toys from such States as Illinois, Pennsylvania, Ohio, and St. Louis, Mo.; dolls from Massachusetts; and shrimp products and pecans from the Gulf States.

I shall not continue to enumerate the infinite variety of superlative products grown or manufactured in the United States which might be sold at the foreign trade zone at the International Airport at Anchorage. Those I have enumerated are only a few of those which come readily to mind. Many States would be able to exhibit and sell at such a foreign trade zone many different types of products for which those States have become famous. Sales at the foreign trade zone might well be just the thing to initiate a lively foreign commerce in the products of many States.

But the trade zone can be used for more than the sale of products from the various States. It would be used also as a showplace of and for the United States, showing the natural scenic wonders and splendors as well as the manmade achievements in the various States and serving as a vibrant invitation to these thousands and thousands of visitors to our country to come back and spend some time here. Against the backdrop of some of Alaska's mighty mountains, foreign visitors at the Anchorage International Airport could be

shown, by slides and pictures, the charm of New England, the manmade glories of our great cities, New York, Washington, San Francisco, New Orleans, and Charleston, S.C., to name only a few, the natural wonders of Yellowstone, of Niagara, of the Grand Canyon, and of the scores and scores of scenic beauties, of hunting and fishing spots that should lure the foreign visitor to return for a longer stay in the United States.

It is for this reason that I am proposing that there be established at the foreign trade zone at the Anchorage International Airport a Hall of States where each State, individually, will be given an opportunity to exhibit those characteristics which make each State of the United States so unique.

With respect to these many foreign visitors we are also missing a golden opportunity to show them by word and picture democracy's ideals and to win them over to the side of freedom. In the great world struggle for the minds of man in which we are now engaged it is certainly a wasted opportunity not to welcome to our shores these thousands of foreign visitors and seek, in the brief space of time available, to give them something of the flavor of the United States and of the democratic principles under which we live.

The idea of establishing an international reception and information center at the International Airport at Anchorage, Alaska, was first put forward some time ago by the mayor of Anchorage, the Honorable George Byer, who has since devoted much time and effort in pressing forward to make his idea into a reality.

In the bill I propose, therefore, I have made provision for the establishment and operation at the Anchorage International Airport by the U.S. Information Agency of an international reception and information center so that visitors to our shores may be properly greeted and their questions about the United States answered.

I realize it is late in the session and there is little chance for action on this bill before adjournment. I do hope, through the introduction of this bill, to stimulate thinking and discussion on this proposal and to receive suggestions for the improvement and refinement of this idea.

I ask unanimous consent that there be printed at the conclusion of my remarks a copy of my bill, a copy of Resolution No. 1220 adopted by the Anchorage Chamber of Commerce, a letter dated August 9, 1961, from myself to the Secretary of Commerce, the Honorable Luther Hodges, and his reply to me dated August 17, 1961, and a resolution reported favorably by the resolutions committee of the American Municipal Association now holding its 38th congress in Seattle, Wash.

The VICE PRESIDENT. The bill will be received and appropriately referred; and, without objection, the bill, resolutions, and letters will be printed in the Record.

The bill (S. 2484) to provide for establishing and operating a foreign trade zone, a Hall of States, and an international reception center at the Anchorage International Airport, Anchorage, Alaska, and for other purposes, introduced by Mr. Gruening (for himself and Mr. Bartlett), was received, read twice by its title, referred to the Committee on Commerce, and ordered to be printed in the Record, as follows:

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there is hereby authorized to be established, operated, and maintained at the Anchorage International Airport, Anchorage, Alaska:

"(a) a foreign-trade zone in accordance with the Act entitled 'An Act to provide for the establishment, operation, and maintenance of foreign-trade zones in ports of entry of the United States, to expedite and encourage foreign commerce, and for other purposes,' approved June 18, 1934, as amended; and,

"(b) A Hall of States where each State shall be provided with suitable space in which to have an exhibit in which it may display therein information concerning its traditions and may sell the commodities and merchandise it produces and manufactures.

"SEC. 2. The United States Information Agency (hereinafter referred to as the 'Agency'), acting in cooperation with State and local officials of the State of Alaska, and agencies of the Federal Government concerned with the foreign policy and international objectives of the United States, is authorized to establish an international reception and information center at said Anchorage International Airport, to provide for its staffing and operation, and to take such other action in connection therewith, in accordance with the provisions of this Act and other provisions of law, as may be necessary to create for foreign visitors a

climate for better understanding the United States and its ideals and at the same time provide a facility for the operation of a foreign trade zone and a Hall of States.

"SEC. 3. (a) In carrying out the provisions of this Act the Agency is authorized to prepare plans and specifications for the construction, at or adjacent to the Anchorage International Airport, of a suitable building with requisite equipment, approaches, architectural landscape treatment of the grounds, and connections with public utilities. The preparation of such drawings and specifications and all work incidental thereto shall be under the supervision of the Administrator of the General Services Administration in accordance with the provisions of the Public Buildings Act of May 25, 1926, as amended.

"(b) The Agency shall operate an international reception and information center in such building when completed.

"SEC. 4. The Agency is authorized to accept from the State of Alaska a lease or conveyance of such land as may be necessary for establishing the international reception and information center and additional facilities herein provided for and, as total compensation to the State of Alaska for such lease or conveyance, shall provide to the State of Alaska or to the city of Anchorage sufficient space in said center so that the said State or city may :

"(a) Provide for the establishment, operation, and maintenance of the foreign-trade zone authorized by section 1 of this Act ;

"(b) Arrange for a Hall of the States authorized by section 1 of this Act ;

"(c) Establish and operate, directly or through lease arrangements, lounges and concessions for the comfort of foreign visitors.

"SEC. 5. Foreign or domestic commodities or merchandise sold in the Hall of States or the foreign-trade zone, hereby authorized, shall be sold subject to the provisions of the Act of June 18, 1934, as amended, hereinabove referred to.

"SEC. 6. There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act."

The resolutions and letters presented by Mr. Gruening are as follows :

"RESOLUTION 1220

"Resolution requesting the Governor of Alaska to arrange for a reception center at the Anchorage International Airport for international travelers

"Whereas the International Airport at Anchorage, Alaska, is a unique air world transit stop between two foreign continents on the polar route—Europe—the Far East ; and

"Whereas the airport will host some 12,000 international travelers during the month of July 1961, and service as many as 60 international flights a week ; and

"Whereas Anchorage International Airport is among the top five American cities for international travel and is host to world leaders, ambassadors, diplomats and travelers the world around : Now, therefore, be it

"Resolved, That the Honorable Governor of the State of Alaska, William A. Egan, make the necessary requests to the Federal Government to construct, at the State-owned airport in Anchorage, an International Reception Center, to include the picture story of America, its ideals, its philosophies, its heritage, and its people-to-people endeavors. Let it further be known that for Anchorage and Alaska it is a distinct honor and privilege to portray to thousands of foreign travelers the story of America, its 50 States, during their brief rest ; and to many, it is their only opportunity and occasion to set foot on American soil.

"Publication of this resolution shall be made by posting a copy hereof on the city hall bulletin board for a period of 10 days following its passage and approval.

"Attest :

"GEORGE H. BYER,
"Mayor.

"B. W. BOEKE,
"City Clerk."

AUGUST 9, 1961.

HON. LUTHER H. HODGES,
Secretary of Commerce,
Washington, D.C.

DEAR MR. SECRETARY : Anchorage, Alaska has been steadily developing a large flow of international passengers who stop over briefly at the airport while their planes are being refueled and then continue on to another country. They fly between the Orient and over the Pole to Europe. Serving this traffic now are :

Air France, S.A.S., and Japan Air Lines. Latest figures given me indicate that upward of 12,000 such passengers arrive in Anchorage monthly.

It is therefore highly regrettable that, at a time when the United States is seeking actively to cultivate international good will, these thousands of visitors should be permitted to leave our shores with only the impression of the United States which they can glean from their brief stay at the airport. Unless they should return to the United States at some later time, for many this will remain their only impression of our country.

Moreover, their being permitted to stop off would be a great help to the tourist travel which this administration is trying to promote. Why not give that effort this easily achievable assistance?

Would it not be possible to amend the charters of the carriers carrying these international passengers so as to permit brief stopovers in Anchorage, conditioned on these passengers continuing on the same carriers which brought them to Anchorage?

I have written Alan S. Boyd, Chairman of the Civil Aeronautics Board, but in view of the great emphasis which this administration has put on tourist business, I hope you will lend your active support to this. Obviously, 12,000 passengers monthly would leave quite a bit of money in the United States, if they were allowed to stay for a day or two, or a week.

I would appreciate your giving this special attention and establishing contact with the CAB to see whether this cannot be done without delay.

Cordially yours,

ERNEST GRUENING.

THE SECRETARY OF COMMERCE,
Washington, D.C., August 17, 1961.

The Honorable ERNEST GRUENING,
U.S. Senate,
Washington, D.C.

DEAR SENATOR GRUENING: I am very sympathetic with the contents of your letter of August 9 regarding the encouragement of visitor stopovers in Anchorage. Certainly other travel-minded countries are doing this, and Shannon is a good example.

I assure you of my active interest in this matter. Not only that, but the mayor of Anchorage on a recent visit to Washington asked us about assistance in a U.S. travel display at the Anchorage Airport.

I am asking the Director of the U.S. Travel Service, Mr. Voit Gilmore, to go into these matters on my behalf. We are most conscious of the tourist-generating possibilities of Alaska and share your wish to develop them fully.

Sincerely yours,

LUTHER H. HODGES.

SEATTLE, WASH., August 29, 1961.

HON. ERNEST GRUENING,
U.S. Senate, Washington, D.C.:

Whereas the International Airport at Anchorage, Alaska, is a unique geographical air-world stop between foreign countries on the polar route; Europe-Far East; and

Whereas the airport was host to an estimated 15,000 international travelers during the month of July 1961, and service as many as 60 international flights a week; and

Whereas Anchorage International Airport is among the top five American cities for international travel, and is host to world leaders, ambassadors, diplomats, businessmen, students, and travelers and the world around: Now, therefore, be it

Resolved, that the American Municipal Association further requests that the administration, through the U.S. Congress, act in this session of Congress, to appropriate the necessary funds for an international reception center so that the majority of the thousands of foreign travelers who have no occasion or opportunity to set foot on American soil other than at Anchorage, can make a direct contact with the culture of our Nation and see "America through Anchorage."

Senator BARTLETT. Mr. Milton, we are very glad to have you here and would be pleased if you would give your full name and address to the reporter, and then make any statement you care to.

STATEMENT OF LEONARD MILTON, WINDSORGATE,
GREAT NECK, N.Y.

Mr. MILTON. My name is Leonard Milton. My address is Windsorgate, Great Neck, N.Y.

Thank you, Senator; and George Byer, ladies and gentlemen, the President of the United States initiated the people to people programs in order to establish and maintain good will between the peoples of the world and the people of the United States. In line with that, the President not only has taken an active part in the people to people program, he is an active member of our people to people sports committee, of which I have been honored to serve as vice president.

Our program is to establish, through sports, good will between the peoples of the world and the peoples of the United States. This international reception center, in my mind, is another facet in the programs of good will which will establish good will between the peoples of the world and the people of the United States, which is in line with President Kennedy's thinking, and I am sure our people in Congress and the people of the United States.

So I heartily endorse this program because it is a factor of good-will which I am working for in the people to people program.

Senator BARTLETT. Thank you, Mr. Milton.

How do you think this would work here? How would it aid this program?

Mr. MILTON. I have been both a visitor to Alaska and a passenger going through Alaska to the Orient. I can recite an incident which I feel would point out the importance of an international reception center.

This past June I was going from New York to Anchorage to Tokyo. There were many foreigners on the plane, as well as Americans. The plane was delayed here for 6 hours. Most of the people were mulling around the airport, lying on the couches with absolutely nothing to do. I felt ashamed that there was not better facilities, something to engage them in their time, to let them know more about America.

I have been in many of the airports around the world, and in some of the smallest countries or islands and out-of-the-way places they have wonderful airport facilities which I think we should not copy but even surpass to maintain good will and to provide the comforts and interests of the people passing through.

Senator BARTLETT. During that 6-hour layover would a foreigner, I should say, during that 6-hour period, be able to leave the terminal building?

Mr. MILTON. Yes, they were able to leave the terminal building, but, unfortunately we came in about 11 o'clock at night, and most of the people stayed around the airport, whereas I took a taxi with some of my friends and showed them a little bit of Anchorage and went into the Westward Hotel. Of course it was too late at night to see anything else.

Senator BARTLETT. A person from another country would stay at the airport and would be discouraged after a 6-hour wait.

Mr. MILTON. They were lying and sleeping on the couches.

Senator BARTLETT. You see a situation which could be created here where you would have a wonderful display, an opportunity to buy if

they would care to, and if they were bound for the Orient they would have the only stop in the United States here at Anchorage, and they would leave here with a feeling of good will toward the United States that simply isn't possible under present circumstances.

Mr. MILTON. That is absolutely correct.

You see this in the airports; in Le Bourget, France, you mentioned Shannon, and in the airports of Copenhagen. I could rattle them off, where I have been through, and they have these wonderful facilities, stores, areas where people could have better facilities to relax and learn something about the country.

Senator BARTLETT. I assure you that I have personal knowledge of Copenhagen.

I noticed that Mr. Norman Brown, publisher of the Anchorage News, is in the room. Three years ago we landed there from Anchorage. It is a magnificent terminal. You are given an opportunity to see a lot of things and to buy what you choose, and the Danes make a little money in connection with that. As far as we were concerned, the group which went to Anchorage on the inaugural flight, we were able to have our fourth breakfast of the day at the Copenhagen Airport.

Thank you, Mr. Milton, very much.

Mr. MILTON. Thank you.

Senator BARTLETT. Is there anyone else in the hearing room desirous of testifying on this bill?

The record made here ought to be most useful when the committee takes up its active consideration in Washington next winter.

Come forward, please. Please identify yourself for the record and give your mailing address.

STATEMENT OF RICHARD ALBERS, PRESIDENT, GREATER ANCHORAGE CHAMBER OF COMMERCE, ANCHORAGE, ALASKA

Mr. ALBERS. I am Richard Albers, president of the Greater Anchorage Chamber of Commerce.

Senator BARTLETT. Good. We wouldn't want the chamber of commerce to be unrepresented with respect to this legislation.

Mr. ALBERS. My mailing address is Box 1679.

The chamber of commerce has supported the reception center wholeheartedly. We have a committee formed at the present time to work just for its completion. We are perhaps a little sorry that we weren't the ones to have thought of the solution to a problem which has existed for some time at the airport in the handling of the many foreign passengers who use this as a stopover place.

However, there is one section of the bill that we are not familiar with and we would like to reserve an official opinion on that until a later date and perhaps inject it at that time into the testimony, and that is the portion regarding the free port idea. It is not that we are either for or against it. We just don't know what effect it would have on the community, and we don't understand the ramifications thereof.

Senator Gruening is going to speak in front of the chamber at our Monday noon luncheon, and I am going to request that he give us a little information on that portion.

I think that would conclude any remarks I would have on it.

Senator BARTLETT. Thank you, Mr. Albers.

Your only question about this bill relates to that foreign trade zone?

Mr. ALBERS. We don't understand it, Senator, exactly how it would work and what effect it would have on our local community in regard to perhaps competition with local merchants and so on and so forth.

Senator BARTLETT. I think that is a wise reservation. Most of us need further education on the subject of the implications of that kind of an arrangement. I know that I wouldn't pretend for a moment to be thoroughly familiar with it. In fact I have a memorandum in front of me at the moment suggesting that to arrive at this desired objective some other mechanism may have to be employed.

I also want to discover more on this situation.

We thank you, Mr. Albers, for having presented on behalf of the Greater Anchorage Chamber of Commerce a general endorsement of the bill.

Are there any other witnesses on this bill?

Will you come forward, please.

STATEMENT OF GEORGE MOHR, ANCHORAGE, ALASKA

Mr. MOHR. I am George Mohr, Anchorage.

Senator BARTLETT. And your mailing address?

Mr. MOHR. 1421 Bluff Road.

Mr. George Byer, in his presentation, mentioned the endorsement by the Rotarians. Their idea of the International Reception Center has been discussed widely ever since it was first conceived by the former mayor; and a similar presentation as heard here was given at the Rotary meeting in Anchorage.

To illustrate the good will which can be created by the creation of a reception center I would like to recite an incident. As you are familiar, Rotarians make it their business to establish international relations and create good will and contact with Rotarians from other countries. It became known here in May of this year that a group of Rotarians were passing through Anchorage on their way to Tokyo for the international convention. The Rotary here sent as many people as they could muster on short notice out to talk to them on their layover in Anchorage.

Again this was the only contact with the United States which this group had. Although the language difficulties intervened to some extent, contact was quickly established and flags were changed.

These people proceeded to Tokyo after 2 hours. The interesting thing to this is the sequel. I don't know how many there were, but about 20. Twelve of them made it their business to write after they went home and expressed in beautiful Italian language their appreciation and the enjoyment they had that somebody was there to say "Hello," to explain something about the United States, especially about Alaska, about which they were very curious, to make them welcome, and to while away their time while they had to wait for further refueling of the airplane.

I would like to add that in this area, the International Reception Center, the Rotary Club heartily endorses the project.

Senator BARTLETT. Thank you very much. We are glad to have your testimony on that.

Are there any more witnesses on this bill?

**STATEMENT OF HON. GEORGE SHARROCK, MAYOR, ANCHORAGE,
ALASKA**

Mr. Mayor? You don't have to give your mailing address.

Mr. SHARROCK. I am George Sharrock, mayor of Anchorage.

I would like to add my own personal support to this International Reception Center bill. I think that the merits of the reception center certainly warrant the support of all the people of Anchorage. I think that it has the support of the people of Anchorage. I also think that it has the support of all of Alaska, from what I have heard.

I was in Ketchikan only a week ago and I know that it was talked about down there, and people did express their approval.

Senator BARTLETT. Mr. Mayor, I detect prejudice on your part in support of this bill. I must say that I share that. I think that it would be appropriate, however, for me to say here that not everyone concerned is certain to have the same lively enthusiasm as is being expressed here today, because inevitably during legislative consideration of this bill we are going to hear, among other things, that this has never been done by the Federal Government elsewhere, that there is no good reason or any reason at all why the Federal Government ought to make a fairly substantial investment of this kind in creating a reception center way up in Anchorage, Alaska, and spending the money to construct the building and spending the money to operate it annually, and that in any case this isn't the appropriate time because the Federal Government is incurring deficits and taxes are heavy, and Federal spending is terrific, and this is money that could easily be saved.

I recite those words only to indicate a belief that a very impressive case must be made affirmatively if we are going to get the action that all of you who have testified for the bill desire.

Mr. SHARROCK. Senator Bartlett, I certainly sympathize with the attitude of trying to reduce expenditures. However, I do think that we are in a unique position here in this part of the United States.

As a matter of fact the only part, as former Mayor Byer has pointed out, where we have a unique opportunity to present the picture of the United States to people of the world, the people who pass through this part of it. And they are growing in numbers every month, it seems.

So I think that since we do have now a U.S. Travel Office under the Department of Commerce, that the operation of such an International Reception Center could very well come under the budget of the Department of Commerce.

I realize that the capital expenditure would be something again. But it seems to me that the operation of this would be right along the type of activity that the new Travel Office would be trying to accomplish at other points in the world, too.

Senator BARTLETT. Thank you, Mayor Sharrock.

I believe there was one more witness. Please come forward.

STATEMENT OF LEONARD L. LARSON, ANCHORAGE, ALASKA

Mr. LARSON. I am the immediate past vice president of the Alaska Junior Chamber of Commerce. I would like to encourage the establishment of the International Reception Center as an interested citizen, and to point out that the Anchorage Junior Chamber of Commerce nearly 2 years ago endorsed Mayor Byer's proposal and urged improvement of the airport facilities.

On several occasions JC's from Anchorage and JC's from Alaska have met and entertained JC's as they were passing from the Orient to Europe, and from Europe to the Orient. It certainly has been an opportunity for these JC's of the world to meet with us, and with the International Reception Center it would give them an opportunity not only to meet Americans but to see the American way of life. For this reason I think it would be a very worthwhile project.

Considering the other programs the United States has in spending money in foreign countries to introduce the United States, it certainly would stand to reason that we could have a similar expenditure for these purposes in our own country.

Senator BARTLETT. Thank you, Mr. Larson.

What is your impression of the average citizen of another country going through here and not having an opportunity to leave the airport terminal or to see much while he is there, but having had a glimpse of Alaska in one way or another as he came from Europe or from the Orient, and seeing Anchorage in the daylight, or the lights at night, as the case might be. What do you find his impression is? Is he astonished by the size? What kind of a comment is he likely to make?

Mr. LARSON. Over the last several years I have probably met with 20 or 30 or 40 or more people passing through. If it is daylight, or such that they could see, they were impressed with the beauty of Alaska; and the city of Anchorage as they came in.

They of course, as most people from foreign countries, are familiar with America through films and various things they read. However, those things, pictures are made in such a way and books are written in such a way as to tell other stories. They very seldom have an opportunity to see it as we would like to have them see it, stories and pictures, history.

I think that this is a unique opportunity for us to sell America. We certainly need to do a job of salesmanship.

Senator BARTLETT. Thank you very much, Mr. Larson.

Mr. LARSON. Thank you.

Senator BARTLETT. The chairman notes the presence in the hearing room of State Senator Al Owen, who ought to be in Tokyo, but who isn't, and who testified before the committee at Kodiak. We welcome him here.

If there is any other member of the State legislature in the room, I should like to recognize him at this time.

(No response.)

Senator BARTLETT. Since there is not, we will call Colonel Marston.

STATEMENT OF COL. MUKTUCK MARSTON, TURNAGAIN BY THE SEA, ANCHORAGE, ALASKA

Mr. MARSTON. I am Muktuck Marston, 3104 Knik Avenue, Turnagain By the Sea.

Senator BARTLETT. Before you say a word, I want you to tell the committee of your Alaska background.

Mr. MARSTON. I came here 20 years ago with the military. I saw a great land. I organized the Eskimos into the great scout battalions we have today. If I knew a better place, I would go, but I don't. I am happy with Alaska.

I have been a member of the Red Carpet Committee ever since it was organized. I have met hundreds of very important people from all over the world—Japanese, Frenchmen, Norwegians, Scandinavians—at this international airport. We couldn't even talk, but we shook hands with them and they smiled. They could see, they know merchandise. I am all for this International Reception Center. And the reason I am here is a remark that Senator Bob Bartlett just made. They didn't know whether the Federal Government should take hold of this thing.

That is the greatest opportunity to win friends and influence people. If the Russian Government had an opportunity like this, they would lay down propaganda to sell Russia to the whole world.

I think it is time we got on the aggressive forward march and told the world what we have.

We are spending millions of dollars of Federal money, and I am not sure we are winning friends and influencing people, but with \$2½ million we could influence the people of the world as to what America has to offer.

That is what I would like to say at this time.

Senator BARTLETT. And you did say it, and you said it eloquently, as always. Yours is a very useful statement, Colonel Marston. However, I must add that I figured that you would come up here and urge that the reception center be placed at Kivalina or Point Hope.

Mr. MARSTON. There is a place there for it. The great Eskimo people, I met them 20 years ago when they were just Eskimos, fishing and hunting. We organized the ATG, as Bob knows, and the scouts. And today those same Eskimos, though they were only fishermen and hunters 20 years ago, are flying our planes, driving our cars, and building our homes. That is what we did with the ATG, and influencing a whole race of people. They are now one of us. They belong to us, they are part of us, and we could do that same thing with many people from all over the world. We could influence them and sell them the great United States of America and Anchorage, Alaska.

Senator BARTLETT. Sir, if we get in trouble with this bill in Washington, and we sent out an SOS for you, can you come down?

Mr. MARSTON. I certainly will, Senator Bartlett.

Senator BARTLETT. I hope the SOS doesn't need to be sent, but if the requirement comes, we are going to ask for you to come.

Mr. MARSTON. Thank you.

Senator BARTLETT. Thank you very much.

Mr. MARSTON. I will say elot neg solie, meaning to an Eskimo, "sometime again."

Senator BARTLETT. Is there any further testimony on this bill? Apparently not. The committee will stand in recess.

(Recess.)

Senator BARTLETT. The committee will be in order.

We will now go to the transportation hearing in order to accommodate the General Manager of the Alaska Railroad who must testify today and who must testify at the earliest possible moment on account of other earlier engagements. I will ask Mr. John Smith, General Manager of the Alaska Railroad, to come to the stand.

Mr. Smith, we feel especially honored that you are testifying before us today. We will be very glad to hear your statement.

STATEMENT OF D. J. SMITH, GENERAL MANAGER, THE ALASKA RAILROAD

Mr. SMITH. Thank you, Senator.

I have a written statement, and if possible I would like to have it entered into the record as representing my own views.

Senator BARTLETT. Your own views?

Mr. SMITH. My own views.

Senator BARTLETT. Not necessarily the views of the Department of the Interior?

Mr. SMITH. That is right. There was not sufficient time to get clearance from the Department on all these different items.

Senator BARTLETT. Is it your desire to read the statement in full?

Mr. SMITH. I would like to read most of it. There are three or four pages we can skip.

Senator BARTLETT. My only thought in that connection is that there are many interested people in the room who may not have access to the prepared statement. If your lungs and voice would hold out, perhaps it would be just as well to read it right through.

Mr. SMITH. All right.

With regard to S. 1725 and S. 1839, and House bill 7297, I believe it would be appropriate if others, more directly affected by the bills in question, presented the detailed testimony. I would, however, like to suggest the following amendments to the proposed bills: In S. 1725, after the words "or the Intercoastal Shipping Act, 1933, as amended," found on page 2, line 11, insert the following so that the remainder of section 1 will read:

Provided, however, That this shall not be interpreted to permit the Joint Board established by section 6 of the Act, or any other regulatory agency to prevent any carrier which has entered into or wishes to enter a joint agreement or concurrence with the Alaska Railroad under the Act of March 12, 1914, 38 Stat. 305, or any such carriers or connecting carriers, from publishing joint rates and through routes which include those rates and routes of the Alaska Railroad under said Act of March 12, 1914: *Provided further, however,* That the authority to establish through service and joint rates should not be applicable to interstate operations within the State of Hawaii by motor common carriers or property.

In S. 1839 and H.R. 7297, after the words "be subject to the provisions of this part," found on page 2, line 23, insert the following so that the remainder of section 2 will read:

and this Act shall be interpreted to permit any carrier which has entered into or wishes to enter into a joint agreement or concurrence with the Alaska Railroad under the Act of March 12, 1914, 38 Stat. 305, or any such carriers or con-

necting carriers to publish joint rates and through routes, which include those rates and routes of the Alaska Railroad under said Act of March 12, 1914, in accord with the existing authority under said Alaska Railroad Act.

By virtue of the act of March 12, 1914 (38 Stat. 305; 48 U.S.C. 301), authority is given to the Alaska Railroad and to connecting carriers who wish to make agreements with the Alaska Railroad for joint transportation of passengers or property of the Alaska Railroad, and in addition, the Alaska Railroad and its connecting carriers are authorized to make such other contracts as may be necessary to carry out the purposes of said act, which purposes, among other things, are the joint transportation of persons and property via the Alaska Railroad and its connecting carriers.

Title 48, United States Code, section 307, authorizes "all necessary Acts and things in addition to those specifically authorized" in the act of March 12, 1914, to enable the accomplishment of the purposes and objectives of said act. Therefore, it is our view that Congress has given authority for the Alaska Railroad to enter into joint agreements or concurrences and to publish joint rates and through routes with any carrier presently under any of the Federal regulatory agencies. Consequently, we feel that our proposed amendment would make the regulatory bodies more aware of the authority which already exists.

With regard to S. 2413, a bill to provide for the economic regulation of the Alaska Railroad under the Interstate Commerce Act and for other purposes, it is my belief that the end goal sought by yourself, Mr. Senator, as author of the bill, and the aims of the Alaska Railroad have much in common. It is only with regard to the means utilized to achieve the end result that we are at variance. We are not against economic regulation, provided the instrument of such regulation does not create a conflict with the requirements of other Federal agencies.

The Secretary of the Interior has established a policy upholding the purposes of the act creating the Alaska Railroad and we do not believe it to be fitting and proper for the Interstate Commerce Commission to imply that the Secretary of the Interior has violated the very law he is bound to execute.

In its letter to Senator Magnuson on September 25, 1961, the ICC refers to a "competitive struggle" between the Alaska Railroad and the motor carriers, and states:

the Commission is firmly of the view that there can be no effective, equitable regulation of surface transportation in interstate commerce within that State [Alaska] as long as one of the major competitive modes is subject to a full measure of regulation while its chief competitor remains completely free from regulatory control.

It is a well-known fact that the Alaska Railroad has been the most effective stabilizing influence in Alaska in keeping rates down within reach of the citizens of Alaska. Since we believe the objective of S. 2413 is to protect the shippers, passengers, and consignees in Alaska, we believe that a different and better approach than S. 2413 should be taken.

In this regard I would like to suggest to the committee that the law proposed by the Alaska Railroad would permit any shipper, person, common carrier, and so forth, to complain to the ICC of any violation of law by the Alaska Railroad, and permit investigation and reparation of the same; permit the ICC to determine and prescribe rates and classifications based upon hearings; permit the Commission to estab-

lish through routes, joint classifications, joint rates, fares, or charges and the division thereof and determine the lawfulness of new rates, suspensions thereof, and require refunds.

Our major objection to S. 2413 is that it creates conflicts with regulations of other Federal agencies. Further, it raises some basic constitutional issues. The Alaska Railroad, being in the executive department, a bureau of the Department of the Interior, must follow rules, regulations, laws, and precedents designed to control the functions of the executive department. The Interstate Commerce Act, a law designed to exercise Government controls over private enterprise, when modified to control a Government agency, must preclude an independent commission from encroaching upon the constitutional powers of the executive department. S. 2413 would allow such encroachment. For example, S. 2413 would make the Alaska Railroad subject to 49 U.S.C. 12(1) which authorizes the Commission to bring action in court against the Secretary of the Interior and the Alaska Railroad through the U.S. Attorney General and the U.S. district attorneys to enforce what the Commission considers to be the law under chapter I. There is a similar provision in chapter II (49 U.S.C. 43).

On the other hand, the Attorney General and the U.S. district attorneys are required by law (28 U.S.C. 507), to defend the Secretary of the Interior and the Alaska Railroad. Hence, the conflict created by S. 2413 would cause the Attorney General to be both the prosecuting and defense attorney at the same time.

A draft bill proposed by the Alaska Railroad, which we would like to enter into the record, you will note, differs from S. 2413 in that the former selects the specific provisions of the Interstate Commerce Act which would apply to the Alaska Railroad, a Government agency, and eliminates those portions of the act designed for private carriers and creates no conflicts with normal Government procedures. The act proposed by the Alaska Railroad is the modification of 48 U.S.C. 301 to read as follows:

A BILL To amend the Act of March 12, 1914, to make the rates of the Alaska Railroad subject to uniform requirements of the Interstate Commerce Act

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the first paragraph of the first section of the Act entitled "An Act to authorize the President of the United States to locate, construct, and operate railroads in the Territory of Alaska and for other purposes," approved March 12, 1914 (38 Stat. 305), as amended (48 U.S.C. 301), is amended to read as follows:

The President of the United States is empowered, authorized, and directed to adopt and use a name by which designate the railroad or railroads and properties to be located, owned, acquired, or operated under the authority of sections 301, 302, and 303-308 of this title; to employ such officers, agents, or agencies, in his discretion, as may be necessary to enable him to carry out the purposes of said sections; to authorize and require such officers, agents, or agencies to perform any or all of the duties imposed up him by the terms of said sections; to detail and require any officer or officers in the Engineer Corps in the Army or Navy to perform service under said sections; to fix the compensation of all officers, agents, or employees appointed or designated by him; to designate and cause to be located a route or routes for a line or lines of railroad in the State of Alaska not to exceed in the aggregate one thousand miles, to be so located as to connect one or more of the open Pacific Ocean harbors on the southern coast of Alaska with the navigable waters in the interior of Alaska, and with a coal field or fields so as best to aid in the development of the agricultural and mineral or other resources of Alaska, and the settlement of the public lands therein, and so as to provide transportation of coal for the Army and

Navy, transportation of troops, arms, munitions of war, the mails, and for other governmental and public uses and for the transportation of passengers and property; to construct and build a railroad or railroads along such route or routes as he may so designate and locate, with the necessary branch lines, feeders, sidings, switches, and spurs; to purchase or otherwise acquire all real and personal property necessary to carry out the purposes of said section; to exercise the power of eminent domain in acquiring property for such use which use is declared to be a public use, by condemnation in the courts of Alaska in accordance with the laws now or hereafter in force there; to acquire rights-of-way, terminal grounds, and all other rights; to purchase or otherwise acquire all necessary equipment for the construction, and operation of such railroad or railroads; to build or otherwise acquire docks, wharves, terminal facilities, and all structures needed for the equipment and operation of such railroad or railroads; to fix, change, or modify rates for the transportation of passengers and property, which rates shall be subject to the first paragraph of section 13 of the Act of February 4, 1887 (24 Stat. 383), as amended (49 U.S.C. 13(1)) and section 15 of the Act of February 4, 1887 (24 Stat. 384), as amended (49 U.S.C. 15(1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), (13)), except the seventh and ninth paragraphs of the amendment of section 15 by section 12 of the Act of February 28, 1920 (36 Stat. 551), as amended (49 U.S.C. 15(12), (14)), and except that so long as such railroad or railroads continue to be both wholly owned and operated by the United States of America or by one of its departments, corporations, or agencies, the Interstate Commerce Commission in determining the lawfulness of rates or charges maintained, or from time to time proposed to be maintained, by such railroad or railroads, shall give due consideration, among other things, to the national public purposes which to a substantial extent prompted the construction, expansion, maintenance, and improvement thereof, with particular reference to the requirements of the national defense, as well as promotion and development of natural resources, and shall to the extent warranted by the facts recognized for valuation and cost finding purposes a segregation of both capital investment and operating expenses which are found to be solely attributable to such national public purposes, distinguishing them from normal railroad common carrier investment and operational expenses; nor shall such rates and charges be deemed to be unlawful solely because they fail to yield sufficient revenues to cover any amounts for taxes not actually required by law to be paid or provide a return on capital investment; but no free transportation or passes shall be permitted except that the provisions of the interstate commerce laws relating to the transportation of employees and their families shall be in force as to the lines constructed under said sections; and except also that the issuance of passes to ministers of religion traveling secretaries of Railroad Young Men's Christian Associations, and persons exclusively engaged in charitable and eleemosynary work when engaged in their work in Alaska; to indigent, destitute, and homeless persons, inmates of hospitals and charitable and eleemosynary institutions, and to such persons when transported by charitable societies or hospitals and the necessary agents employed in such transportation; to newsboys on trains, persons injured in wrecks, and physicians and nurses attending such persons; the interchange of passes for the officers, agents, and employees of common carriers, and their families; and the carrying of passengers free with the object of providing relief in cases of general epidemic, pestilence, or other calamitous visitation is permitted; to receive compensation for the transportation of passengers and property, and to perform generally all the usual duties of a common carrier by railroad; to make and establish rules and regulations for the control and operation of said railroad or railroads; in his discretion, to leave the said railroad or railroads, or any portion thereof, including telegraph and telephone lines, after completion under such terms as he may deem proper, but no lease of such railroad or railroads shall be for a longer period than twenty years and no other lease authorized in sections 301, 302, and 303-308 of this title shall be for a longer period than fifty-five years, or in the event of failure to lease, to operate the same until the further action of Congress. If said railroad or railroads, including telegraph and telephone lines, are leased under the authority given under said sections, then and in that event they shall be operated under the jurisdiction and control of the provisions of the interstate commerce laws; to purchase, condemn, or otherwise acquire upon such terms as he may deem proper, any other line or lines of railroad in Alaska which may be necessary to complete the construction; of the line or lines of railroad designated or located by him. The price to be paid in case of purchase shall in no case exceed the actual physical value of

the railroad; to make contracts or agreements with any railroad or steamship company or vessel owner for joint transportation of passengers or property over the road or roads herein provided for, and such railroad or steamship line or by such vessel, and to make such other contracts as may be necessary to carry out any of the purposes of said sections; to utilize in carrying on the work herein provided for any and all machinery, equipment, instruments, material, and other property of any sort whatsoever, used or acquired in connection with the construction of the Panama Canal, so far and as rapidly as the same is no longer needed at Panama, and the successors to the Isthmian Canal Commission are authorized to deliver said property to such officers or persons as the President may designate, and to take credit therefor at such percentage of its original cost as the President may approve, but this amount shall not be charged against the fund provided for in said sections.

S. 2593 is a bill to improve and encourage collective bargaining between the management of the Alaska Railroad and representatives of its employees, and to permit to the extent practicable the adoption by the Alaska Railroad of the personnel policies and practices of the railroad industry. I might say at this point, Senator Bartlett, that your supporting statement to the Senate which is contained in pages 19345 through 19351 very well covers our position.

For a decade, the Alaska Railroad and its unions have negotiated wage rates on a pattern of Northern Pacific Railway wage rates, by occupation, plus a differential to fairly reflect the higher price level of the rail belt in Alaska. These negotiations not only resulted in the adoption of wage rates and related wage rules, but, in addition, rules based on the practice of the railroad industry, including hires, bidding, bumping, and reassignments. All other related personnel matters have been regulated by the contracts between the Alaska Railroad and union representatives of all employees, as on stateside railroads. These wages, working conditions, grievance procedures, hearings and investigations, and such matters pertaining thereto are all contained in written agreements between the railroad and the eight national labor unions representing employees on the Alaska Railroad. Similar written agreements have been in effect as early as the agreement between the locomotive engineers, conductors, firemen, and brakemen in the Alaska Railroad agreement of April 1, 1920.

Civil Service and veterans' preference regulations, if applied to the Alaska Railroad, would be in general conflict with all current union agreements.

The heart of this personnel bill is not exemption from veterans' preference but a provision which grants the employees, including veterans, the right to choose, through negotiation, whether they wish to keep their present seniority system, or whether they wish to abandon it in favor of civil service procedures, many of which are applicable both to veterans and nonveterans.

Management's position for passage of this proposed bill is based primarily upon continuation of these negotiated union agreements which have been in effect for over 30 years. Failure of this bill will make it mandatory for the railroad to take certain action in order to conform with regulations. Management has already been put on notice by the unions that such actions will be considered a break in faith between the U.S. Department of the Interior and the unions. Management of the Alaska Railroad must, therefore, do all possible to sustain these agreements.

We, together with our unions and employees, expect no opposition from the Civil Service Commission on this proposed bill and will deeply appreciate your continued support of its passage. We would, however, like to suggest one change in the proposed bill in order that it may more explicitly express the desired regulation. The change requested is as follows: After the words "Act of 1944," found on page 3, line 13, insert the words "and the Act of January 16, 1883, 22 Stat. 403, as amended,".

That, Mr. Chairman, concludes my formal presentation to this committee. I would be happy to attempt to answer any questions you may care to ask and, if detailed answers are not immediately available, they will be furnished you during your stay in Anchorage.

Again, I wish to express my appreciation of the privilege of appearing before this committee.

Thank you.

I would like to read one other thing in support of that particular bill, and that is on June 22, 1961, the President of the United States issued a memorandum to the heads of departments and agencies on employee-management relations in the Federal service. The President's memorandum states in part:

The right of all employees of the Federal Government to join and participate in activities of employee organizations and to seek to improve working conditions and the resolution of grievances should be recognized by management officials at all levels in all departments and agencies. The participation of Federal employees in the formulation and implementation of employee policies and procedures affecting them contributes to the effective conduct of public business. I believe this participation should include consultation by responsible officials with representatives of the employees and Federal employee organizations.

The only other thing I would like to say, in your opening remarks you read a portion of a letter from the Secretary of the Interior concerning any thoughts or conflicts that may arise, or may have already arisen between the Alaska Railroad and the port. I would like to say that I think possibly this might be a little exaggerated, but rather than take your time we would be glad to give you a copy of the transcript of testimony held by the FMB a few months ago to enter into your record if you so desire. I believe that the 3-day hearing was pretty complete. I do not know the results yet; but if you would wish to make it a part of your record, we will see that you get a copy of it.

Senator BARTLETT. The committee would be grateful for a copy, and it will be placed in the file.

Does that conclude your statement, Mr. Smith?

Mr. SMITH. That concludes it.

Senator BARTLETT. Now last things first.

Alluding to S. 2593, will you inform the committee how veterans' preference operated on the Alaska Railroad, we will say 3 or 4 years ago? Was there a veterans' preference at that time?

Mr. SMITH. Mostly in the selection of hiring new help; that is, giving preference to the veterans on hiring.

Senator BARTLETT. What preference was given the veteran?

Mr. SMITH. As an illustration, if there was one vacancy and two people applying, the veteran got the preference of having the job.

Senator BARTLETT. Did the Alaska Railroad have then a preferen-

tial system relating, for example, to points in the manner that the Civil Service Commission does, giving the veteran automatically a certain number of points over and above the nonveteran?

Mr. SMITH. No, sir. It was mostly, I should say, more preference than the point system would have given him. In other words he just had the preference of filling the job.

Senator BARTLETT. If he had the required qualifications, he was automatically hired, as compared with the nonveteran possessing similar qualifications?

Mr. SMITH. Right.

Senator BARTLETT. What happened thereafter that finally resulted in the introduction of this bill, Mr. Smith?

Mr. SMITH. I don't believe I quite understand your question, Senator.

Senator BARTLETT. Why was the passage and introduction of this bill urged? What situation arose?

Mr. SMITH. It arose over the so-called bumping system that is universal in railroad business, and that is that a man with seniority would have the right to bump a younger man. In at least a couple of cases it turned out that the younger man was a veteran and he believed that he should have had preference over the man with the senior seniority.

Such appeals were made to the civil service and they were heard. There was quite a bit of time spent on the subject.

This destroys—

Senator BARTLETT. What were the conclusions, may I ask, of the Civil Service Commission?

Mr. SMITH. Excuse me a moment. May I check?

STATEMENT OF PAUL SHELMEKDINE, PERSONNEL OFFICER, THE ALASKA RAILROAD

Mr. SHELMEKDINE. I am Paul Shelmerdine, personnel officer, Alaska Railroad.

The two sections which conflict most generally with all of our union regulations are sections 12 and 14, which are implemented by civil service instruction CSR-20 and CSR-22. These regulations are as Mr. Smith has said in general conflict with all of our union agreements.

What started all this is the case called the *Peterson* case, in which the Civil Service Commission ruled that the Alaska Railroad should abide by the provisions of the veterans preference and certain other civil service regulations. I don't know what other information you want.

Senator BARTLETT. What other regulations?

Mr. SHELMEKDINE. The most important one and the one which conflicts with union agreements to the greatest extent is civil service regulation part 20, which applies to veterans as well as nonveterans. I might explain that by saying, for example, that under CSR-20 the Alaska Railroad employees would be given retention credit points first if they are a veteran for their veteran's service in years, months, and days. Secondly, they would be given retention points for other creditable Federal service. That could be in the Navy yards at the

base or any place other than the Alaska Railroad. In addition to that they would be given retention credit points for their Alaska Railroad service.

This would be for veterans.

For nonveterans they would also be given credit in retention points for their other creditable service prior to the time they came to the Alaska Railroad, and in addition would be given credit points for Alaska Railroad service.

This is in conflict with our present seniority system all the way through because, in the railroad seniority system, seniority simply means your length of service for that particular railroad. In other words, if we had a man on the railroad for 10 years on the Alaska road, he would have 10 years seniority. If he happened to work at the base as a powerplant engineer for 5 years prior to that, he would have seniority on other people on the Alaska road by this retention system which would exceed that.

In other words, it directly conflicts with all of our seniority agreements.

Senator BARTLETT. Let's get a specific illustration here.

Mr. SHELMEKDINE. I can give you a specific illustration, an actual case.

Senator BARTLETT. All right.

Mr. SHELMEKDINE. We have a man who is now a freight carman on the Alaska Railroad. He has been there some 3 years. Prior to that time he was a powerplant engineer at the base; at Elmendorf for 22 years. Presently he is on the bottom end of the Alaska Railroad seniority list for carmen since he has only about 3 years with the Alaska Railroad. But under SCR 20, even though not a veteran, he would be given retention points for his other 22 years of creditable service with the Federal Government which would give him the equal of 25 years on the Alaska Railroad, and he would have seniority under retention points under that kind of arrangement over anyone who had less than 25 years on the Alaska Railroad.

Senator BARTLETT. Let's assume this case in recognition of the fact—because that is what I understand you to say it is—that the Civil Service Commission has ruled that the Veterans' Preference Act of 1944 must apply to the Alaska Railroad. Is that correct?

Mr. SHELMEKDINE. That is correct.

Senator BARTLETT. The assumption is that you have an engineer, a nonveteran, who has worked on the Alaska Railroad for 27 years, and has been an engineer all of that time. And the other engineer is a veteran who has been an engineer with the Alaska Railroad for 1 year. Under the Veterans' Preference Act if one of those men has to be bumped, who goes?

Mr. SHELMEKDINE. The nonveteran; regardless of his 27 years.

Senator BARTLETT. Thank you.

Mr. SMITH. I would like to add one more thing about this particular bill.

The Alaska Railroad can operate under veterans' preference. There would be some hardships to it. Our main interest in the passage of the particular bill is the fact that we think that there is definite value in having good employee relationships and good morale.

The greatest amount of our employees want the passage of this bill. If it isn't passed and we have to throw out all of our existing agree-

ments and start from scratch, we are going to end up with a tremendous amount of disgruntled people and unhappy. This leads to injuries, accidents, and so on and so forth.

Our main interest is in the continuation of good labor relations.

Senator BARTLETT. The Alaska Railroad might properly be described—might it not—as being in a very peculiar, even unique situation? You are a Government agency, and yet your employees negotiate agreements with you and work for the railroad under pretty much the same labor situations as the employees of a private railroad; is that right?

Mr. SMITH. Yes, sir. And as I stated before, we have been negotiating between employees and the railroad long before the Government accepted it actually as a policy.

Senator BARTLETT. Do you have any civil service people at all, as such?

Mr. SMITH. No, sir.

Senator BARTLETT. All right, Mr. Smith. I have no doubt at all that Mr. Grinstein, the committee transportation counsel, will want to address a question or two to you relating to the other bills which you discussed.

Mr. GRINSTEIN. Mr. Smith, in what particular areas do the authorities granted in S. 2413 conflict with the requirements of other Federal agencies with regard to the Alaska Railroad?

Mr. SMITH. Of course, we spoke about this one here and the possibility of the Justice Department becoming, let's say, a court of decision because they would be both prosecuting us and defending us. That is one particular place.

Although there is consideration given in the bill, we believe it is rather loose and that is with regard to our responsibility of Government economy totally.

To have to make special reports to the ICC is just an added burden that shouldn't be placed upon us.

We are wondering, we believe that there is sufficient doubt in the bill as to even our ability to carry Government freight. There is a provision of the Interstate Commerce Commission that was definitely written to prevent railroads from being in the manufacturing business. The way it is worded we think that somebody might try to apply this to us.

Mr. GRINSTEIN. That is the so-called commodities clause?

Mr. SMITH. Right.

Mr. GRINSTEIN. If the problems of accounting, the commodities clause, and the question of the Department of Justice were ironed out, would it be your opinion that the Alaska Railroad would have no objection to the ICC assuming economic regulation over your rights?

Mr. SMITH. That is definitely our policy. We think that—I see absolutely nothing wrong with the wording in that portion of S. 2413 where it gives the authority for them to handle our rates under the conditions stated in there, and I think it would be good.

Mr. GRINSTEIN. And you see no conflict there between the goals of the ICC and the specific mandates to the Department of the Interior?

Mr. SMITH. Will you restate the question?

Mr. GRINSTEIN. You see no conflicts there between the policies of the ICC and the policies or mandates of the Department of the Interior with respect to the railroad?

Mr. SMITH. I can't say that I can't see any. Yes; I can. However, I don't think they are insurmountable as long as a little judgment is used on both sides, because definitely the Secretary of the Interior, under law, is responsible for the operation of the railroad. If some of his authority is removed but the responsibility isn't, there could be some conflict.

Even in view of that, we still think that the economic regulation, that is, of the rates, would still be worth it.

Mr. GRINSTEIN. Does the Alaska Railroad directly compete with carriers by highway or water carriers, aside from terminal area pickup and delivery services?

Mr. SMITH. We handle freight between Seward and Anchorage and Fairbanks. We issue tariffs in connection with certain water carriers. And I would say therefore that we are in competition.

Mr. GRINSTEIN. You do compete from point to point for traffic with carriers by highway?

Mr. SMITH. That is right.

Mr. GRINSTEIN. Are the rates of the Alaska Railroad adjusted to reflect the competition between the two modes?

Mr. SMITH. The rates of the Alaska Railroad are adjusted from time to time as a matter of competitive ability. However, there is no joy in handling anything at below cost. And if someone else does develop a method of handling some freight at a cheaper rate than we can afford to handle it, we would just as soon not have the commodity.

Mr. GRINSTEIN. When you say below cost, do you mean out-of-pocket cost, operating cost?

Mr. SMITH. Right.

Mr. GRINSTEIN. You publish tariffs?

Mr. SMITH. That is right.

Mr. GRINSTEIN. Do you publish them in advance of the rate taking effect, or does the rate take effect immediately upon publication?

Mr. SMITH. No; we try to comply with the ICC regulations. In the event of any type of an increase of course it is 30 days. Generally on a decrease, not less than 10.

Mr. GRINSTEIN. Is any forum provided for another mode of transportation to bring a view perhaps adverse to the proposed rate of the railroad?

Mr. SMITH. Do you mean in the way of appeal?

Mr. GRINSTEIN. Yes.

Mr. SMITH. The only method of appeal now I would say is directly to the Secretary of Interior. That is one reason we think there should be some sort of economic regulation, to set up a system where another carrier or any shipper could protest any rate that we put in.

It gives them an avenue to go through this system.

Certainly the Secretary of the Interior would not have anyone on his staff who would be a qualified rate man. He would have to go outside to get one.

Mr. GRINSTEIN. Have any appeals been taken to the Secretary of the Interior that you know of?

Mr. SMITH. I would say that that is pretty regular. Generally it is on a general basis. Our competitors say our rates are too low. The customers say they are too high.

Mr. GRINSTEIN. Has the Secretary ever forced the railroad to forego a rate decrease because of the appeal taken by a carrier by highway or water?

Mr. SMITH. A couple of years ago, I believe it was in February of 1960, the railroad wanted to add a 5-cent increment to its division to take care of the dock charges—an increase in that portion of it to take care of the dock charges at Seward. A retired ICC examiner was hired by the Secretary to hold hearings up here. We have only had one other change since that time, at which time we notified everybody in 30 days. We did not get any heavy protest, but it was with the understanding of the Secretary that if we received heavy protest, we would suspend the rates so a hearing could have been held.

Mr. GRINSTEIN. You do operate a pickup and delivery service by motor vehicle?

Mr. SMITH. Yes, sir; that is right.

Mr. GRINSTEIN. Do you confine that to a particular terminal area, or do you go beyond, for example, Anchorage?

Mr. SMITH. We do not perform any land haul truck driving. It is all pickup and delivery within the normal delivery areas. They are defined in our tariffs and they do not stretch out so very far from any town.

Mr. GRINSTEIN. Is there a procedure whereby an aggrieved carrier can appeal to the Secretary the question of the size of a terminal area?

Mr. SMITH. No, not at the present time; other than just writing a letter of objection, something of that sort. There is no avenue for him to go through.

Mr. GRINSTEIN. In your formal statement you suggest an amendment to S. 1725. What would be the effect of the amendment?

Mr. SMITH. What we are trying to get at here is that it appeared to us that in the event an economic regulation for the Alaska Railroad didn't get by, that these bills, either one of them, might be construed as to indicate to the regulatory body chosen to regulate water carriers that they could not enter into a joint tariff with the Alaska Railroad. This position has been taken by the ICC many times. In fact at one time we did file our tariffs. But now we merely give them to the ICC as information. They refuse to accept them as a documented tariff.

We feel that in our organic act that we have got the right to publish tariffs for connecting lines, but the ICC has stated that the other lines do not have rights to file tariffs with us.

So this brings up a situation where the water carrier in this particular case files a tariff, then we promptly file an overall through tariff, and you send them both out to the shipper, and 10 chances to 1 he will throw away the water carriers tariff and use the railroad tariff because it is an all-inclusive situation.

Mr. GRINSTEIN. The suggestion has been made that S. 1725 should be discarded and S. 1839, which would provide for ICC control or regulation of joint rates and through routes be substituted for it. What is your opinion of that? Would you prefer to see the ICC assume regulatory authority over joint rates and through routes, rather than a joint board approach?

Mr. SMITH. Of course my remarks naturally have not been cleared by the Department. Some people may question why I would be interested in the regulation of water carriers when the Alaska Railroad isn't.

However, my personal observation is that 1839 would be a better bill.

The ICC now regulates water carriers in coastwise service in the lower 48 States. I don't see a condition here where Alaska is different. It is a State now and it should be treated as a State.

I think that instead of trying to create obstacles against freight moving back and forth, we should be encouraging.

Also I believe it saves setting up a separate bureau effect.

Mr. GRINSTEIN. Expanding that a little bit more, do you think it it would be helpful to the purposes and objectives of the Alaska transportation system if all modes of water transportation—rail transportation and highway—were put under the economic regulation of the ICC?

Mr. SMITH. All of them?

Mr. GRINSTEIN. All.

Mr. SMITH. Yes, yes. That would be a lot easier working.

Mr. GRINSTEIN. And transfer the jurisdiction presently in the Federal Maritime Commission to the ICC over water carriers?

Mr. SMITH. Yes. A single agency I think would do a better job of regulating it than two of them getting in together. Some of the rates of course are part water and part land, and things like that. I think that it would be just a lot better working situation.

Mr. GRINSTEIN. Another suggestion has been made, that a provision be inserted which would require compulsory, as opposed to permissive, joint rates and through routes as among lines. Could you give your personal opinion on that?

Mr. SMITH. Again this is personal, but I believe that the act should be compulsory.

I think that in the interest of keeping good water transportation, certain protection has to be given to those carriers in the business. They can't be shot at from every angle by the so-called gypsy making a trip now and then. And you have to rely on your regular carriers to really supply you when things are bad, cold weather, or things like that.

Mr. GRINSTEIN. You think it should be made compulsory?

Senator BARTLETT. Mr. Smith, in respect to delivery of freight by truck, do you go out as far as Big Delta from Fairbanks, for example?

Mr. SMITH. No; we do not, ourselves. What we do have is an arrangement with a couple of common carrier truck carriers wherein we show rates to Big Delta. However there is a provision in the tariff that specifies it will move by common carrier at a certain rate beyond Fairbanks.

Senator BARTLETT. Do you make an arrangement with one of the local truckers?

Mr. SMITH. Yes, sir.

Senator BARTLETT. For delivery.

If S. 1839 were enacted into law, the bill you have been discussing with Mr. Grinstein, would there be a requirement then additionally for separate legislation for economic regulation of the Alaska Railroad?

Mr. SMITH. The way I see it there would be, yes.

Senator BARTLETT. You have a proposed substitute for S. 2413. Is this draft similar to or identical with that which was supplied the committee earlier this year?

Mr. SMITH. Yes, sir. I don't necessarily say that this is the bill exactly the way it should be written. I do believe that possibly if we sat down with the ICC and a member of the committee we could work out something and try to see if the Department of Interior would then approve such a bill.

The Department has not as yet decided to agree to this bill. They just haven't made the decision. However, I definitely have recommended against it.

Senator BARTLETT. I beg your pardon?

Mr. SMITH. I have recommended against the bill as written.

Senator BARTLETT. Against the bill as introduced?

Mr. SMITH. S. 2413.

Senator BARTLETT. For the purposes set forth in your statement?

Mr. SMITH. Yes, sir.

Senator BARTLETT. You have recommended against it for those purposes?

Mr. SMITH. Right.

Senator BARTLETT. It wasn't quite clear to me what constitutional issues are involved.

Mr. SMITH. Basically the Alaska Railroad is a portion of the executive branch of the Federal Government. The Interstate Commerce Commission is not. When you have a regulatory body of the next step of Federal Government having control of a section of the executive branch, while in the case of the Alaska Railroad it doesn't sound bad, the next thing is, does it set up a precedent that is bad toward the whole working of the Government. I am not in a position to make that decision however.

Senator BARTLETT. For example, the Interior Department is in the executive branch of the Government. And the Bureau of the Budget is likewise situated. If the Department of Interior comes over to the Bureau of the Budget and says we want to ask the Congress for \$149 million for certain constructions on the Alaska Railroad, the Bureau of the Budget can say no and the Department of Interior cannot ask Congress for that money.

So you do have this one branch of the executive department controlling another. Those are both executive. ICC isn't. Neither is the Civil Service Commission, which has told you that you must adhere to the Veterans' Preference Act.

I don't think this is as simple as that. In any case, aside from the merits, Mr. Smith, of your draft as opposed to S. 2413, I was wondering why there was a need for repetition of so much existing language?

Mr. SMITH. Where is that?

Senator BARTLETT. All through the bill.

For example, there is a long recital to the effect that:

The Railroad will be entitled—
this bill notwithstanding—

to issue passes to ministers of religion, traveling secretaries of railroads, Young Men's Christian Association—

and I doubt if you have had one request.

I notice one sad lack: there is not a provision in this bill for the issuance of a free pass to a banana peddler, and I believe every other railroad in the United States is empowered to give those passes.

I was thinking it might be a little more wordy than it need be.

Mr. SMITH. It probably could be cut down somewhat.

Senator BARTLETT. In any case the committee is grateful to you for presenting this statement and accepts it with the understanding that it represents your personal conclusions and does not necessarily bind the Department of the Interior.

Mr. SMITH. That is right.

Senator BARTLETT. I want to say to you, Mr. Smith, and to all other witnesses, that you will have the privilege for 30 days of submitting additions in writing to the statements made, and these should be addressed to Mr. Harry Huse, Senate Committee on Commerce, Washington 25, D.C. People who desire to offer testimony on the subjects under consideration by the committee but who have not had the opportunity to come before us will likewise have the privilege of filing written statements.

Thank you, Mr. Smith.

Mr. SMITH. Did you want us to give you this court reporter's copy of the FMB hearings today?

Senator BARTLETT. Why don't you mail it to us in Washington; attention Mr. Grinstein.

Mr. SMITH. Thank you, sir.

Senator BARTLETT. The committee is going to stand in recess until 1:45 p.m. We are going just as late as we can this afternoon. If all goes well, we will turn to the subject of the fishery at the beginning of the afternoon session. The committee will be in recess.

(Recess.)

Senator BARTLETT. The committee will be in order.

We are now to hear S. 2593, which I introduced on September 21, 1961, by request.

The veterans' organizations will be heard from first.

We are glad to have you here.

STATEMENT OF ALBERT QUEER, MOUNTAIN VIEW, ANCHORAGE, ALASKA

Mr. QUEER. I am Albert Queer, Box 5024, Mountain View, Anchorage.

The reason that I am here, sir, is at the request of Jack Henry Post. Some time back correspondence was received in the State relative to this hearing, and to the presentation of the bill. The gist of that letter was somewhat to the effect that probably the national office of the American Legion might have expressed no disapproval of the subject proposed bill in its form. However, it gave the opinion that if the local post opposed the bill, then they would consider it further.

On the basis of that, I have been asked to make this presentation in behalf of the American Legion, Jack Henry Post, Spenard Post 28, and the Women's Post No. 1, and also the VFW Post of Anchorage.

For the record, I would like to state that the veterans' organizations I represent in no way oppose collective bargaining or employee organizations in any Federal agency, whether it be the Alaska Railroad, the Federal Aviation Agency, Public Health Service, Defense Department, or any other, so long as their aims do not conflict with the law of the land and in the interest of better employee-management relations. In fact, I personally feel that the employee organizations

and management of the Alaska Railroad are to be commended for their advances in this field. As a Federal agency their agreements are unique and are far in advance of other Federal agencies, and they serve to protect the rights of the railroad employees covered by them.

We cannot overlook the fact that there is a possibility for a need of this type of employee-management relationship in other Federal agencies. The present administration in Washington recognizes the possibility of this need in the establishment of the President's task force exploring this field in all Federal agencies.

However, we, as veterans and representing veterans' organizations, do not let this possible need be paramount over a very definite and established existing need, this need being the protection of veterans and their rights as set down in the law of the land, that law in this instance being the Veterans Preference Act of 1944.

Ours, the veterans' organizations opposition to the proposed bill is based on the language of the bill and the effect it will have on the provisions of the Veterans Preference Act as applicable to the Alaska Railroad. We feel that this bill, if enacted into law, will serve to scrap the Veterans Preference Act of 1944 insofar as its application and enforcement on the Alaska Railroad is concerned.

We are particularly concerned in this phrasing in the bill. We have no objection in its outlining here:

A bill to improve and encourage collective bargaining between the management of the Alaska Railroad and representatives of its employees and to permit to the extent practicable the adoption by the Alaska Railroad of the personnel policies and practices of the railroad industry.

To go on further with the bill:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That with respect to the Alaska Railroad the Secretary of the Interior is authorized, without regard to the provisions of civil service laws, except the Veterans Preference Act of 1944, as amended, to appoint or hire such officers, agents, attorneys, and employees as may be necessary for the operation of the Alaska Railroad, and to establish rules governing such hiring and appointments.

Under (e), this, if enacted, would give the Secretary of the Interior the power, as quoted here, to establish rules governing promotion, retention, discharge, layoff, recall, seniority of employees the settlement of grievances and disputes, and related personnel problems. We feel, in this part of the act, that this would give the Secretary of the Interior the power to employ those provisions as set down particularly in sections 12 and 14 of the Veterans' Preference Act.

Under (j), we pass on this power to establish performance ratings—rating systems—without regard to the requirements of the Performance Rating Act of 1950; and, under (j), to—

negotiate and enter into written agreements with duly authorized union representatives, which agreements made without regard to the provisions of the Veterans' Preference Act of 1944 relate to but shall not be restricted to wage rates and rules, promotions, demotions, retention, discharge, layoff, recall, seniority of employees, and settlement of grievances and disputes.

This act in this state does not provide—in fact, it destroys the rights of appeal under the Veterans' Preference Act reserved for veterans.

As I stated in starting, at the beginning, we have no quarrel, and in fact encourage the collective bargaining as set up by the Alaska Railroad with the employees. However, there seems to be a flagrant

ignorance and misinformation among the employees and the management in its application. This application is embodied in some of the agreements.

I have here an example of one. This happens to be the trainman's agreement, Alaska Railroad, effective March 10, 1957. I do not know whether this is the most recent.

The agreement as a whole, as an employee tool; no objections to it. However, under rule 28-D, with the subtitle "Reduction in Force," it is blank. Under the schedule on the index for rule 28-D, it has typed in "Vacant." To my knowledge, or the information available to me, I know of no existent rule in writing. It would appear that this would have been left that way as a convenience.

However, this is a point that I should like to bring out, and this is the last sentence in the paragraph under rule 55:

This agreement or any part thereof is subordinate to and superseded by any conflicting Federal laws that are now or may later be enacted.

It would, in our opinion, appear that, to be an acceptable document in the management-employee agreement, they could not possibly flaunt the law to the extent of not making some reference to the reduction in force. The reduction in force under the Veterans' Preference Act has a procedure whereby the employees are grouped in their competitive levels. In that area, where there is a veteran and a nonveteran, the misinformation has it that possibly any yardbird in the railroad can possibly bump an engineer. That is belied by the text of the Veterans' Preference Act itself in the fact that they would not necessarily be in the same competitive field. So that isn't a possibility.

There is also a misuse, we will admit, on the railroad by veterans, and partly from the ignorance of just what the Veterans' Preference Act does provide. There have been instances brought to our attention to the effect that—well, for instance, in the Whittier closure, that two men of the same skill, in the same competitive level, being considered whether or not one or the other would be assigned to Whittier, the veteran is purported to have said, "I have preference; I do not need to go to Whittier. Send the nonveteran." That is misinformation. The Veterans' Preference Act is not a tool in that respect.

In coming back to the paragraph without regard to provisions of civil service regulations, we were particularly concerned in that this section is in conflict with section 11 of the Veterans Preference Rules in that if the railroad is removed from the laws of the civil service there is the probability that the means or the mechanics of redress of appeal of the veteran would be taken away in the fact that in the adverse actions their chain of command or appeal is through their agency to the Civil Service Commission.

The other portion about review, in giving the organization the authority to negotiate and enter into written agreements with duly authorized union representatives, which agreements may—note this—

without regard to the provisions of the Veterans' Preference Act of 1944 relate to but not be restricted to wage rates, rules, promotion, demotion, retention, discharge, layoff, recall, seniority of employees, and the settlement of grievances and disputes.

This portion we are particularly concerned with in that section 14 of the Veterans' Preference Act.

I would like to further repeat that the local veterans organizations have no quarrel with the labor organizations of the railroad or with management except so far as these legislative actions and proposals tend to shave away from the veterans these rights, these rights being set down by law, they are not necessarily the most ideal in all respects, but they are recognized and accepted by other Federal agencies of the land. They are made to work and apply. The application in other agencies probably is more ideal, but it could be a working tool in the railroad, too, if proper education and application were made of the law.

The Alaska Railroad is unique in that it is trying to pattern its obligations entirely by the railroad traditions, and that is fine. We belong to different fraternal organizations and we try to pattern after a national organization, too. But we all abide by what is on the statutes of the law.

Such drafts or proposals here, while they affect Alaska, we in the veterans organizations feel that it is a means of getting the foot in the door to shave other veterans' preferences and other veterans' rights. It is hoped that we never have another war, but certainly there is no one in this room that would deprive their young men who might be faced in the next war the privilege of education, of protection, and job rights, that are set down under the Veterans' Preference Act.

We cannot, any of us, flaunt a traffic ticket, nor at the same time can we, even though it is unpopular, flaunt the law on income taxes. It is the law. We remain within it.

Thank you.

Senator BARTLETT. Thank you very much, Mr. Queer, for your illustrative statement.

Do you or do you not agree with testimony previously offered that the only consequential effect of this bill, should it become law, would be to deprive the veteran of a bumping right?

Mr. QUEER. If I understand the question right, this bill, were it to be enacted, would serve in all respect to invalidate and make in applicable the Veterans' Preference Act as a whole in all of its aspects on the railroad.

Senator BARTLETT. Your remark would include preferences in initial hiring, too, as I take it?

Mr. QUEER. The preferences in original hiring, in my opinion as it could be applied in the railroad, would not put a railroader in any of his capacities in jeopardy, primarily in the fact that all the veterans preference is in preferential hiring is the fact that a veteran and a nonveteran approaching the hiring window at the same time does, by the veterans preference law, have an edge for hire. It does not say, in the veterans preference law, that you will hire the veteran because he is a veteran if he is not qualified for the job you have to offer him.

Senator BARTLETT. But if he is qualified, then he does have that preference?

Mr. QUEER. If he meets all of the qualifications that management puts on the job, then he has that preference.

Senator BARTLETT. And that is in the Veterans' Preference Act itself?

Mr. QUEER. That, and substantiated by civil service.

Senator BARTLETT. Let me return to my question.

If two men approach the hiring officer of the Alaska Railroad, equal in respect to experience and, so far as he knows, equal in respect to ability, and one of them is a veteran and one a nonveteran, under those circumstances the veteran will be hired by the Alaska Railroad, will he not?

Mr. QUEER. If the application of the law is enforced, it would.

Senator BARTLETT. You don't think it is being enforced now; am I to infer that from your remark?

Mr. QUEER. No; I wouldn't necessarily say that it is not enforced. However, I believe that, were the hiring statistics of the railroad available, it would show a conspicuous number of temporary hires in veterans, on a temporary status, and a possible rehiring in another temporary status, which would deprive him of the probability of gaining status where he could be competitive.

Senator BARTLETT. Let's say that you need have no fears on that subject. Let us say that that is not so. Let us say that even you would agree that there were strict adherence to those provisions in the Veterans' Preference Act, giving the veterans a head start under the conditions which I outlined.

My question is this: If that is the case, would those rights be eliminated if S. 2593 were to become law?

Mr. QUEER. In my opinion, that would be eliminated by your section J, in which the employee groups in their agreements would have promotion, demotion, retention, discharge, layoff, and recall rights. It does not spell out here that they would retain the hiring right.

However, in section A, it does provide that the Interior Department will have the power to appoint or hire such officers, agents, attorneys, and employees, not necessarily the manager or supervisor but employees, so that that would place the power within the Secretary of Interior to discriminate if he saw fit.

Senator BARTLETT. Here we have two diametrically opposed viewpoints, yours just expressed and that expressed this morning by Mr. Smith, General Manager of the Alaska Railroad, whose testimony, as I recall it, suggested that the only difference this bill would make is with reference to the bumping provision. You can't prove your case; Mr. Smith can't prove his case at the moment. I certainly can't.

I suggest that as to technical interpretations we had best leave that to the professionals on the Post Office and Civil Service Committee.

Do you know if the sentiment of Alaska Railroad employees, veterans and nonveterans alike, has been tested on this proposition?

Mr. QUEER. If by "tested" you mean a fair, unbiased, and unpresured survey, I would say "No, it has not been," in the fact that to my knowledge, or brought to my attention through the veterans organizations, there have, on occasion, been petitions circulated to determine the sentiment of those people. And I believe that it could be substantiated that at least one man, an officer in an employee group, on a salary with the employee group, was removed from that position, either directly or indirectly, because of the fact that he was reluctant to state his free views that he would desire veterans preference.

Senator BARTLETT. He was removed from his job with the union?

Mr. QUEER. As an officer in the union, which is the prerogative of the employee group. We can think of dozens of reasons why a man

might be removed. But it would be that his sentiments were wrong relative to his views of having a petition crammed down his throat that he was not in agreement with.

Senator BARTLETT. This is a very controversial issue, then?

Mr. QUEER. Yes; it is a controversial issue on the railroad. I believe that it is on the part of both management and the employees. I believe that it is brought about primarily by the desire of management to play railroad like the big boys do in the railroad industry, and not in particular properly orienting or in applying the act. They have been quoted to say that this veterans preference can bring about all manner of ill to the veteran on the Alaska Railroad.

A little thinking about it, which a lot of people at the lower level, the general employee, might not diagnose properly, and he on the surface would say, well, I could see it is possible that Joe on the railroad down the State could bump me off a job here, without thinking of it, because the status or the treatment that the Veterans' Preference Act has received on the railroad, and on the individual veterans, there is an inclination, a human inclination, that when the shoe starts to pinch then they will cry wolf, then they are all for the veterans preference.

There are those types of veterans.

There is the other that through not going out on his own and determining all of the facets of the veterans preference believes what he is told about it, and he is inclined to believe that it is an all-powerful tool in his behalf, and it is not necessarily so. It is like any tool that management or an employee has; it has two sides of it.

Senator BARTLETT. It was only a couple of years ago, as I remember it, that this issue was raised. Has your research into the matter disclosed why it was that it didn't come to issue before?

Mr. QUEER. My personal opinion as to why it didn't come to issue before would stem back to conversations with different employees of the railroad through my association with the veterans organizations, where a ruling set down in 1944 or 1945, at a time when the railroad was administratively under the Federal Government or an active duty status quo, or something of that nature, a ruling was sent down that veterans preference did not apply, and in the case cited, as I recall it, that was so, it did not apply in that particular instance. But the seed of that decision has been the seeds passed down in years past that it did not apply. I think the reason why it has raised its head lately is that more and more information is being pressed out by such organizations that I belong to, educating the people of veterans preference and veterans rights.

In the Anchorage area it has received a considerable amount of lip-service from service officers and engineers, and I believe that this is raising the problem to the foremost that there are some teeth in the law, and it can be applied.

I believe that another factor involved is the fact that there have been cases, appeals made under the Veterans' Preference Act, that have withstood, withstood the acid test in the decisions from the Civil Service. Not all of them were won, but a sufficient number were won that makes it a matter of record.

This that I am going to say I probably could not substantiate. Mr. Shelwendine probably could be more qualified to do that than I.

However, conversation has brought it to my mind that very few of the employees or ex-employees of the Alaska Railroad who have made an appeal are still employed by the Alaska Railroad. I don't uphold the fact that management shouldn't have fired them or shouldn't have dismissed them because they are the people who have to get the work done, because there would have had to have been just cause for them to have been dismissed.

Senator BARTLETT. Do you have anything else?

Mr. QUEER. Other than, as I have said, that the local post here has no quarrels with and do encourage the collective bargaining rights of the employee groups and management, and that our stand here is only, the only conflict, with the Alaska Railroad and its management in this bill, is that it does appear to tend to hack at veterans' preference.

Senator BARTLETT. I shall say to you that which was first stated earlier in the day, and this applies not only to you but all other witnesses on the subject; namely, that we are going to lift this testimony in one way or another and transmit it to the Senate Committee on Post Office and Civil Service, of which Senator Johnston of South Carolina is chairman, because that is the committee to which the bill was referred.

Thank you, Mr. Queer.

Mr. QUEER. Thank you, sir.

Senator BARTLETT. Are there any other witnesses here to testify against this legislation?

(No response.)

Senator BARTLETT. Are there any witnesses here to testify for it? Come forward, sir.

STATEMENT OF ROBERT L. SHAKE, ANCHORAGE, ALASKA; GENERAL CHAIRMAN OF THE BROTHERHOOD OF RAILROAD TRAINMEN, THE ALASKA RAILROAD

Mr. SHAKE. Senator Bartlett—

Senator BARTLETT. Will you state your full name and mailing address, and the capacity in which you appear here?

Mr. SHAKE. My name is Robert L. Shake, 105 Manor Avenue, Anchorage. I am general chairman of the Brotherhood of Railroad Trainmen, the Alaska Railroad. I also am here today to represent the Brotherhood of Locomotive Firemen and Engine Men of the Alaska Railroad.

I would like to say that I am a veteran in the U.S. Navy, of World War II, and I am entitled to all the rights and benefits granted under the Veterans' Preference Act of 1944.

I would like to tell you what application of the Veterans Preference Act of 1944 on the Alaskan Railroad would do for me.

At the present time I am No. 40 on the trainmen's seniority list. With application of the Veterans Preference law I would immediately move to No. 16, which would set me up pretty nice senioritywise.

Senator BARTLETT. May I interrupt you there, or do you want to continue uninterrupted?

Mr. SHAKE. No, go ahead.

Senator BARTLETT. How would you get there? How would the existence of the Veterans Preference Act on the Alaska Railroad, without any doubt at all, enable you to jump from No. 40 to No. 16?

Mr. SHAKE. Because if business slowed down on the Alaska Railroad to where quite a reduction had to be made in crews, under the Veterans Preference Act my No. 40 would have no more meaning; I would be No. 16 on the retention list. Approximately 24 nonveterans with, some of them, nearly twice as many years service on the Alaska Railroad as I have would be laid off and furloughed before I would.

Mr. GRINSTEIN. Is the reason that you would move from 40 to 16 because they would add the years of service that you had in the military to the years you already had been with the Alaska Railroad?

Mr. SHAKE. That is done, that is true. But also the very fact that I am a veteran would automatically run me around the nonveterans as far as retention, reduction in grade, pay and compensation, and so on is concerned.

Our two organizations, the Brotherhood of Railroad Trainmen and the Brotherhood of Locomotive Firemen and Enginemen, are in favor of passage of S. 2593 because the application of the Veterans Preference Act and civil service regulations would wipe out and absolutely nullify the gains that our organization had made on the Alaska Railroad over the past 40 years. We have spent a good deal of money and time and effort in obtaining the working conditions that we have now. I will say this, they are not all that we wish they were, but we are certain that they are what we want. It is a way of life with us.

A train and engineman is a unique employee. I don't know of anyone outside of airline pilots and personnel that even compares with our methods of bargaining, our pay methods, and such things as that. There are just no other Federal employees that we can pattern ourselves after. To wipe out these rules and regulations that we have obtained over these many, many years would do nothing but reduce our pay and make us very unhappy employees. In fact, I would say that our morale would be entirely shot because we can see where our seniority would mean nothing to us; we would have nothing to look forward to in later years in the way of an easier job, or more pay. I am certain that it would result in the loss of a lot of very capable and long-time train and enginemen of the Alaska Railroad.

We have taken a poll amongst the train and enginemen, and we found as a result of that poll that more than 90 percent of the veterans themselves opposed the application of the Veterans Preference Act on the Alaska Railroad.

Senator BARTLETT. The veterans employed on the Railroad?

Mr. SHAKE. Yes, sir. We exerted no pressure to circulate this petition. It was done under everybody's free will and accord. As I say, the results were more than 90 percent of the veterans against application of veterans preference.

This bill, S. 2593, does not do away with veterans preference on the Alaska Railroad; it merely gives the unions who represent the employees the right to allow the employees themselves to decide whether or not they want to be treated as railroad employees under railroad working conditions, or whether or not they would prefer civil service regulations and veterans preference.

There is absolutely no thought in the minds of any of the officers of these organizations to deprive any veteran of his rights under veterans preference. If at any time in the future the veterans in any one of these labor organizations should decide that they preferred

veterans preference to civil service, they could have it. But it would give them a free choice.

This bill has been studied very closely by the Railway Labor Executives Association. This is an association that consists of approximately 20 labor unions, with headquarters in Washington, D.C. They have endorsed this bill. The Railway Labor Executives Association is affiliated with the AFL-CIO.

I would like to say that there was a reference made to our train and enginemen agreement whereby rule 28-D was found to be vacant, which has to do with reduction in force. This is very true. It was left vacant quite some time before the veterans preference issue arose on the Alaska Railroad, and it was done merely to keep the numbers of the rules intact, since the provisions of rule 28-D were written into another rule, a part of rule 9.

I would be very happy to furnish for the record a copy of the agreement that was in effect previous to the present one.

Senator BARTLETT. If you please.

Mr. SHAKE (continuing). All right, sir.

Which will show the change which was made, and it also will show that it has absolutely nothing to do with veterans.

Our agreement has absolutely nothing to do with new hirings. Our Alaska union on the railroad has nothing to say with who the railroad hires. Nor do we desire to have any voice in who the railroad hires.

(Agreement referred to follows:)

No. 1—MAY 16, 1949, AGREEMENT

(w) Officials or employees other than hostlers or hostler-helpers shall not be used in assigned hostler or hostler-helper's jobs when extra men entitled to the service are available.

DOUBLING HILLS

Rule 27. When trainmen and enginemen are required to double hills or run for fuel or water, actual miles run, including doubling mileage, will be the mileage of the trip. Example: Crew called at "S" for 10 a.m. Departs at 10:20 a.m. Runs "S" to "A" doubling Woodrow to Divide and Hunter to Grandview, doubling mileage 20 miles. Arrives at "A" 7:45 p.m. Tieup at 8 p.m. Allowance 114 miles and 20 miles doubling, 15 minutes final terminal delay. Total allowance 137 miles.

SENIORITY AND PROMOTION

Rule 28. (a) Brakemen and firemen will rank on the seniority lists as of the date they pass the required physical examination given by local railroad doctors and are placed on the respective working lists, or start their student trips, as the situation may require. Conductors and engineers will rank on their respective seniority lists as of the date they pass the required examination for promotion to such positions. Trainmen and enginemen, except as otherwise provided, will have choice of runs or jobs in the respective classes or grades of service to which their age in service entitles them. Temporary uses of brakemen as conductors or of firemen as engineers does not constitute a promotion. In case two or more men are examined for promotion on the same day, seniority in service as brakeman or fireman, as the case may be, shall govern relative standing. If on account of sickness or other causes beyond his control a man is unable to present himself for examination in regular turn, it will not affect the record date of his promotion.

BAGGAGEMEN

(b) Baggage men will be taken from the brakemen's seniority roster. Brakemen with less than 6 months' experience as such will not be used as baggage men if there is another brakeman on the crew where the baggageman is needed or on the extra board who has the required experience.

STUDENTS—LIMITATION

(c) Student brakemen and firemen who have not had previous experience shall be required to submit themselves to the railroad's training program for a sufficient number of days or trips as will qualify them to meet the minimum requirements of the class of service for which they have been employed.

REDUCTION OF FORCES

(d) Trainmen and enginemen laid off in reduction of forces shall be given leave of absence and be returned to the service, when forces are increased, in the order of their seniority, provided:

(1) They must, by registered letter, keep the superintendent informed of their correct mail address.

2. When notified by the superintendent by registered letter to report for duty the employee will acknowledge receipt of the same and failure to report within 30 days from date registered letter is sent to the last known address of the employee, unless an extension of time due to sickness is arranged for, shall constitute a forfeiture of all seniority rights.

SIXTY-DAY LIMITATION ON STUDENTS

(e) Inexperienced men who are hired as brakemen or firemen will not acquire permanent seniority until they have been in the service 60 actual days of work, and if at that time their services are satisfactory and they have been recommended by three conductors or engineers, as the case may be, with whom they have worked for the major portion of the period, they will be given seniority from the date of their appointment as brakeman or fireman. Inexperienced men may be removed from the service within the 60 actual days worked without investigation.

PROMOTING AND HIRING OF CONDUCTORS AND ENGINEERS

(f) When it becomes necessary to increase the list of conductors or engineers, brakemen, or firemen, as the case may be, in the service of the railroad as such, who have had 900 calendar days in the respective services on this and/or any other common carrier railroad operated under standard train rules, shall be available for promotion in the order of their seniority as brakemen or firemen. When there are no brakemen or firemen respectively, in the service of this railroad with the required experience for promotion, conductors or engineers with not less than 2 years' experience as conductors, or engineers, on a common carrier railroad, operated under standard train rules, may be hired and when so hired will be given date as brakeman, or fireman, as the case may be, as per sections (a) or (i) of this rule and as conductor or engineer as of the day they qualify as such. All brakemen and firemen in the service of the railroad as such for 6 or more years shall be promoted, if qualified.

DECLINING OR FAILING TO TAKE THE EXAMINATION—PENALTY

(g) Brakemen or firemen declining to take promotion to conductor or engineer in their turn shall follow and be junior as brakeman or fireman to the youngest man on the brakemen's or firemen's seniority list, as of the day and date that they decline or fail to appear for examination for promotion. Brakemen or firemen failing to pass a satisfactory examination for promotion to conductor or engineer will be given a second examination within 6 months of the first one and if they pass satisfactorily, they will date as conductor or engineer in accordance with these rules, 28(a). If they fail to pass the second examination, they shall follow and be junior as brakeman or fireman to the youngest man on the brakemen's or firemen's

No. 2—MARCH 10, 1957, AGREEMENT

Rule 8 (Continued) falling after midnight, no claim may be made for the lost calendar day.

A succession of trips under this rule is interpreted to mean two or more trips of twelve (12) hours or more, providing crews are called on rest on succeeding trips. In such event, they will be granted ten (10) hours rest if requested.

HANDLING EXTRA BOARDS AND EXTRA MEN

Rule 9(a). Separate extra boards for engineers, firemen, conductors, and brakemen will be maintained at Anchorage.

CONDUCTORS EXTRA BOARD ANCHORAGE

Rule 9(a)-2. There will be established at Anchorage a Rotary Conductor's extra board of five men who will be paid not less than 96 times the applicable straight time hourly rate per biweekly pay period, time to be computed on a weekly basis, provided they do not lay off or otherwise miss time. Time so lost will be deducted at the rate of 8 times straight time rate hourly for such time lost. In the event guarantee payments exceed 1,200 miles per biweekly pay period, one conductor for each 1,200 miles paid may be reduced from the board. Conductors rotating extra board will be considered a regular assignment and will be governed by seniority rules covering regular assigned jobs. In the event a vacancy occurs on this board and no bids are received, the youngest unassigned conductor will be assigned. These jobs will be seven day assignments with no rest day. Men bidding on these jobs must be qualified baggagemen and have passenger uniforms. Rule 3-D will not apply to jobs established under this rule.

CONDUCTOR EXTRA BOARD FAIRBANKS

Rule 9(a)-3. There will be established at Fairbanks an extra board consisting of three qualified conductors for relief purposes for trainmen whose home terminal is designated as Fairbanks or Healy. Conductors assigned under this rule may be used as brakemen if conditions require. This board will be regulated in accordance with Rule 9(a)-2.

SEWARD

Rule 9(a)-4. One qualified conductor will be maintained at Seward for relief purpose for trainmen whose home terminal is designated as Seward. Conductor assigned under this rule may be used as a brakeman if conditions require. This board will be regulated in accordance with Rule 9(a)-2.

ENGINEERS EXTRA BOARD ANCHORAGE

Rule 9(a)-5. There will be established at Anchorage an Engineer's rotary extra board of five men who will be paid not less than 96 times the applicable straight time rate per biweekly pay period, time to be computed weekly, provided they do not lay off or otherwise lose time. Time so lost will be deducted at the rate of 8 times the straight time rate for such time lost. In the event guarantee payments exceed 1,200 miles per biweekly pay period, one engineer for each 1,200 miles paid may be reduced. Engineer's board will be considered a regular assignment and will be governed by seniority rules covering regular assignments. In the event a vacancy occurs on the Engineer's board and no bids are received, the youngest unassigned engineer will be assigned. These jobs will be 7-day assignments with no rest day. Men bidding on these jobs must be qualified firemen. Rule 3(d) will not apply to jobs established under this rule. (Engineer on engineers extra board who are not qualified for passenger service, rotary service and branch service on the Jonesville branch will be run around and will retain their position on board. Rule 9(b) (Runarounds) will not apply.

Engineers will be required to qualify themselves for all classes of motive power covered by these rules and there will be no expense to the railroad by reason therefor.

Hired engineers with six (6) months experience in road or road work service on this railroad are eligible for passenger service. Engineers having 300 calendar days firing or running in road service from the date of promotion will be eligible to qualify with the Road Foreman of Engines for passenger or Jonesville branch service.

FIREMAN AND BRAKEMAN EXTRA BOARD ANCHORAGE

Rule 9(a)-6. There will be established at Anchorage separate rotating extra boards for firemen and brakemen. Men on these boards will be guaranteed 96 times the applicable straight time rates per biweekly pay period, providing they do not lay off or otherwise miss time. Time so lost will be deducted at the rate

of 8 times the straight time rate for each day of such time lost. Men on this board will be subject to call 7 days per week with no rest day. Rule 3(d) will not apply to jobs established under this rule. The management will control sole right to regulate these boards and the regulation will be made as soon as possible following the close of pay period. Firemen and brakemen cut off this board will have option of exercising seniority on regular assignment or be considered furloughed. Such men must declare their intention within 24 hours after having been cut off board. Men failing to declare intentions within time limit will be automatically furloughed. (This shall not restrict such man's right to properly lay off after having declared intention subject to availability of men). Men cut off will be recalled in the order of their seniority and will have 14 days to report for service after having been recalled. Trainmen and enginemen furloughed from brakeman's and fireman's extra board will be given a service letter upon request.

Train and enginemen cut off from extra boards or furloughed under Rule 9(a)-6, Sec. 1, will be given a service letter upon request. They must, by registered letter, keep the superintendent informed of their correct mailing address.

When notified by the superintendent, by registered letter, to report for duty the employee will acknowledge receipt of same, and failure to report within fourteen (14) days from date registered letter is sent to last known address of the employee, unless an extension of time due to illness is arranged for, will constitute a forfeiture of all seniority rights.

All extra boards will be regulated only at biweekly intervals except firemen and brakemen may be added before the end of the biweekly period and will be guaranteed pro rata the balance of the pay period and will be retained on the board the succeeding pay period.

COMPUTATION CALLS

Rule 9(a)-7. In the event promoted men on fireman's or Brakeman's extra boards are used a total of 10 or more calls in biweekly pay period, in promoted status, one conductor or engineer will be added to board to conductors and engineers board respectively. It is understood that if a promoted man from non-promoted board is called and either worked or deadheaded to an outlying point, calls will be computed as follows:

Turnaround service—where time is computed continuously, one call will be credited.

Straightaway trip—to distant terminal—credit one call.

—from distant terminal—credit one call.

Snow—Work and Yard—if tied up away from extra board, each day so used, credit one call.

In the event management desires to increase conductors or Engineers extra board, as per Rule 9(a)-9, they may take the oldest promoted available man from the fireman's or brakeman's extra board and use him temporarily, for the life of the bulletin, on the conductors or engineers board. When assignment is made and man assigned to conductors or engineers board is available to protect his assignment, the brakeman or fireman so used will be returned to his respective board.

EXTRA BOARD SEWARD

Rule 9(a)-8. At Management's prerogative an extra board may be established at Seward and Fairbanks of one (1) engineer at each point for relief purposes, who will be paid in accordance with Rule 9(a)-5. When conditions require a reduction in force, the positions will be abolished in preference to the assigned engineer-hostler or assigned terminal hostler.

Rule 9(a)-9. All extra boards shall be regulated by management by 12:01 a.m. the first Monday following the close of the prior biweekly pay period.

ROTARY BOARD RULES

Rule 9(b)-1. All extra train and enginemen are required to register their mileage and hours on duty at the completion of each trip in a book provided for that purpose in the Anchorage Yard Office, Fairbanks Yard Office and Seward Yard Office. Extra men working or deadheading into terminal where book of registration.

Rule 26(x). Engine watchmen will be furnished from the firemen's seniority list.

DOUBLING HILLS

Rule 27. When trainmen and enginemen are required to double hills or run for fuel or water, actual miles run, including doubling mileage, will be the mileage of the trip. Example: Crew called at "S" for 10:00 a.m. Depart at 10:20 a.m. Runs "S" to "A" doubling Woodrow to Divide and Hunter to Grandview, doubling mileage twenty (20) miles. Arrives "A" 7:45 p.m. Tie-up 8:00 p.m. Allowance . . . 114 miles and 20 miles doubling, 15 minutes final terminal delay. Total allowance 137 miles.

SENIORITY AND PROMOTION

Rule 28(a). Brakeman and firemen will rank on the seniority lists as of the date they pass the required physical examination given by local railroad doctors and are placed on the respective working lists, or start their student trips, as the situation may require. Conductors and engineers will pass the required examination for promotion to such positions. Trainmen and enginemen, except as otherwise provided will have choice of runs or jobs in the respective classes or grades of service to which their age in service entitles them. Temporary uses of brakemen as conductors or firemen as engineers does not constitute a promotion. In case two (2) or more men are examined for promotion on the same day, seniority in service as brakeman or fireman, as the case may be, will govern relative standing. If on account of sickness or other causes beyond his control a man is unable to present himself for examination in regular turn, it will not affect the record date of his promotion. In cases where it becomes necessary to use unpromoted men for conductors, men who have been in the service of the Alaska Railroad for a period of one (1) year will be used, and such men used in their proper turn at the time of call on their respective extra boards. Men will have thirty (30) days to complete examinations from date of notification.

BAGGAGEMEN

Rule 28(b). Baggage men will be taken from the brakemen's seniority roster.

STUDENTS—LIMITATION

Rule 28(c). Student brakemen and firemen who have not had previous experience will be required to submit themselves to the railroad's training program for a sufficient number of days or trips as will qualify them to meet the minimum requirements of the class of service for which they have been employed.

REDUCTION IN FORCE

Rule 28(d).

NINETY DAY LIMITATIONS ON STUDENTS

Rule 28(e). Inexperienced men who are hired as brakemen or firemen will not acquire permanent seniority until they have been in the service ninety (90) actual days of work, and if at that time their services are satisfactory and they have been recommended by three (3) conductors or engineers, as the case may be, with whom they have worked for the major portion of the period, they

No. 3

UNITED STATES DEPARTMENT OF THE INTERIOR,
THE ALASKA RAILROAD,
Anchorage, Alaska.

SUPPLEMENT NO. 1

To Schedule of pay, rules, and regulations governing Locomotive Engineers, Locomotive Firemen, Conductors, Brakemen, Baggage men, and Hostlers

To ALL CONCERNED :

The following changes are made in the above-named schedule, effective dates as shown :

1. The management of The Alaska Railroad may designate a passenger uniform to be worn by such employees as may be specified at all times while such em-

ployees are on duty, and such uniform may be subject to change from time to time as required by the Carrier, but for the present, at least, consists of the following:

- A. A uniform consists of cap with appropriate insignia, coat, vest, and trousers.
 - B. A white shirt with black four-in-hand tie.
 - C. Black shoes.
2. The employees will assume and pay the entire cost of shirts, neckties, and shoes as specified by the Carrier to be worn with such uniforms.
 3. The Carrier will supply free of charge such insignia as may be required of the employees for wear upon such uniforms.
 4. When it is considered necessary by the Office of the Carrier charged with such responsibility for an employee subject to this agreement to procure a new uniform, an order therefor will be furnished by the Carrier upon a clothier designated by the Carrier. The Carrier will assume and pay a sum equal to fifty (50) percent of the cost of each such uniform consisting of cap, coat, vest, and trousers (two pairs if desired) and the employee will assume and pay the balance of the cost of each suit where obtained through the designated clothier. In the event an employee desires to obtain his uniform through sources other than the clothier designated by the Carrier, it will be permissible for him to do so provided that such uniform meets the specifications prescribed by the Carrier, and in such instances the Carrier will likewise assume fifty (50) percent of the cost, but not to exceed fifty (50) percent of what the cost would be if secured through the designated clothier, upon presentation of receipted bill.
 5. The employees agree to keep their uniforms properly cleaned and neatly pressed at all times at their own expense.
 6. It is agreed that in cases where a uniform or any portion thereof is lost, stolen, damaged, or destroyed as a result of carelessness on the part of the employee, the employee will repair such damage or replace such uniform at his own expense.
 7. It is agreed that an employee whose uniform is secured under the terms of this agreement, and subsequently voluntarily disqualifies himself or declines to accept passenger service within a period of one (1) year from date such uniform is received, will thereupon refund to the Railroad the amount it paid toward the cost of such uniform. This may be done by payroll deduction.
 8. Employees securing uniforms under this rule and who leave the service for any reason in less than twelve (12) months from date of purchase will be required to refund to the Railroad one-twelfth (1/12) of the Railroad's portion for each month or fraction thereof of service less than one (1) year. (Effective March 10, 1957.)

OVERTIME

Rule 2(b). Revise last paragraph:

"Payment for overtime work as provided for under this rule will be at the rate for the class of service performed during the period of the week for which overtime payments are due." (Effective December 14, 1958.)

CONDUCTORS' EXTRA BOARD—ANCHORAGE

Rule 9(a) (2). The first sentence is revised as follows:

"There will be established at Anchorage a Rotary Conductors' extra board of five men who will be paid not less than 1,200 miles per biweekly pay period at freight service rate (all miles earned to apply against guarantee including arbitraries, straight time, and overtime, hours to be converted to equivalent miles of pay), time to be computed on a weekly basis, provided they do not lay off or otherwise miss time. The difference in miles earned and 1,200 miles will be paid at freight service rate." (Effective December 14, 1958.)

ENGINEERS' EXTRA BOARD—ANCHORAGE

Rule 9(a) (5). The first sentence to be revised as follows:

"There will be established at Anchorage an Engineers' Rotary extra board of five men who will be paid not less than 1,200 miles per biweekly pay period at freight service rate (all miles earned to apply against guarantee including arbitraries, straight time, and overtime, hours to be converted to equivalent miles of pay, except weight on drivers), time to be computed on a weekly basis, pro-

vided they do not lay off or otherwise miss time. The difference in miles earned and 1,200 miles will be paid at freight service rate." (Effective December 14, 1958.)

FIREMEN AND BRAKEMEN EXTRA BOARD—ANCHORAGE

Rule 9(a)(6). Revise second sentence:

"Men on these boards will be guaranteed 1,200 miles at freight service rates per biweekly pay period at freight service rates (all miles earned to apply against guarantee including arbitraries, straight time, and overtime hours to be converted to equivalent miles of pay, except weight on drivers), provided they do not lay off or otherwise miss time. The difference in miles earned and 1,200 miles will be paid at freight service rates." (Effective December 14, 1958.)

Rule 11(a). Examples:

Difference in earnings if held more than five (5) days after date assignments are made.

Question: When does the first day of difference in earnings start?

Answer: The sixth (6th) day after the assignment is made.

Question: Is the difference in earnings, if any, to be computed daily, or total time spread?

Answer: Total earnings over the time held as between the two assignments.

Question: If a man is held for five (5) days after date assignment is made and released to go to his new assignment on the sixth day, will the time or days consumed in going to his new assignment be paid as time held off of his new assignment?

Answer: No, such time is the same as deadheading in the exercise of his seniority, the same as if he had not been held more than five days.

Youngest unassigned man will be paid deadhead going to run.

Question: Will such man be paid deadhead if displaced by a senior man or exercise his seniority otherwise on return to Anchorage?

Answer: No, unless assignment or service is discontinued.

Question: When any assignment or service is discontinued, will crews be paid deadhead to source of supply Anchorage?

Answer: Crews or men will be paid deadhead in accordance with Rule 11(d).

(Effective March 10, 1957.)

Rule 11(d). Add:

"When an existing assignment is abolished or rebulletined as a change in assignment per Rule 11(d), men will be paid deadhead to the home terminal of the assignment upon which they next exercise their seniority or to Anchorage, whichever is the lesser." (Effective December 14, 1958.)

OPTIONAL SENIORITY FOR ENGINEERS

Rule 11(k).

"Engineers will be privileged to exercise their seniority as either engineer, fireman, hostler, hostler-helper, or engine watchman on any assignment or run at any time by properly bidding or bumping. When no bids are received for runs bulletined for seniority choice, the YOUNGEST qualified unassigned engineer or fireman will be assigned. Men assigned under this rule will be paid deadhead allowance going to the run. Engineer, firemen, hostler, hostler-helper, or engine watchman assigned under this rule will be required to fulfill such assignment for a period of thirty (30) calendar days before being privileged to relinquish assignment under Rule 11(g). This rule can be repetitious. Nothing under this rule will prevent men from properly bidding off such runs or assignments. In the event of assignment of the youngest unassigned engineer or fireman, senior engineers holding firemen's assignments will not be forced to the engineers' extra board.

BIDDING AND BUMPING VACANCY

Trainmen and enginemen with legal bump may bid and bump any existing vacancy, except new assignments. This bid and bump will be limited to one (1), and if job is assigned to senior man, person bidding and bumping must exercise seniority upon release of bulletin. This will not relieve men from force assignment in proper turn under this rule. (Effective March 10, 1957.)

Rule 21(b). Add:

"Snow crews may also be tied up at Tunnel except on their assigned rest day or days." (Effective December 14, 1958.)

YARD SERVICE YARD CREWS

Rule 25 (j).

"Yard crews may be used outside yard limits without payment of two classes of service between Anchorage Yard and Milepost 110, Industry spurs. Yard crews working under this rule instructed to couple airhose will be allowed one (1) hour in addition to their regular earnings. Road crews, when required to set out and pick up within these limits, will be paid actual time on a minute basis with a minimum of 2 hours in addition to miles or hours on their road trip." (Effective March 10, 1957.)

Rule 26 (w). Add:

"Engine watchman used at line points in connection with work other than work, snow, or wrecker service will be paid hostler's rate for the day or days such work is performed, in lieu of engine watchman's rate." (Effective December 14, 1958.)

For the organizations:

DENNIS E. O'NEILL,
General Chairman, Brotherhood of Locomotive Firemen & Enginemen No. 894.
 R. L. SHAKE,
General Chairman, Brotherhood of Railroad Trainmen No. 999.

For the Alaska Railroad:

R. H. ANDERSON,
General Manager.
 R. H. BRUCE,
Superintendent of Operations.
 PAUL SHELMEKDINE,
Personnel Officer.

Dated at Anchorage, Alaska, December 8, 1958.

Mr. SHAKE. That concludes my statement, Senator Bartlett.

Senator BARTLETT. Thank you. I have no questions to ask you—in any number, that is.

I infer that you agree with Mr. Smith that bumping procedures only would be affected by the proposed legislation?

Mr. SHAKE. Yes, I concur with Mr. Smith's statement made this morning.

Senator BARTLETT. I introduced this bill by request. I wanted to get it before the Congress in the closing days of its session, even, so that there would be ample time for the Government departments concerned to report on it, which they, of course, have not yet done. We have no indication of what their attitude will be. And also, so that testimony could be taken at the hearings I knew were going to be held in Alaska.

There is just one point I want to comment on, and it is a matter of concern to me, Mr. Shake.

When did you come with the railroad?

Mr. SHAKE. In 1947.

Senator BARTLETT. This concern of mine revolves around the fact that the Alaska Railroad was more of a war instrumentality than anything else from 1941 to the end of the war. I remember the desperate pressure, and there is no doubt that this pressure was exerted, that was placed upon the employees of the railroad to remain on their jobs by the military, on the grounds that this was an essential activity and the railroad had to function to transport needed freight, even to the point where the military furnished finally a battalion of soldiers to assist in the operation of the road. And the fact that there might have been some people there, doubtless there were some people there, who kept their jobs in civilian status who would have preferred to be in uniform is something that has a bearing, whatever importance it may have, on this whole matter.

Thank you very much.

Mr. SHAKE. I would like to add one more thing, Senator Bartlett.

The two organizations that I represent here today also concur in Mr. Smith's requested amendment to this bill having to do with the act of January 16, 1883, 22 Stat. 430, as amended.

Senator BARTLETT. Bring me up to date. I have forgotten what that is.

Mr. SHAKE. That is a civil service regulation, as I understand, CSR 20, as it is commonly referred to, which would allow a Federal employee to come from some other agency to the railroad and immediately use the length of time he had in the other agency toward retention on the Alaska Railroad, which would destroy our seniority system.

Senator BARTLETT. You speak for two organizations. How many others are there affecting railroad employees?

Mr. SHAKE. There must be either four or five, Senator Bartlett.

Senator BARTLETT. Additional ones?

Mr. SHAKE. Additional ones, yes, sir.

Senator BARTLETT. Do you know if they have any position on this?

Mr. SHAKE. I would hesitate to say. I know that no doubt they have. I feel that the majority of them are in accord with our position, but I would hesitate to say, since I don't represent them.

Senator BARTLETT. How many railroad employee are there right now, approximately?

Mr. SHAKE. Approximately 950.

Senator BARTLETT. How many of those are in train service?

Mr. SHAKE. Slight over 200—that is, train and engine service combined.

Senator BARTLETT. How many would you guess might be affiliated with the American Federation of Government Employees?

Mr. SHAKE. I would say probably over 50 percent. Probably 60 percent of the total employees of the railroad.

Senator BARTLETT. Do you know if they have taken any position on this bill?

Mr. SHAKE. I think they have, Senator Bartlett, but I would hesitate to say what it was.

Senator BARTLETT. I hope the other organizations will make their views known in writing, at least, whether they are for it or against it. I think they ought to express an opinion for the benefit of the Congress.

Thank you, Mr. Shake.

Mr. SHAKE. Thank you.

Senator BARTLETT. Is there anyone else here?

Mr. O'Neil.

STATEMENT OF DENNIS E. O'NEIL, ANCHORAGE, ALASKA, GENERAL CHAIRMAN, BROTHERHOOD OF LOCOMOTIVE FIREMEN AND ENGINEMEN

Mr. O'NEIL. My name is Dennis E. O'Neil, Anchorage. I am general chairman of the Brotherhood of Locomotive Firemen and Enginemen.

Brother Shake has ably represented us here, and the only point I would like to make, Senator, is there was reference made to a union

official being removed from office. I would like to clarify the record that in that instance the party was a member of the firemen's organization.

Senator BARTLETT. Of which organization?

Mr. O'NEIL. The firemen's. He was not removed from office.

We are having an election of officers at this present time, and he was not nominated for that office. So he was not removed.

It is our normal election of officers at this time, and he was not nominated.

I just wanted to clarify the record.

Senator BARTLETT. Is that all that you have?

Mr. O'NEIL. That is all that I have.

Senator BARTLETT. Your organization supports this bill?

Mr. O'NEIL. We do, 100 percent.

Senator BARTLETT. How long have you been with the railroad?

Mr. O'NEIL. Some 28 years and 1 month.

Senator BARTLETT. In what capacity?

Mr. O'NEIL. Locomotive engineer.

Senator BARTLETT. Have you had railroad service elsewhere?

Mr. O'NEIL. No, I have not.

Senator BARTLETT. Where were you born?

Mr. O'NEIL. I was born in Montana, but I have been a resident of Anchorage for 38 years.

Senator BARTLETT. Thank you, Mr. O'Neil.

Do you, by any chance, know the position of the American Federation of Government Employees on the bill?

Mr. O'NEIL. No, I don't.

Senator BARTLETT. Thank you.

Are there any other witnesses?

Will you please come forward?

STATEMENT OF BASIL O'NEILL, ANCHORAGE, ALASKA, PRESIDENT, LOCAL 183, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES

Mr. O'NEILL. I am Basil O'Neill. My mailing address is Box 1623, Anchorage.

Senator BARTLETT. And you are president of—

Mr. O'NEILL. Local 183, American Federation of Government Employees, the Alaska Railroad local.

Senator BARTLETT. Which covers all the Alaska Railroad employees?

Mr. O'NEILL. Under that jurisdiction. As he said, it is approximately 60 percent.

Senator BARTLETT. How many members?

Mr. O'NEILL. I would have to refer to the Secretary for that.

Senator BARTLETT. Sixty percent, approximately, of all the employees. Will you please proceed, Mr. O'Neill?

Mr. O'NEILL. We took a little different approach to the thing than the trainmen did. When this thing first came up, the executive board of the local tried to determine the feeling of the local in establishing a position on the bill. As was already indicated, it was quite controversial, not so much that there were organizations against each other,

but that the veterans did not want to hurt the rights of the nonveterans, and the nonveterans did not want to hurt the rights of the veterans under the Veterans Preference Act, if you understand what I mean.

Senator BARTLETT. I think that is very charitable on both sides.

Mr. O'NEILL. Anyway, that is the truth.

It was our position as the executive board to establish a position on the bill for the local, with two sides on it. It was argued many times and at many meetings, and sometimes quite hotly. It was finally brought to a vote with a large representation and this position was taken unanimously: That the American Federation of Government Employees, Local 183, would support the bill in its entirety, with the provision that language would be added to the final paragraph of the bill giving arbitration rights to the unions on disputes with the company. It was felt by the veterans that they would be given machinery under the Veterans Preference Act for the settlement of disputes that they did not now have. And on the other hand it was felt by all that the seniority rights and the seniority system of the Alaska Railroad would be destroyed by the Veterans Preference Act. Therefore, the conflict came there.

It was felt by adding to the bill language for providing arbitration procedure that it would be a compromise for both sides and that they unanimously voted to support the bill.

Senator BARTLETT. Mr. O'Neill, has the action of local 183 been reduced to written form?

Mr. O'NEILL. In correspondence with our national, if that is what you mean. We have been in constant correspondence with our national on it. They wanted to know our position at all times. As a matter of fact, they requested a poll on several questions.

One was "Do you favor veterans preference on the Alaska Railroad?" On that particular question the answer was not unanimous, but in favor of not having veterans preference on the Alaska Railroad.

A second question was "Do you want civil service regulations on the Alaska Railroad?" The answer to that was "We do not want civil service regulations on the Alaska Railroad."

A third question was "Do you wish arbitration procedure provided in the bill," this bill we are talking about. An the answer was almost unanimous, a little over 90 percent, that they did want arbitration procedure in the bill.

Mr. GRINSTEIN. The arbitration procedure would be invoked to decide any issue in dispute between management and the union?

Mr. O'NEILL. We now have an arbitration procedure which applies, which is somewhat limited, and this arbitration procedure was asked to settle any dispute.

Mr. GRINSTEIN. Any dispute?

Mr. O'NEILL. I can't remember the exact language, but it was practically any dispute.

Mr. GRINSTEIN. Could it be called for by either party?

Mr. O'NEILL. Yes.

Senator BARTLETT. Thank you, Mr. O'Neill. We needed that information, and we are glad that you were here and willing to testify.

Mr. Queer, will you come forward, please?

Mr. QUEER. Senator Bartlett, for the purpose of accuracy in representation, the Legion would like to have this clarified: That in the case of Mr. O'Neill, the assumption or allegation was made that in all probability the majority of the employees at the Alaska Railroad were being represented by him as members of the AFGE. The unknown factor is the actual membership in that lodge. I would imagine that if his group could encompass in his jurisdiction 600 employees, it would not be a reasonable representation if his lodge did not exceed 140 or possibly 200.

Senator BARTLETT. Thank you, sir.

Apparently there are no further witnesses on this bill, which is related to transportation. We will stand in recess for an additional 5 minutes and continue on transportation with Mr. Edward R. Sanders, managing director of the Alaska Carriers Association, as the first witness.

(Recess.)

Senator BARTLETT. Mr. Sanders, please.

**STATEMENT OF EDWARD R. SANDERS, MANAGING DIRECTOR,
ALASKA CARRIERS ASSOCIATION, INC., ANCHORAGE, ALASKA**

Mr. SANDERS. I am Edward R. Sanders, managing director, Alaska Carriers Association. My mailing address is Box 3-124, Anchorage.

Senator BARTLETT. Mr. Sanders, I appreciate the fact that you are not going to need any advice from the committee as to which bills or subjects are under consideration, so I am going to make a suggestion which I know is entirely unnecessary, and that is that you proceed in your own manner.

Mr. SANDERS. Thank you. If it will be of interest, I have a list of our members here which only lacks the last 20 or so newest.

Senator BARTLETT. How long would it take you to add the others?

Mr. SANDERS. It is in the process of reissue now and will be completed by Wednesday.

Senator BARTLETT. I suggest that we wait for the new one and you forward a copy to me at Box 871, Juneau, and I will see to it that the committee receives that.

Mr. SANDERS. I believe you said, Senator Bartlett, that you wish me to proceed at random.

Senator BARTLETT. Just as you choose and I know it won't be at random.

Mr. SANDERS. Thank you.

First, I would like to state that the remarks of Mr. Smith of the Alaska Railroad show great progress and modernization of their previous thinking, and it is very acceptable to us, to the point that he didn't go far enough.

On page 2 of his testimony, second to the last paragraph, he recites a paragraph of Senator Magnuson's letter—pardon me, the letter of the Interstate Commerce Commission, Legislative Committee, addressed to Senator Magnuson on September 25, 1961. He quotes a paragraph there and goes on to say:

It is a well-known fact that the Alaska Railroad has been the most effective, stabilizing influence in Alaska in keeping ship rates down within reach of the citizens of Alaska.

Since we believe the objective of S. 2413 is to protect the shippers, passengers, and consignees in Alaska, we believe that a different and better approach to S. 2413 should be taken.

We agree that a better approach, or rather a revised approach to that of S. 2413 should be taken, but not for the same reason.

We also think that the welfare of the common carriers of Alaska deserve some consideration under the law. The Alaska Railroad is federally owned and operated in direct competition with privately owned common carrier effort. We think that definite consideration should be given to that. In my other prepared comments I will deal with that somewhat.

I would like to discuss S. 2413 in a little more detail.

The Alaska Railroad is a federally owned and operated railroad, built in Alaska approximately 40 or more years ago to open up and develop the then Territory of Alaska. It contributed very materially to the welfare of the territory and the Nation in that respect.

In recent years private enterprise has been attempting to assume its position in Alaska as it has in the other States of the Union. The very framework of our Nation is based upon the principle that free enterprise shall be fostered and permitted to thrive. Without it our strength as a nation would vanish because the vigor and strength of the individual would no longer exist.

To maintain free enterprise is to encourage private ownership and operation of all the kinds of business activity that make up the complex structure of our country. When our massive, centralized Government enters into competition with private enterprise it should only do so in those underdeveloped areas where private enterprise cannot yet sustain itself. As private enterprise feebly first establishes itself and start growing to mature and effective stature, the Federal ownership and operation of competing functions should phase out—not cease prematurely—but phaseout with relation to the growth and capability of private enterprise.

The Alaska Railroad is still needed in Alaska, it still must be operated by the Federal Government until private interests will take it over. It must, however, be in a proper state of phasingout of governmental competition with private enterprise. It would appear that the people of Alaska and of the other States of the Union need for the following actions to take place:

(1) The Alaska Railroad be operated in exactly the same manner as a privately owned railroad.

(2) That it should be regulated, exactly in the same manner as the other railroads, by the Interstate Commerce Commission.

(3) That its rates and charges include in full measure the full, necessary ratemaking increments that privately owned railroads are compelled, economically, to include—

(a) Proper depreciation of rolling stock and other facilities;

(b) Increments in lieu of taxes if Congress will not allow cities, boroughs and/or the State to tax it as all the private railroads are taxed—we favor it actually paying proper taxes to the governmental entities through which it passes;

(c) Increments in lieu of profit; such surpluses thus obtained could revert to the Treasury;

(d) Increments in lieu of return on investment; these funds could also revert to the Treasury; and

(e) The normally arrived at basic cost return.

Generally, if the Congress fails to establish a competitive situation that will allow the many motor common carriers, that are attempting to not only compete with the Alaska Railroad along its routes but to offer the only available service to many points in Alaska not served by the Alaska Railroad, then our way of life will have been prevented from establishing itself in Alaska; the residents of areas of Alaska not served by the Alaska Railroad will be deprived of their only means of adequate land transportation.

If the motor common carriers are not given their rightful opportunity to compete with their own Federal Government's Alaska Railroad the entire development of Alaska will be set back and thwarted until a more enlightened Congress assumes control of our Federal Government.

Therefore, S. 2413, and a companion bill in the House, should be enacted but only if and when amended to require the Interstate Commerce Commission to require that the rates and charges of the Alaska Railroad contain the proper increments as outlined above.

Senator BARTLETT. Do you want to have questions at this point, Mr. Sanders?

Mr. SANDERS. As you wish.

Senator BARTLETT. You have suggested—you have urged, in fact, that the regulation of the Alaska Railroad be identical with that of privately owned railroads. Mr. Smith this morning said that he feared the terms of the bill as now drafted would pose constitutional questions and would create the very curious situation of the Attorney General being obliged to act on behalf of the ICC as prosecutor, perhaps, and in behalf of the Alaska Railroad and in that capacity being the defendant. Do you have any comment on that?

Mr. SANDERS. I have one comment there. Congress is the body, the governing body, to whom we entrust the proper disposition of matters such as this. Certainly in their wisdom they can find a satisfactory answer. I don't dispute that there may be truth as to Mr. Smith's contention that mechanical or interdepartmental overlapping authority, jurisdiction, other difficulties, may set in without corrective action of Congress. But I am quite certain that in passing this type of bill, Congress will find an answer. That doesn't worry me in the least.

Senator BARTLETT. If your points (a), (b), (c), (d), and (e) were adopted, this would necessarily involve an increase in Alaska Railroad rates, would it not?

Mr. SANDERS. Yes, sir; and they should be increased.

Senator BARTLETT. You say they should be increased?

Mr. SANDERS. They should be increased to include these increments. If operating economies over and above and beyond those that are in existence today in the operation of the Alaska Railroad could be placed in effect, fine; let the rates stay there or go down. But the employment level of the railroad now is three or four hundred less than it was some years ago, not too far back. That shows that they have been instituting more and more efficient operating procedures.

I don't know how far this can go. But certainly it is not right for the privately owned, privately operated motor common carriers, air carriers, water carriers, you name it, to pay taxes, city Federal, State, and to contend with and compete with a tax-free federally owned transportation agency, and it is not any more fair that they should be freed of applying these other increments.

Senator BARTLETT. Have you made an estimate as to the percentage increase in the aggregate which would be involved if your suggestions took effect?

Mr. SANDERS. Senator, I couldn't give it to you factually. I will say that I thought about it much, and for a long period. It would probably amount to 12 or 15 percent. But that is only my personal opinion, not based on too much fact.

Senator BARTLETT. Are the rates of motor carriers between here and Seward, for example, and the rates of the Alaska Railroad between the same points now competitive?

Mr. SANDERS. I would have to compare commodity by commodity and one weight amount with another to give you a sensible answer. I will say that on certain commodities; yes. On others, nobody could handle freight as cheaply as the railroad is charging for its handling today. I defy them or anybody else to handle freight for the rates they are charging.

Senator BARTLETT. The motor carriers can't be charging much more between these two points, or they wouldn't get any business; is that right?

Mr. SANDERS. That is correct, with the exception that the services given by motor carriers have a greater value on many movements and on many commodities, because of their greater flexibility, their ability to pick up promptly, to move straight through and to make immediate delivery.

Also, there are many instances in which the motor carriers pick up at origin and deliver at destination occurring at points far removed from the rail yards. Motor carriers' charges include, without additional charge, that pick-up and that delivery. If the same shipment would move by rail, it would involve, in many instances, a drayage charge to the railroad at origin and a drayage charge away from the railroad at destination to bring about complete movement.

But to answer you more specifically, there are many commodity movements between Seward and Anchorage on which the line haul effect is highly competitive without throwing into being this drayage effect.

We are, with the exception of one or two of our member carriers, completely isolated from participation in many traffic movements by the fact that no through rates exist; that the bulk of our carriers can participate in and share in the traffic through the participation therein. They are forced to apply to the total through movement the combination or aggregate of the local rates plus the dock charges.

Senator BARTLETT. Assuming, as you said was the case, that at least some of the rates between here and Seward—Seward and here, whichever—charged by the motor carriers are competitive with those of the Alaska Railroad, would you say in those cases this is a deficit operation on the part of the motor carriers?

Mr. SANDERS. On the part of the motor carriers?

Senator BARTLETT. Yes.

Mr. SANDERS. In some cases it definitely is; in others, no. The motor carriers have sliced the pie pretty thin in order to obtain some bulk tonnage to keep equipment moving, thinking that there will be enough profitable business to add to that and come out with a less-than-desirable net revenue. If they get too much of the depressed-rate tonnage, then that picture will not materialize.

Senator BARTLETT. If these increments which you enumerated were to be applied to the Alaska Railroad, and if as a consequence the railroad rate were to be upped from 12 to 15 percent, as you said might be the case, is it not natural to assume that the motor carriers' rates would rise accordingly?

Mr. SANDERS. Senator, they would rise only to the extent that they would need to rise.

Beginning in January of this year the motor carriers have had a standard rate committee composed of eight members working an average, until the last 6 weeks, twice a week, and sometimes as much as 3 solid straight days in a row, trying to determine exactly what they needed in rates per 100 pounds on given amounts of given commodities between given points. They have attempted to ascertain their exact operating cost and to reflect that cost offset need in their rates. They have been unable to do so.

There are many rates that we can't possibly meet, even figured on the basis of our own cost needs.

Senator BARTLETT. This troubles me, Mr. Sanders. If the Alaska Railroad were obliged to fix its rate structure according to these additional factors, not now taken into account, and as a consequence had to raise rates 15 percent, don't you think there would be a very great public outcry, and if it were said that this had been done primarily so that a free enterprise system of transportation could be made more competitive, competitive vis-a-vis the Alaska Railroad, that the consuming public would revert to the purposes for which the Alaska Railroad was founded and would cite the organic act in an effort to demonstrate that the railroad isn't here to make business, that the railroad is not here to operate as a privately owned enterprise, but that the railroad is chiefly here or was placed here chiefly to develop the country, and now, of course, it has the additional military requirements imposed upon it? I should like your comments upon those points.

Mr. SANDERS. In the beginning, I believe, the Alaska Railroad was placed here for developmental purposes, and rightly so. It still serves the function in that respect. But we are emerging from, and have long ago begun the emergence from the condition that caused the Federal Government to place the Alaska Railroad here in the first place.

Private enterprise is the only way of life that can succeed.

If there isn't a phasing out of competitive effect, not discontinuance of physical operations but a phasing out of the competitive effect, then the beginning of effective exercise of private enterprise can't come about. I don't know where the answer is, but there must be a lessening of governmental transportation competition with privately owned competition in some satisfactory manner. I realize the far-reaching effects of what I am saying, but a wise and sensible answer must be found. The present situation is intolerable and can't long be left to continue.

If it is left to continue, then the decision to leave it to continue must take into consideration the effects. We must say to ourselves that we don't want, in the State of Alaska, development of private enterprise. It is that simple.

Senator BARTLETT. Mr. Sanders, what if, in the opinion of the management of the Alaska Railroad, and in your opinion, the Congress became contrary, stubborn, bullheaded, and arbitrary and refused to accept the suggestions made this morning by Mr. Smith for amendments to S. 2413, and your suggestions, and passed the bill just in the form it is now printed, would you say that would be desirable as compared with no regulation at all by the Interstate Commerce Commission?

Mr. SANDERS. I would definitely say yes, Senator. A bone is better than nothing. We shouldn't try less than our maximum to get something that is an answer.

To talk a little further on that question, we would obtain certain advantages from the passage of the act as written. The railroad would be permitted to let our carrier members, for instance, publish through rates in connection with themselves. They could join, if the water carriers are under another act placed under the ICC, they could join in through rates between other States and here. Many advantages would spring from it. I would consider that a weak effort to solve the problem that exists in large measure.

Senator BARTLETT. Mr. Grinstein, do you have any questions to put to Mr. Sanders on this bill?

Mr. GRINSTEIN. The amendment that you would like made to S. 2413 would add a certain weighting factor to the Interstate Commerce Commission's cost computations in a competitive rate proceeding; is that correct?

Mr. SANDERS. Yes.

Mr. GRINSTEIN. The primary addition would be certain factors that ordinarily privately owned railroads pay, but the Government railroad, the Alaska Railroad, does not pay?

Mr. SANDERS. Right.

Mr. GRINSTEIN. In its rate proceeding the Interstate Commerce Commission testified at some length before the committee in the last Congress that they will let rates go above out-of-pocket costs but below fully distributed costs. Are you familiar with that?

Mr. SANDERS. I read the report. I believe you refer to the report to Senator Magnuson by Chairman Hutchinson, who is also the chairman of the Committee on Legislation of the Interstate Commerce Commission.

Mr. GRINSTEIN. That is correct.

Mr. SANDERS. I think in that report, the stand taken by the ICC, as expressed in that letter dated September 25th, is completely inadequate. It is a compromise measure. It, to a certain extent, shows a lack of willingness to be forthright in speaking what must be their convictions, and I think it should be viewed by the Congress as just that, and to seek the basic cause for correction that we have here a need for, and to enact a law that will bring that about.

Mr. GRINSTEIN. If we could assume that the situation will not change in the immediate future, would it still be the position of your association that you think it would improve competition in Alaska

and improve the transportation system in Alaska to have the Alaska Railroad subject to ICC regulation?

Mr. SANDERS. Definitely. Even in the watered-down versions that have been submitted to this moment.

Mr. GRINSTEIN. I have no further questions, Mr. Chairman.

(Whereupon, at 4:50 p.m., the committee was recessed.)

Senator BARTLETT. Do you desire to make a statement in reference to S. 1839, which is identical with the two House bills?

Mr. SANDERS. Yes, and then I would like to say something about S. 1725.

With relation to S. 1839 and the companion House bills, H.R. 7297 and H.R. 7343, which are bills to place the regulatory control of through routes and joint rates under the jurisdiction of the Interstate Commerce Commission, I would like to say that there exists today no uniform regulatory control of common carriage continuing throughout the route of movement used to transport goods and property between points in the States of the Union other than Alaska on the one hand and, on the other, points in Alaska when such routes involve carriage, for a portion of the route, over water via water carriers operating in the coastwise traffic lanes.

The greatest amount of tonnage moving to and from points in Alaska when from or to points in the other States of the Union moves via water carrier over a large portion of the routes.

There is no legally permissible way to publish and file single factor joint through rates and routes that include the water carriers' and motor carriers' joint handling of such through shipments.

The Federal Maritime Commission regulates the water carriers in their handling of traffic moving in the Alaskan coastwise trade and the Interstate Commerce Commission regulates the motor carriers handling interstate shipments moving on land in Alaska. There is no way available to the carriers, at this time, to publish through rates over the total routes.

In the original States of the Union, before Alaska and Hawaii were admitted, coastwise traffic by water is, and has been for a long time, regulated by the ICC.

Water carriers, operating between Alaska on the one hand and ports in the other States of the Union—other than Hawaii—need the protection commonly granted common carriers via other modes of travel, i.e., certificated operating rights, in order that a satisfactory level of stability can be obtained that would permit the water carrier owners to make a commitment of sufficient operating capital, number and proper type of vessels as well as supporting facilities and personnel to perform the degree of service that the public welfare demands.

The public interest demands that the present publications of through rates and joint routes be under the regulatory control of a single regulatory body due to their continuous uninterrupted routing via pre-determined participant carriers—water and motor or water and rail or water-rail-motor. Since it is true that the Interstate Commerce Commission exercises regulatory control in all other geographical areas of the Union, other than to or from Alaska, it follows that it, the Interstate Commerce Commission, should exercise such control also of the traffic via water carriers to or from ports in Alaska and/or thence via motor common carriers to or from the inland points and places in

Alaska. Freight tariffs containing such joint single factor rates (and routes) should be filed with and subject to the regulatory control of the Interstate Commerce Commission.

The Alaska Statehood Act, section 27 (a), gives to the Federal Maritime Board the regulatory control of water carrier rates and routes when in connection with traffic moving in coastwise movements to or from Alaska but does not provide for through movement to or from inland points in Alaska served only by land carriers. This action was wrongful in that it prevents the people of Alaska from availing themselves of the benefits of single factor through rates and routes.

If section 27(b) of the Alaska Statehood Act were to be changed to provide that regulatory control of coastwise traffic would be exercised by the Interstate Commerce Commission, the result would be that—

(a) Direct (local) coastwise traffic handled by water carriers operating in such coastwise movements to and/or from Alaska would be required to publish and file the necessary tariffs with the Interstate Commerce Commission;

(b) Such water carriers would be placed under part 3 of the Interstate Commerce Act and joint through rates and routes involving land and Alaskan River carriers would be permissible under part 2 of the Interstate Commerce Act;

(c) Regulatory control under parts 2 and 3 of the Interstate Commerce Act would place both common and contract carriage by water under regulatory control of the Interstate Commerce Commission;

(d) Regulatory control of single line and joint carriage by water and/or by water and land carriers would provide protection of the public interest and safeguard the economic welfare of the carriers by controlling both the maximum and minimum rate and charge levels. At present only the maximum rate and charge levels, of water carriers subject to the regulatory control of the Federal Maritime Commission, is controlled. Such inadequate control could lead to an unstable, inadequate carrier capability and this would not be in the public interest, which requires fullest capability, and would certainly not be in the interest of the carriers offering service to the public. Certain water carriers formerly serving Alaska have already been forced to abandon service to Alaska on account of these disadvantageous conditions. It is conceivable that present water carriers will, without the above suggested protective action, follow this course and have to abandon service to and from Alaska.

Water carriers operating in the coastwise traffic between ports in the continental United States—other than Alaska—on the one hand and ports in Alaska on the other hand must be granted operating rights and those operating rights must be granted on the same sound thinking that led the Congress to establish “grandfather” provisions in the act setting forth conditions under which such operating rights were to be fairly granted to those having provided service to the public in preceding times.

Summed up, it is strongly recommended that—

(1) Through routes and rates covering movement of persons and property between points in the United States—other than Alaska and Hawaii—on the one hand and Alaska on the other hand be placed under the regulatory control of the Interstate Commerce Commission when portions of the routes are over water.

(2) Water carriers participating in the joint routes serving points in Alaska be placed under the provisions of part 3 of the Interstate Commerce Act. This permits them also to participate in joint through rates and routes with motor common carriers under part 2 of the act.

(3) Such regulation appears most feasible through appropriate change of section 27 (b) of the Alaska Statehood Act.

(4) Water carrier operating rights should be granted on the "grandfather" basis so that a full measure of fairness and equity will exist to protect those having served the public until now. Additional carriers seeking rights to begin competition with these "grandfather" carriers should only be granted the right to operate after they have complied with and proven the facts required by the rules governing the granting of new rights under public-convenience-and-necessity procedures.

Any proper act to bring into being just and equitable regulation of these through rates and routes, involving these coastwise water carriers, should provide that the Interstate Commerce Commission shall, for good cause shown, upon petition from an interested carrier or upon its own motion, order any carrier regulated by it to publish and file through rates and joint routes in connection with any other carrier, such action to not take place until the proper showing of financial, equipment, and other capability fitness had been made by the carriers involved.

(Thereupon, the committee proceeded to the consideration of other business.)

Senator BARTLETT. Mr. Sanders, do you want to go ahead with S. 1725?

Mr. SANDERS. Yes; I have the following to say on S. 1725, a joint board bill.

The Alaska Carriers Association, Inc., supported this bill at first when it appeared that there was no chance of getting passed an act to place the regulation under the Interstate Commerce Commission. I am quite certain that Senator Bartlett had some feeling—

Senator BARTLETT. I will comment on that a little bit more when you get through.

Mr. SANDERS. The Alaska Carriers Association withdrew their support from this bill, though, when there began to be some revival of plans to place additional bills before Congress which would place the regulation of through routes and rates under the Interstate Commerce Commission and placed it solidly behind such a movement to give ICC the regulating authority.

At this moment our feeling with relation to S. 1725 is that the Alaska Carriers Association, Inc., is of the opinion that S. 1725, the so-called joint board bill, is inadequate as to providing the people of Alaska with the proper regulatory machinery under which properly controlled through routes and through single-factor rates could be published and regulated in the public interest.

It would require the establishment of still another regulatory body with conflicting, overlapping authority with relation to ICC and FMB.

It would be a strange and arbitrary departure from the established and smooth working regulatory machinery that has been in use to regu-

late similar coastwise traffic between the ports around the coastline of the remainder of the other States of the Union.

It would present problems of coordination with other regulatory effort that are entirely unnecessary if this bill were to be withdrawn and proper legislation to place the through movement and necessary tariffs under the jurisdiction of the Interstate Commerce Commission as is done in all other similar areas.

This bill would be a weak, fumbling, ineffectual compromise act that would extend some measure of relief and provide some legality for tariff publication of through rates and routes but would not give to the shipping or receiving public nor the carriers the full and effective regulatory machinery they are entitled to. It is therefore objected to and the suggestion is here made that other legislation, properly placing the regulatory control under the Interstate Commerce Commission, be enacted by the Congress.

Senator BARTLETT. Does that conclude your statement, Mr. Sanders?

Mr. SANDERS. Yes, sir.

Senator BARTLETT. Mr. Sanders, when did the Alaska Carriers Association decide to come out for legislation placing the ICC in charge?

Mr. SANDERS. Only a short while ago, Senator Bartlett. I will give you a specific date. On August 25, at its quarterly board of directors meeting here in Anchorage.

Senator BARTLETT. May I ask you, Mr. Sanders, in view of your having said that you had endorsed legislation of that kind previously, what new information had come to you for your August meeting that convinced you the situation had changed and the Congress would very readily pass a bill of this kind?

Mr. SANDERS. I didn't mean to go so far as to say that Congress would very readily pass it.

Senator BARTLETT. You didn't say it; I put those words in there.

Mr. SANDERS. I didn't mean to present such a strong feeling.

Events, conversations.

Senator BARTLETT. I beg your pardon?

Mr. SANDERS. Events and conversations?

Senator BARTLETT. What events?

Mr. SANDERS. Conversations at the August 25 board meeting.

Senator BARTLETT. With whom? Anyone in Washington who had been close to the situation?

Mr. SANDERS. Yes, sir; but I would rather leave them anonymous, if I may.

Senator BARTLETT. Of course you may. But I still am curious, because before legislation of this kind, or any legislation dealing with transportation could be passed by the Senate, it would have to go before the Senate Commerce Committee, and information of this character hadn't reached me.

Mr. SANDERS. Granted. The reason for that was that this was a kind of an overnight bring-up of changed sentiment. Frankly, I believe some of it came about as a result of the constitution of the new Federal Maritime Commission. Possibly I shouldn't repeat that—I am wrong in repeating that, too, but I don't think so.

Senator BARTLETT. I must confess that I am a little bit hurt, Mr. Sanders, to find that you felt required to put in your statement that S. 1725, which does bear my name, after all, is a "weak, fumbling,

ineffectual compromise act," because this was an act that you yourself had endorsed.

Mr. SANDERS. Right.

Senator BARTLETT. And persisted in supporting up to August 25.

Mr. SANDERS. Right.

Senator BARTLETT. I hate to think that you, as the Carriers Association on the one hand, and I, as a U.S. Senator on the other, would have deliberately advocated legislation that brought forth those adjectives.

Mr. SANDERS. Senator Bartlett, I would like to say this: that you, in our opinion at least, and I think we are right, had introduced a bill into Congress which in your opinion would have given to the carriers the full measure of protection in the way of regulatory control that was possible to be enacted at that time, or in the future after it moved through its proper cause in committees. We felt—I, likewise—that this was all that we had hope of getting.

Like I said a while ago about the railroad bill, a little bite is better than none. And it is a step in the right direction, and the bills could have been, if enacted, strengthened year by year until the full measure of effectiveness needed to provide for the shipping, receiving, of the public carriers could have been built into existence.

I think that instead of feeling guilty, maybe I should have used different words, but I want to be very strong in saying that you are to be complimented for having even introduced the bill in the first place, because it was the only step apparently available.

Senator BARTLETT. Mr. Sanders, I don't think this joint board content was ever thoroughly satisfactory to anyone.

Mr. SANDERS. I am sure of that.

Senator BARTLETT. Assuredly it wasn't satisfactory to people in the House Interstate and Foreign Commerce Committee, because we have passed it twice and they haven't considered it. What to do is the question.

Mr. SANDERS. Right.

Senator BARTLETT. Now let's go back to your testimony on S. 1839.

This question arises; or a series of them, rather.

I will never forget when in the 86th Congress the Commerce Committee of the Senate held general hearings on the subject of ICC jurisdiction over water carriers, and we lost three walls, which had to be replaced on account of the shoutings and the hollerings and the outbursts from both industry and labor against ICC control of the maritime trades, coastwise and intercoastal. These witnesses submitted in loud, clear, and even violent language, a most positive and assertive belief that the domestic maritime industry had been wrecked by the ICC, and, by George and by ginger, they were going to stand like Horatio at the bridge to see to it that the ICC's jurisdiction was never enlarged. In fact, if they had their way it would have been diminished to the point of elimination.

What leads you to believe that an ICC bill would not now be the target of concentrated opposition throughout the country, because these witnesses, to whom I allude, came from all over the land?

Mr. SANDERS. I would like to attempt to answer that. It is involved, but I will do the best I can.

Senator BARTLETT. It is long winded; I will agree to that.

Mr. SANDERS. At the time that the diminishment of water carriage under ICC is alleged to have commenced, I believe that the last World War was underway; that ships were withdrawn from private carriage usage, almost all of them never returned to it, for reasons that the previous operators for peculiar and particular reasons were unable to start back into the business, and that the war had brought back containerization of freight movement, and that containerization of freight movement outmoded the types of vessels themselves, even, and would require new and differently constructed vessels, would require different shoreside receiving and shipping facilities.

I don't believe that the evolution of a type of freight movement could be charged against the directors of the ICC. I believe that this understanding is getting around into the minds of these people that were previously so outspoken against the ICC having jurisdiction over coastwise traffic.

Senator BARTLETT. I have heard rumors that Alaska Steamship Co., which used to be opposed to the ICC and for the Federal Maritime Board—now Commission—and Matson Navigation Co., serving Hawaii, likewise so opinioned, altered their opinions. I don't know. This is hearsay.

As a matter of fact, I can see many advantages to single control and could, as explained in previous hearings on Alaska this year, when the statehood bill was under consideration.

Let me ask you: A bill of this character would necessarily, as you have indicated, confer "grandfather rights," certificates of necessity and public convenience. Without going into the pluses or minuses, we all have to agree that there has been large-scale warfare, political, if you care to call it that—call it whatever you will—between a sizable segment of the Alaska public and the Alaska Steamship Co. What do you think the reaction of the public would be if there was conferred legislatively and legally and forever a certificate that would confirm Alaska Steamship's position in the trade to the exclusion of possible competition?

Mr. SANDERS. I would not be in favor of letting any carrier, regardless of who it may be, have exclusive rights to traverse certain routes and serve a group of people.

Senator BARTLETT. What if we passed this ICC bill and certificates of convenience and necessity were granted by the ICC, we will say, to Alaska Steamship Co. and, for purposes of illustration, to two barge lines—any barge lines. Then 3 years later some great steamship company, with lots of vessels available, serving other trades, took a look at Alaska and decided there was a real future here and wanted to get in the trade and made some very attractive offers and allowed those offers to be made known to the public in reference to rates proposed and that sort of thing, and then was denied a certificate by the ICC; wouldn't there be a terrific hullabaloo thereafter?

Mr. SANDERS. Senator, there always is when public convenience and necessity hearings get real hot. In other words, are backed by plenty of money and witness after witness is paraded through and newspapers and other media of advertising is used.

I will say this: The laws that exist today in the United States, other than Alaska and Hawaii, governing the use of the public convenience and necessity procedure, are fair and are designed and I

think are capable of protecting both the rights of the shipping and receiving public and the carriers, and one of the provisions of the administration of that procedure is that public hearings can be held, testimony similar to this be taken, and it is studied by a full panel of the Interstate Commerce Commission.

Further, there must be showing of ability to, for instance, handle the given traffic at a profit at these lesser rates. The new applicants for carrier rights must show a financial and experience fitness. I think the procedure is safe and good as a protective measure for both for the general public and the carriers. I believe it will work all right.

I am sure there will be an outcry, and so on, but if those who cry the loudest will attend the hearings, submit their views, and have reason in them, they will have full weight and effect on the consideration of the panel of the ICC that renders the final judgment, and then there is even an appeal from that.

Senator BARTLETT. Mr. Sanders, would you turn to your statement on S. 1839, and more specifically to subsection D on page 2. I want to quote a bit of that paragraph. You say:

At present only the maximum rate and charge levels of water carriers subject to the regulatory control of the Federal Maritime Commission is controlled. Such inadequate control could lead to an unstable, inadequate carrier capability and this would not be in the public interest, which requires fullest capability, and would certainly not be in the interest of the carriers offering service to the public. Certain water carriers [and this is the sentence I want to emphasize] formerly serving Alaska have already been forced to abandon service to Alaska on account of these disadvantageous conditions.

Will you please elaborate a bit on the reasons why these carriers had to abandon service to Alaska?

Mr. SANDERS. I will attempt to do so. I will preface my answer with the statement that these so-called abandonments occurred before my time. I have only been here since 1950. However, there is some thought that part of the reason for the discontinuance of the coastwise lines may have rested on these situations.

I will, if I may, go into the maximum and minimum rate control.

Senator BARTLETT. I wish you would. I am completely ignorant on this.

Mr. SANDERS. It is my pretty firm impression of the application of the regulatory control of the Federal Maritime Board, now Commission, to the effect that they control only the maximum rate levels, not the minimum. That invites rate warring which is fine if the rates are too high, but what do you do for the carriers' welfare when their own emotions or other reasons carry them past the safe level of return and go below?

Under the ICC Act both the maximum and minimum levels are controlled to this point: The carriers are permitted to establish their own rate levels, and unless the Commission on its own motion, for obvious reasons, orders an investigation, those rate levels established by the individual carriers themselves will be allowed to go into effect unless protested.

If the interested parties protest those rates, hearings, investigations will be conducted and the carrier proposing to establish a depressed level as well as an unreasonable raised rate level will be required to show that the rates so attempted to be established are

compensatory as to reductions and as to unreasonable high rates he will be required to show that the rates are not unreasonably or overly compensatory.

I think the general public, and certainly the carriers, need the protection of both the maximum and minimum control, rather than just the maximum, as is presently, to my understanding, under the Federal Maritime Board's regulatory control.

Senator BARTLETT. You have educated me. One final question: On the last paragraph of that same statement, is my inference correct that you would impose a mandatory requirement for the filing of through route and joint rates?

Mr. SANDERS. I would not, as such, Senator. However, the carriers that are not now participating in the joint through movement of freight covered by the single factor through rates should have the right, upon petition to the regulatory authority, and the showing of financial and other fitness, to join in the publication of through rates; but such carriers are not on the average of such financial stature or possessed of other capability of sufficient amount to get into the swing of things, so to speak. They have got to have some way by law to obtain their rightful share of the flow of traffic, I would say.

The public interests would be further served by their obtaining a share of this traffic because competition would be sharpened to the point that the shipping public would receive the best possible service.

I believe that this mandatory publishing of through rates and routes should be not a blanket thing, but one that must be sought after and obtained upon the showing of good cause and good fitness by the carriers themselves.

Senator BARTLETT. Mr. Grinstein, do you have any questions to put to Mr. Sanders?

Mr. GRINSTEIN. Yes, Senator.

What circumstances would there have to be before you would require mandatory joint rates on through routes?

Mr. SANDERS. In the situation that exists as far as water carriers between the United States and Alaska, until such time as Alaska grows to contain far more people than it does today, there will only be tonnage enough to support a limited number of water carriers. It is conceivable to feel that they will not, for efficiency of operations, accounting procedures, many other reasons, want to have a whole flock of smaller motor carriers operating in connection with them, dividing the through rates on a division sheet basis and so on, and maybe they shouldn't have a whole flock. But I am quite certain that they can deal with two, three, or four carriers, instead of one each. I am not at all worried for fear that the existing motor common carriers having through-rate arrangements would be harmed by such action.

Mr. GRINSTEIN. In other words, it is your opinion that a water carrier could enter joint rates with three or four motor carriers but refuse to do so with others?

Mr. SANDERS. It is conceivable that they might do so if the act weren't designed in such a way as to give the motor carrier who conceivably wanted to participate in through rates, some legal recourse in the event of refusal. This is an anticipatory thing which I would say needs to be built in to prevent panic. I don't know of any situa-

tion that exists today. Actually, if it does exist today—it doesn't because of the lack of single control, anyway.

Mr. GRINSTEIN. I take it that when you suggest amending section 27(b) of the Alaska Statehood Act, that would have the effect of placing transportation to, from, and within Alaska on the same basis as transportation within the south 48 States?

Mr. SANDERS. Correct, with one exception. When you place the water carriers under part 3 of the act in the way that other coastwise water carriers are now situated, you don't make it a mandatory thing for them to publish joint through rates and routes within any and all people. Part 1 of the act, of course, is of a mandatory nature with relation to the rail carriers.

Mr. GRINSTEIN. Rail and water?

Mr. SANDERS. Rail and water. I am certain it requires the publication of joint through rates with other rail carriers. This suggestion that we are talking about as to a further inclusion in the act would be a departure from the norm as it exists today under parts 2 and 3 of the act relating to water carriers publishing through rates and routes.

Mr. GRINSTEIN. In other words, you would further amend the act in addition to section 27(b) to change the status of joint rates and through routes between modes subject to parts 2 and 3 of the act?

Mr. SANDERS. Right. I think some fair and equitable formula should be added which would make it possible for a land carrier to bring about the forcing of permission from a connecting water carrier to join in the publication of through rates and routes, but I don't think the water carrier in turn should be subjected to the whim of any and all motor carriers who may decide today they want through rates and routes in connection with some carrier. I think there should be a requirement for some showing of financial capability, equipment, capability, any of the other fitness requirements that are usually required of common carriers before they are given their final operating rights, for instance, by the Interstate Commerce Commission.

Mr. GRINSTEIN. In other words, you would impose some additional standard on the carrier subject to part 2 before he could qualify to compel a carrier subject to part 3 to enter into joint rates and through routes?

Mr. SANDERS. Right. I think the Commission, if it is given jurisdiction, should set up certain standards that must be met before it will issue an order requiring the joining in the publication of through rates and routes by a water carrier who has conceivably refused to do so until that time of its own choice.

I think the public interest requires that this be handled in a sane and safe manner, rather than on an impulse, a hammer over the head type of thing.

Mr. GRINSTEIN. You know that the joint rate and through routing provisions in part 1 of the act have been notoriously ineffective to date.

When you were speaking earlier, you mentioned that except for one or two of your carriers, the others had been denied joint rates and through routes.

Mr. SANDERS. I wouldn't say they had been denied.

Mr. GRINSTEIN. Or hadn't been able to obtain, I think you said.

Mr. SANDERS. That is right, yes. This is a hodge-podge growth of transportation characterization up here now, and that is natural in the absence of regulation, or complete regulation.

I think it is now time to obtain, through congressional action, a transportation picture which will let the public and let the carriers know what the future holds for them so that they can properly plan their own futures.

Mr. GRINSTEIN. Mr. Sanders, are some of the motor carriers in the State of Alaska treated as water carriers by the Federal Maritime Commission?

Mr. SANDERS. There is a designation under the Federal Maritime Act which is a designation of certain motor carriers as water common carriers, nonvessel operating water common carriers. That is presently under the Federal Maritime Act, right.

Mr. GRINSTEIN. Were these the particular carriers that you had reference to when you said that except for one or two?

Mr. SANDERS. Yes. I used that point to exemplify what I had in mind, yes.

Mr. GRINSTEIN. Has this situation resulted in your judgment in discrimination between those carriers who were able to obtain joint rates and through routes and those carriers who were not able to obtain?

Mr. SANDERS. We will say that at least if it hasn't it will in the future, if not corrected, because the remainder of the carriers possessing rights legally obtained from either the Interstate Commerce Commission or the State Public Service Commission will conceivably have to participate in this movement or they will not obtain enough tonnage to warrant their continued existence as carriers.

Mr. GRINSTEIN. You were speaking before about the Federal Maritime Board only regulating maximum rates and not minimum rates. They have presently, or have had continuously, the authority to regulate minimum rates. They have just declined to do so.

Mr. SANDERS. I see.

Mr. GRINSTEIN. It would appear that the new Maritime Commission will exercise that power.

Senator BARTLETT. Just an expression of hope.

Thank you, Mr. Sanders. I am especially grateful to you for sitting here so patiently all day long, and being willing to go on so late in the afternoon.

Mr. SANDERS. Thank you for the opportunity to appear.

Senator BARTLETT. Off the record.

(Discussion off the record.)

Senator BARTLETT. On the record.

With the understanding that we will meet in the Council Chambers of the Loussac Library, the committee will stand in recess until 9:30 a.m. Monday.

(Whereupon, at 5:37 p.m., the committee was recessed, to reconvene at 9:30 a.m., Monday, October 23, 1961, in the Council Chambers of the Loussac Library, Anchorage, Alaska.)

STUDY OF ALASKA TRANSPORTATION

MONDAY, OCTOBER 23, 1961

U.S. SENATE,
COMMITTEE ON COMMERCE,
Anchorage, Alaska.

The committee met, pursuant to notice, at 9:30 a.m., Hon. E. L. Bartlett presiding.

Senator BARTLETT. The committee will be in order.

Before opening our hearing this morning, in a study of Fisheries and Transportation that has carried us from California to Alaska, I would like to make an observation. On the matter of Alaska transportation a letter from Secretary of the Interior Udall to Senator Magnuson was put in the record in full in the hearing at Fairbanks and was further referred to during the opening hearing at Anchorage Saturday.

It urged that an overall transportation policy for Alaska be developed by the Government. I am in complete agreement with the position that an overall policy be developed. But testimony received so far, as well as difficulties had with my friends here, convinces me that this policy should be developed primarily and initially by the State of Alaska, so that it will include, and even concentrate, on the goals and objectives of Alaskans.

We, in Alaska, have a unique opportunity and challenge, for we are all agreed that transportation is a key to the future development of our State. It must be carefully planned and programmed to see that our transportation resources by water, by air, by highway, and by rail are tailored to fit our very special needs.

I cannot see how the Federal Government sitting several thousand miles away in its seat of government, can plan development of this State as well as Alaskans can, and particularly I am convinced, and I hear in Washington, D.C., witness after witness and industry after industry, tell us what a snarl transportation is in the lower 48 States, and that we should apply and transmit the same situation to Alaska.

What is developed here, because we are starting pretty much from scratch, could well serve as a model for improvement of the Nation's overall transportation system. It is my belief that State officials should begin the drafting of a program that will lead to the common goals of Alaska. If technical assistance from the Federal agencies is needed, I can assure you that we will make them available. And when the program is completed, I feel certain that the whole Alaska delegation in Congress will do their utmost to see that it is realized. I know that I will. And I know that support will come from many quarters.

But at the moment it appears to me imperative that the State government should immediately start working on a plan of what we in Alaska want for ourselves in the way of transportation without the Federal Government making the unilateral decision for us.

Mr. Sanders, will you be good enough to return to the stand for a few questions that have occurred to Mr. Grinstein?

Perhaps Mr. McElroy will also have questions.

Mr. GRINSTEIN. Mr. Sanders, at the present time the Alaska Railroad is operating a pickup and delivery service in what we call the terminal or metropolitan area, such as Fairbanks, or in Anchorage.

Do you have any comment to make on that?

FURTHER STATEMENT OF EDWARD R. SANDERS, MANAGING DIRECTOR, ALASKA CARRIERS ASSOCIATION, INC., ANCHORAGE, ALASKA

Mr. SANDERS. There have been comments among our members emanating from some of them, but no concerted action leading to a decision on policy has been taken. The feeling, as I get it, is that the Alaska Railroad should not engage in this type competitive effort but should instead, under some contractual arrangements, give it to the existing carriers to perform.

There has been a strong feeling, too, that the public would benefit from such action with respect to the increased efficiency service given to the public through such action.

As I say, we have taken no official action in that respect.

Mr. GRINSTEIN. Did the association take official action on the bill, S. 1978, which would have extended to water carriers subject to the Federal Maritime Commission a terminal area exemption?

Mr. SANDERS. Yes; we did. We opposed the granting of authority to the Federal Maritime Board to set terminal areas. We felt that it should stay in the hands of the Interstate Commerce Commission so that those limits would closely coincide, if not exactly coincide, with those established for land carrier usage.

Further, this granting to the Federal Maritime Board of such authority would, we feel, destroy the private carrier industry as it now exists to some extent in that it would permit the water carriers themselves to operate their own equipment in direct competition with existing motor common carriers who hold certificated rights from the proper regulatory bodies, and could, at the whim of a water carrier who couldn't get just the kind of deal that he wanted out of the existing carriers, put his own trucks and personnel into that service.

This, we think, would be, possibly, very disadvantageous to the existing motor carrier industry.

Mr. GRINSTEIN. If the amendment to section 27B of the Statehood Act that you suggested were adopted, the water carrier then subject to the Interstate Commerce Commission would be treated as a carrier subject to part 3 of the act and would, therefore, qualify for a terminal area exemption. Would you still have objection to that?

Mr. SANDERS. Not exactly the same kind of objection because I am under the opinion—and if I am wrong I would like an expression from you—I am under the opinion that if they were regulated by part 3 of the act, that they would have to hold rights in the first place to conduct

such operations, that the tariffs under which they performed the work as an extension of their water carriage would be filed with and regulated by the Interstate Commerce Commission, and, therefore, the existing motor carrier industry would have some measure of protection at least.

Mr. GRINSTEIN. The situation would be that they would have a terminal area exemption and would not require any rights within the terminal area defined by the Interstate Commerce Commission.

Mr. SANDERS. Then if the act applies that way, and their tariffs containing the arrangements, the charges under which they would perform the service are not regulated by the governing body—and we hope it would be the Interstate Commerce Commission, then I think that we need protective legislation to insure some safeguards for the existing motor common carriers.

Mr. GRINSTEIN. That is all that I have.

Senator BARTLETT. Mr. McElroy?

Mr. McELROY. I have nothing at this time, Mr. Chairman.

Senator Bartlett. Mr. Sanders, under existing law doesn't the FMB, or, as it now is, the Federal Maritime Commission, have certain regulatory authority over trucking and terminal areas?

Mr. SANDERS. I am not too well founded on that, Senator. They have some relief, but I believe that the relief is somewhat confined as to territorial scope, but I am not too well founded.

Senator BARTLETT. My recollection is that witnesses in Washington for the trucking industry testified that the FMB, as it then was, had this authority, and no objection was made to its continuation.

We weren't told that there had been any untoward consequences as a result of its having been applied, but the witnesses were very strongly against any extension of that jurisdiction.

Mr. SANDERS. There is a little bit of history involved here, I would like to put in the record. The American Trucking Associations, of which we are a member State association, through its executive committee of 400, took opposing action to giving to the Federal Maritime Board authority to set up such limits because the Federal Maritime Board wanted to, in some instances, go out as far as 150 miles to establish pickup and delivery areas. But just before they went strongly on record, some segment of our own ranks interposed strong objection to American Trucking Associations opposing of it officially and as a national organization.

There was some weakening of attitude on account of that opposition. We at that time became aware of the trend and countered that objection as strongly as we could, being the infant member of the ATA. But it did cause slight restoration of the original position of ATA, and that is now in opposition to the FMC being given that authority. They favor, instead, on a national basis, that authority being given to the Interstate Commerce Commission.

Senator BARTLETT. Mr. Sanders, you have made a statement of absolute fact. No substantial objection or any objection at all, as I recall, was first interposed by the ATA. Later, a very violent objection.

Would S. 1978, if it became law as written, have any effect on Alaska carriers?

Mr. SANDERS. As it is written, in other words, it now contains the authority to give to the FMB this zone setting.

Mr. GRINSTEIN. S. 1978 as now written gives the ICC authority to determine the geographical size of the exempt zone.

Mr. SANDERS. As I recall in the jockeying back and forth between segments favoring and opposing, the ICC version became watered down a little bit to the point where those limits conceivably would far exceed the limits under the ICC's formula for determining commercial zones around incorporated or unincorporated cities. This, I think, is bad.

I don't see why line-haul carriers should be encroached upon to the point of moving these boundaries further out. Legally filed and effective tariffs of the line-haul carriers contain proper and reasonable charges to cover the movement of freight to or from these outer areas, and they can be built into the total charges by water vessels as the charge against the shipper, consignee, and would not necessarily be 1 cent more than would be charged if the limits were extended further out. I can see no further purpose in moving them out and I can see great harm come to the existing motor common carriers.

Senator BARTLETT. What I am trying to get at is this. Your protests were filed—those of the Alaska Carriers Association. Were they filed because it was the belief of the Alaska Carriers Association that this legislation would be harmful to Alaska carriers, or was this part of a national protest initiated generally and maintained by the American Trucking Association?

Mr. SANDERS. Senator, I can say that we moved from the basis of complete selfishness, based upon our attempt to survive as motor common carriers in Alaskan operations.

Senator BARTLETT. That is, you say, then, that you recorded here a belief that this bill, if enacted into law, would be hurtful to Alaska carriers?

Mr. SANDERS. Most definitely. Our governing committee was unanimous in that opinion.

Senator BARTLETT. How many carriers did you tell us Saturday are now members of the Alaska Carriers Association?

Mr. SANDERS. There are about 84 motor common carriers. There are 58 contract dump truck carriers, and 42, I believe it is, associate members.

Senator BARTLETT. If you were to make a statement, how many trucks would you say were involved?

Mr. SANDERS. I had that total at one time.

Speaking simply from memory—and I could confirm this later if you wish—it seems to me that our memberships total units for assessment purposes only, which eliminates single-tractor motive power when not combined with the load-carrying equipment, totals almost 1,700.

Senator BARTLETT. Thank you, Mr. Sanders.

Do you have any additional statement you desire to make?

Mr. SANDERS. If I may, sir.

Senator BARTLETT. Surely.

The chairman notes the presence in the room of the able and distinguished Senator from Alaska, Senator Gruening. Senator Gruening will be called as soon as Mr. Sanders has concluded.

It is an inviolate rule in the Senate, I might add, that when a Senator appears to testify, that he is taken first. But I am sure that

Senator Gruening would prefer to have Mr. Sanders conclude before testifying.

Is that right, Senator?

Senator GRUENING. That is quite correct.

Mr. SANDERS. Senator, this subject has been the matter of mail distribution earlier, but, as I understand it, the bills have not been finally passed by both Houses. I am not exactly aware of the condition in either House at the moment. But the subject is of such importance that I do appreciate the opportunity to put the text on the record.

The executive committee of the Alaska Carriers Association, Inc., has gone firmly on record as being in favor of the passage of Senate bill S. 1145, which would eliminate the application of the provisions of section 22 of the Interstate Commerce Act except under conditions of national emergency.

We added the phrasing "except under conditions of national emergency" reluctantly. We don't even favor the elimination of section 22 of the ICC Act with this vestige left available for the use of governmental agencies, but I understand that that is all we have a chance of getting at this time.

To go further:

The use of section 22 of the Interstate Commerce Act as authority for filing lower rates for the movement of freight for governmental entities has, through recent years, been abused to the point where the economic well-being of the carriers is seriously threatened.

As a side remark, I refer to not only motor common carriers at this moment, but to all common carriers.

In fact, if quotations made under section 22 of the Interstate Commerce Act were eliminated, causing governmental shippers to pay the same rates as the general public, it is entirely conceivable that the carriers could avoid a certain amount of their next rate increases caused by rising costs of operation. For the last several years, increasing inflation has caused all forms of transportation to steadily adjust their rates upward to offset these rising costs of operation.

I appealed to—

all to whom this letter is addressed to support the passage of this bill in order to bring into being fair and just ratemaking so that the greatest degree of equity will result and at the same time preserve the financial soundness of the transportation industry to the point where it can adequately perform its basic function—properly and safely transporting the goods of the Nation in the manner in which they must be transported if the welfare of the Nation is to be adequately preserved.

There is and has been in recent years a very strong movement to repeal section 22 of the ICC Act because of its detrimental economic effect. But evidently there are powerful forces working against this move. My only hope is that this testimony and other testimony will reach enough receptive ears to finally show to all of the Congress Members how detrimental its effect is on the carriage, how much it forces rates paid by the general shipping public upward.

The general shipping public is being forced to pay another form of tax, in fact, by paying greater rates for the movement of their own civilian freight by the carriers being forced to charge a lesser amount for the movement of Government freight.

Senator BARTLETT. Thank you, Mr. Sanders, for this expression of your views on section 22.

Mr. McElroy calls my attention to the Senate Legislative Calendar, which reveals that the bill you referred to, S. 1145, was introduced on March 2, 1961, by Senator Smathers, of Florida, and no hearings have yet been held upon it. The staff member assigned is none other than Mr. Grinstein, who sits on my left.

Do you know if hearings are projected?

Mr. GRINSTEIN. It is expected that hearings will be held on S. 1145 in the next session.

Senator BARTLETT. Thank you, Mr. Sanders.

Mr. SANDERS. Thank you.

Senator BARTLETT. Now, Senator Gruening.

We welcome you, Senator, at the concluding session of our hearings in Anchorage, and we only wish that you could go on with us to Cordova, Juneau, and Ketchikan, where they are going to be continued.

If you care to say favorable words concerning your bill to establish a reception center here at the international airport, and your bill to amend the Saltonstall-Kennedy Act to provide additional funds for research and rehabilitation of the fisheries, we shall be glad to hear them and any other testimony on transportation or on the fishery or allied subjects that you may care to present.

STATEMENT OF HON. ERNEST GRUENING, U.S. SENATOR FROM THE STATE OF ALASKA

Senator GRUENING. Thank you, Mr. Chairman. Perhaps you do not realize you are virtually extending to me an invitation to speak almost indefinitely.

Senator BARTLETT. Deliberately.

Senator GRUENING. I would like first to speak about the bill which you and I jointly cosponsored, which has to do with various activities at the Anchorage International Airport. The seed of this idea to create an international reception center originated with Mayor Byer who not only developed this idea but promoted it very vigorously, as those of us who are in receipt of mail from Anchorage can testify.

It received not only his sponsorship but considerable support, and it struck us, I am sure, as a very excellent idea.

In the course of thinking about the best method of promoting this desirable objective, other additional possibilities came to mind, and particularly it came to my mind when last July a group of the Senate Committee on Public Works returned during a brief Senate recess from a visit to Scandinavia, where we went for the purpose of studying the very extensive use of hydroelectric power in Norway and Sweden, and its possible application to Alaskan conditions.

On our return we stopped for a couple of hours in Ireland, at Shannon, where there is a free international port and where, in a very large showroom there, all kinds of goods, both of Irish manufacture and coming from other countries were exhibited at very attractive prices, with the inevitable result that practically every member of our party did some extensive shopping.

It struck me that this idea was very applicable to the Alaska International Airport and that in fact conditions here exceeded in potential anything that Shannon had. In fact, exceeded actually and potentially anything that exists in any other part of the world.

You may recall that we discussed that and decided that we would amplify the original idea of an international reception center with a free port, maybe a hall of States in which the various States of the Union would be invited to exhibit their products for whatever publicity value they would have in possible sales, and in that form we jointly introduced the bill.

I remember talking to the parliamentarian about the reference of that bill, namely to what committee it should be referred. There was some question because of the multipurpose nature of the bill. If the bill dealt wholly with an international reception center, it might logically go to the Committee on Foreign Relations. But it struck me that there were other aspects which made it far more desirable to keep it in the family, and I hoped it would be referred to the Committee on Commerce where we knew it would have especially solicitous attention, and that so developed.

What has happened on the Alaska International Airport is really one of the wonders of an age filled with wonders. I need not recall to you that largely as a result of your efforts as a voteless delegate the international airport was created and brought into use approximately a decade ago. Of course, it was then under Federal management. As recently as perhaps 3 years ago the first commercial flights over the pole took place. I think a number of Alaskans were invited to go on the first flight of the SAS. Since that time one foreign carrier after the other has come in, so there are now nine international carriers transporting passengers between the three great continents of the Northern Hemisphere: Asia, America, and Europe.

This thing has mushroomed to incredible proportions. I am informed that in the month of September some 20,000 international passengers passed through this airport. Obviously the facilities that were created some years ago when no such development was anticipated are totally inadequate, and we need on this airport all kinds of additional facilities, such as increased space for the customs and immigration authorities, and the health authorities. This all ties in with the general plan of expansion.

When we introduced this bill in the closing days of this last session we obviously had no thought or desire nor did we visualize the likelihood that it could be acted upon because of the very fact that in view of its many complications, in view of its dimensions, it was necessary to hold hearings of the kind that you are here holding to develop the various requirements, financial requirements and others, to see just how this going to be put across.

The State has a very definite concern in this. The city of Anchorage has a very definite concern in it. And the Nation has a very definite concern.

The original idea of Mayor Byer to make this international reception center a place where visitors spending 1 or 2 hours here could, instead of having nothing to do, receive on the contrary the best possible impressions of America during what might be their only sojourn under the American flag is, of course, an idea that has great value to the Nation where we are trying, as we all know, and have been for some years, to project an image of America as a land of freedom and as a land of opportunity and as a land of free enterprise, an image that is very important for us to project to people coming either from behind the Iron Curtain countries or from so-called neutrals.

Then, when you add to that the possibilities of a free port, which has very definite economic advantages, and add to that the actual operational needs of the three Federal and State services which operate now in the airport with insufficient quarters and accommodations, we find ourselves with a very large problem but a very challenging and a very thrilling one.

I think I can restate that as far as I know there is no airport in the world that has this particular and unique pattern of people moving back and forth between the three great continents of the Northern Hemisphere, in fact, excepting Africa and Australia, practically the entire populated areas of the world.

This movement is only in its infancy. The figures are somewhat staggering.

Last year some 22 million gallons of aviation fuel were dispensed at this airport, and this is going to rise steadily. Out of this, of course, the State of Alaska derives a very substantial revenue.

I think we can reasonably anticipate that these figures will increase in geometric or maybe astronomic ratio in the next few years. We now have nine international airlines operating there. Just in the last few days one has been added—Riddle. It is likely that others will come in.

The State has a very definite interest in this. I am hopeful that in the course of this hearing or others we will get some very valuable testimony as to how the financing should be done, whether it should be done partly by the State, partly by the city, partly by the Federal Government, and in what proportions.

I am frank to say that I haven't formed any very definite idea. I think that they all have a stake, and they all have an interest in it.

I think that about covers that aspect of it. I hope that others will come forward with specific suggestions because, as I say, this great development is still in its early stages, although it has practically all taken place—it began to take place with the creation of the International Airport 10 years ago. Really 3 years ago we had the first commercial flights over the pole.

Senator BARTLETT. Senator Gruening, there is a new law now which was passed by the first session of this, the 87th Congress, a bill sponsored by Senator Magnuson of Washington State, who is chairman of this committee, upon which I have the honor to serve, establishing the U.S. Travel Service. Does not that fit in very ideally with the broad concept of your plan to establish a reception center, the Hall of States, and the trade zone here?

Senator GRUENING. It certainly does.

Senator BARTLETT. Because our effort is going to be concentrated to an extent which it never has been before, upon bringing people from the other continents to the United States so that they may see what we have and how we live.

Senator GRUENING. There is also a further interesting fact. While we assume, or have assumed, that these visitors, numbering now thousands every month, were destined to spend merely an hour or two in the airport during the refueling of their jetplanes, actually what has taken place in a number of instances is that they have been here for 1 or 2 days because of weather conditions, say, in Japan, the coming of typhoons, which made it impossible for their planes to leave,

with the result that they had to stay here for several days, although that was not intended. That is a further incentive to making plans for such a contingency.

Of course, I hope the time will come when we will allow these people, if they wish to, to stay here voluntarily between planes and actually see more of Anchorage and of Alaska and of America than they normally would. But through the accidents of weather, that does take place from time to time. It has taken place in the last month.

There are obviously not even sufficient hotel accommodations for these people here. They have to be taken some distance away, as far as Wasilla, for example, for accommodations, and that is another problem which has to be faced, and that is all due to the fortunate fact of superabundance. I think it is always pleasant when you are wrestling with problems not of scarcity but of abundance, which is what we have here. But we have to meet those problems.

I think there is one of the greatest things which has happened here, not merely in Anchorage and Alaska, but in the Nation. I think we have a great source of potential usefulness for international relations.

I think that Mayor Byer saw a parallel or analogy between the International Education Center in Hawaii, which was somewhat different. It was designed to be an educational center connected with the University of Hawaii where students from the Orient could come into an American environment where there were still many people of oriental origin, where they would feel very much at home, and act thereby as a kind of bridge of understanding between the East and the West, between the Orient and Occident.

Ours is a little different, but there are certainly close analogies. If these people from Asia come, if we can inculcate them with the things that we are justifiably proud of, if we can use their relatively brief period to give them a picture of America as we know they may not have gotten it in their home countries, I think we will be doing something for the whole Nation. And I think there are a number of avenues such as the travel legislation to which you refer which can be tapped for this purpose.

I think that the State will have a very definite part to play in this, as well as the city of Anchorage.

Senator BARTLETT. Thank you very much, Senator.

Senator GRUENING. I thank you.

Senator BARTLETT. Mr. Roloff? Do you care to testify now?

STATEMENT OF HENRY ROLOFF, DIRECTOR, PORT OF ANCHORAGE, ALASKA

Mr. ROLOFF. With your permission, sir.

Senator BARTLETT. It might be a good idea. We want to hear from you at such length as you may care to proceed. Do you have a prepared statement?

Mr. ROLOFF. Yes, I do.

My name is Henry Roloff, and I am port director for the port of Anchorage.

I might add that I represent the largest port in the largest city in the largest State in the Union, and with that little levity, Senator, I will go to more serious subjects.

The port of Anchorage is appearing before this interim committee hearing of the Senate Commerce Committee to present what we hope will be recognized as an objective discussion of the multitude of problems now facing all of Alaska's transportation complex. For the purposes of this hearing, we define the transportation complex to mean ocean carriers, truck carriers, and the Alaska Railroad.

Several weeks ago the port of Anchorage directed a letter to Senator Warren G. Magnuson, chairman of the Senate Commerce Committee pertaining to Senate bill 1839. Although this particular bill is not at issue before this hearing, we refer to it in order to point out how complicated the transportation problems of Alaska have become, because, in brief, Senate bill 1839 would include nonvessel water carriers under section 216 of the Interstate Commerce Act.

Mr. Donald J. Smith, general manager of the Alaska Railroad, has agreed to provide Chairman Bartlett with the transcript of the Federal Maritime Board's factfinding hearing convened in Anchorage on June 23, 24, and 26 of 1961. This hearing followed the issuance of Resolution No. 1 by the Anchorage Port Commission, dated June 8, 1961, and I would strongly commend the transcript of this proceeding to the committee, because it has strong bearing on the issues before us. Inasmuch as I will refer directly and indirectly to Anchorage Port Commission Resolution No. 1, during the course of this appearance, I shall, for the purposes of a complete and clear record, submit a copy of that resolution at this time.

Senator BARTLETT. The resolution will be received and incorporated in the hearing at this point.

(The resolution referred to is as follows:)

PORT COMMISSION, CITY OF ANCHORAGE

RESOLUTION NO. 1

Be it resolved by the Port Commission of the City of Anchorage, Alaska, in special session:

Whereas the Port of Commission of the City of Anchorage, Alaska, is a duly authorized agency of the incorporated city of Anchorage, Alaska; and the port commission and the port director are charged by virtue of certain ordinances of the city of Anchorage with the responsibility of administering and duty to administer the functioning of the port of Anchorage and to report to the proper authorities of the United States or the State of Alaska violations of any laws pertaining to the use of wharves, docks, or landings and vessels in the port of Anchorage where no power lies in them to enforce such laws. And, the port commission and the port director are possessed with the responsibility of doing and duty to do all things necessary to protect the interests of the holders of certain bonds issued by the city of Anchorage to construct the port of Anchorage dock facility. And, further, the port commission and the port director are charged with the responsibility of doing and duty to do all things necessary to assure the proper administration of the port of Anchorage and its terminal facility in the public interest. The port of Anchorage facility is and has, since April 21, 1961, when its first cargoes were handled, been a completely operational terminal facility. Consequently, the port commission and the port director have an interest in the matter herein set out; and the port commission is gravely concerned in respect of such matter as it affects the present and future conduct of their responsibilities and duties; and

Whereas the circumstances and conditions recited in appendix A hereto, incorporated herein by this reference, exist in Alaska and in the Alaskan trade between the continental 48 United States and Alaska; and

Whereas such circumstances and conditions adversely affect the ability of the port of Anchorage in its efforts to establish routes of commerce toward the ultimate objective of providing a sound economic basis of transportation to serve a substantial and major portion of the State of Alaska, to enable commerce to flow freely at substantially lower costs between Alaska and the other States and foreign countries, and to foster the development of Alaska's natural resources, all of which is required in the public interest; and

Whereas since Alaska's statehood, the Federal Maritime Board has failed to meet its responsibilities and perform its duties as provided in the Shipping Act of 1916, as amended, and related statutes, and it has by such failure caused public carriers, terminals, and others, to be misled by its acceptance of tariffs for filing as though such tariffs were properly filed when, in fact, the Board actually has no jurisdiction under existing statutes relating to overland portions of the transportation contemplated in such tariffs; and

Whereas the actions of the Federal Maritime Board, both by omission and commission, have impeded and obstructed, do now impede and obstruct, and will continue in the future to impede and obstruct the Interstate Commerce Commission, the Alaska Public Service Commission, and other governmental agencies, respectively, in meeting their responsibilities and performing their duties to such degree that is detrimental and destructive and threatens the integrity of all economic regulation of carriers, terminals, and others; and

Whereas if such impediments and obstructions continue to prevail, it will work to the detriment of and damage to the general economy of Alaska and the United States; and

Whereas the need for action in these matters is clear, immediate, and urgent: *Be it resolved by the Port Commission of the City of Anchorage, Alaska*, That the Federal Maritime Board is hereby respectfully requested and urged to investigate immediately, upon its own motion, to determine the full extent of the violations of the Shipping Act of 1916, as amended, and related statutes and such additional investigation as may be deemed by the Board to be required; to make such findings as are set out and such further findings as may be deemed required by the Board in the premises; to take such remedial action as is required in the premises, including the immediate suspension of such tariffs as exceed the lawful jurisdiction of the Board but are filed with it and are unlawfully in effect by virtue of such filing; to absolve itself of such violations of statutes as it is guilty of; and to promptly otherwise meet its responsibilities and perform its duties within the scope of its actual jurisdiction; consistent with the intent of Congress and the public interest.

Dated at Anchorage, Alaska, this 8th day of June 1961.

H. HENRY ROLOFF,

Port Director and Secretary to the Port Commission.

(By direction of and for and in behalf of the Port Commission, City of Anchorage, Alaska).

APPENDIX A

The Port Commission of the City of Anchorage, Alaska, respectfully shows that the following facts and circumstances set forth on the basis of the knowledge of the port commission and its staff and such representations as are based upon information of others are believed to be true by the commission do continue to exist in the State of Alaska and in the "Alaskan trade," even 2 years and 5 months after the Alaska Statehood Act became effective:

I

The Alaska Railroad, hereinafter referred to as the railroad, a Government corporation, operates under the control and direction of the U.S. Secretary of the Interior. The Railroad enjoys freedom from regulation in the operation of its normal transportation by Railroad service, in competition with regulated carriers financed by private capital.

The Railroad also owns and operates docks and wharves at Seward, Alaska. Additionally, it owns docks and wharves at Anchorage, Alaska, which it leases to others, such as Ocean Dock which it leases to the U.S. Army.

The Alaska Railroad, hereinafter referred to as the Railroad, a Governmental traffic manager, ARR 34, effective June 17, 1958, is purported to name "rates, charges, rules, and regulations for wharfage, handling, car loading, and

unloading and other terminal services and privileges applying on the Alaska Railroad wharves at Seward, Alaska."

This tariff was not on file with the Federal Maritime Board on March 15, 1961, at least, in complete disregard of the fact that such terminal services performed are subject to the provisions of the Shipping Act of 1916, as amended, and related acts.

The Alaska Railroad terminal tariff 34-L, issued by F. W. Hoefler, traffic manager (rates and tariffs), ARR No. 52, effective May 14, 1960, naming charges for wharfage and berthage at Anchorage, Alaska, in item No. 5 thereof, provides, "Application: The rates, rules and regulations named herein apply on all traffic moving by water, handled over the docks and wharves owned by the Alaska Railroad at Anchorage, Alaska." Tariff 34-L is believed to not have been filed with the Federal Maritime Board.

Such failure to file such tariffs named above in connection with an "other person" subject to the Shipping Act of 1916, as amended (as the term "other person" is defined in sec 1. of the act) violates a notice dated October 24, 1944, by the U.S. Maritime Commission (such notice was subsequently adopted by the Federal Maritime Board) which requires the filing of tariffs by "other persons" subject to the act in connection with terminal services performed for common carriers; and such failure violates section 17 and other provisions of the act.

The Railroad also publishes the Alaska Railroad freight tariff 5-N, issued by E. J. Kunz, general traffic manager, ARR 38, effective November 9, 1958, which covers "class and commodity rates which include delivery of less than carload freight and any quantity freight * * * also rules and charges for delivery of carload freight * * *."

Between

Seattle, Wash.
Tacoma, Wash.
Portland, Oreg.
Coos Bay, Oreg.
Newport, Oreg.
San Francisco, Calif.
Long Beach, Calif., and points taking
same rates or arbitraries over
also
miscellaneous ports in Alaska

And

Stations in Alaska on the Alaska Railroad and certain other Alaskan points

Tariff 5-N names no participating carriers, as such; but, section 4; Routing therein shows route numbers for Alaska Steamship Co. and another carrier.

Item 300-C of supplement 21 to tariff 5-N provides, in effect, that the tariff "endeavors" to aggregate connecting water carriers' rates with its own to arrive at the through rates named therein (Alaska Steamship Co. is named as a connecting carrier) and "that the rates named herein are published for information purposes only and solely for the convenience of the public. The rates and charges named herein are not intended to supersede or otherwise affect the rates and charges lawfully published and filed with the Federal Maritime Board by Alaska Steamship Co."

Notwithstanding such misleading statement, item 440-C in supplement 21 to tariff 5-N provides that the rates named in tariff 5-N include wharfage, handling, and loading to or unloading from railroad cars at Seward, Alaska.

In billing northbound shipments moving in the through connecting service of the railroad and Alaska Steamship Co., no "destination terminal charges" are assessed (at Seward) while "Seattle terminal charges" are assessed. The railroad is performing terminal services which are subject to the act but it is not assessing charges for such services if the shipments move on the lines of the railroad. In addition to its failure merely to assess charges for the performance of terminal services, performed, in violation of the act, the act of so doing creates the following facts and circumstances:

A. The railroad and Alaska Steamship Co., jointly, give unjust and unreasonable preference to shipments and to shippers whose shipments are routed via the railroad to the prejudice and disadvantage of shipments and shippers whose shipments are routed via truck, or other means other than via the railroad, in respect of the terminal services performed by the railroad.

B. Unjust and unreasonable preference is given to shipments and to shippers whose shipments are routed via port of Seward to or from points on the rail-

road to the prejudice and disadvantage of shipments and shippers whose shipments are routed via port of Anchorage to or from points on the railroad.

C. An unauthorized and unlawful operating subsidy is allowed Alaska Steamship Co. at the expense of the United States of America, the owner of the railroad, by virtue of the railroad absorption of its terminal charges at Seward which, in effect, allows Alaska Steamship Co. to compete in the transportation market at a higher division of rates than could prevail if the through-landed cost of shipments were required to reflect the terminal charges absorbed by the railroad. During the fiscal year 1960, the railroad reported an operating income loss of \$367,138.

Such practices are unjust and unreasonable and are unjustly and unreasonably discriminatory in respect of persons and places. Such practices are monopolistic and are destructive to the railroad; the United States; Alaska Steamship Co.; other modes of transportation competing with the railroad; water carriers operating in competition with Alaska Steamship Co. and Alaska Steamship Co. and the railroad, jointly; and the port of Anchorage.

The railroad competes in the open transportation market against carrier services financed by private enterprise. It advertises "One Package Transportation *via Alaska Railroad Containers*" (italics supplied for emphasis) in connection with Alaska Steamship Co. and Puget Sound-Alaska Van Lines, such as its advertisement which appeared at page 7 of the Daily Journal of Commerce, published at Seattle, Wash., on April 10, 1961. Again, the railroad allows certain water carriers serving port of Seward an unauthorized and unlawful subsidy at the expense of the United States of America, its owners, by furnishing equipment for use in certain privately owned carrier operations, reducing the costs of such privately owned carriers and the capital requirement for and cost of such containers by such privately owned carriers.

Furthermore, in an article headlined "No 'Cousin John' Rates From ARR, Official Asserts," which appeared in the April 14, 1961, edition of the Anchorage Daily Times, published at Anchorage, Alaska, Mr. John Manley, Assistant General Manager of the Railroad was publicly quoted as stating that should the port of Anchorage be able to offer a rate from Seattle to Anchorage lower than the present combined ocean-rail rate, "we would have to attempt to meet it."

The Railroad reaches far beyond the scope of its authority by aggressively and unfairly competing with private enterprise in an apparent effort to kill off its competition represented by private and/or municipal capital, and by furnishing certain private enterprise carriers physical facilities and absorption of charges to offset losses of revenues to them. These acts are contrary and repugnant to the intent of Congress and to the public interest. They are detrimental to the economy of Alaska and destructive to free competition in free enterprise.

II

Alaska Steamship Co. is a water common carrier serving between Seattle and Tacoma, Wash., on the one hand and Seward, Alaska, on the other hand, in addition to certain other points in Alaska including Ketchikan, Wrangell, Sitka, Juneau, Skagway, Haines, Cordova, Valez, Whittier, Seldovia, Kodiak, Chignik, King Cove, King Salmon, Clark's Point, Platinum, Bethel, Dutch Harbor, St. Michael, Unalakleet, Nome, Teller, and Kotzebue.

While Alaska Steamship Co. gives lip service to the matter of establishing service direct between Seattle and Tacoma, Wash., on the one hand, and port of Anchorage, on the other hand, it has produced no tangible evidence after a reasonable time of actually establishing such direct service. The Board should, on its own motion, investigate and determine whether Alaska Steamship Co. and the Railroad are conspiring to a joint effort to continue to monopolize and restrain interstate trade between the points named in the State of Washington and Seward, or, if Alaska Steamship Co. would, in fact, lose its unauthorized and unlawful subsidies as a result of serving the port of Anchorage direct rather than the Railroad-owned port of Seward and, as a result of such loss, it could no longer survive as a privately owned water common carrier in the Alaskan trade.

Furthermore, after due investigation, the Board should, upon its own motion, and in the public interest, compel Alaska Steamship Co. to establish direct, regular, frequent, common carrier water service between Tacoma and Seattle, Wash., and port of Anchorage at reasonable rates to afford the public the economic benefits of such service at a municipally financed port, thereby eliminating an

uneconomic overland haul by Government-owned railroad between Seward and Anchorage and, in so doing, effecting a sound natural economic advantage inherent in direct service at port of Anchorage resulting from its geographical location. Such direct service would not require that an unauthorized and unlawful subsidy be "arbitrarily dispensed" through and by the railroad.

III

Puget Sound-Alaska Van Lines, Inc., hereinafter referred to as P.S.A.V.L., is a water common carrier operating tug and barge equipment between Seattle and Tacoma, Wash., and San Francisco Bay, Calif., and Long Beach-Los Angeles Harbor, Calif., on the one hand, and Seward or Valdez, Alaska on the other hand.

Like Alaska Steamship Company, P.S.A.V.L. published its tariffs, as follows:

(a) Puget Sound-Alaska Van Lines, Inc., local and joint proportional freight tariff No. 4, issued by Wilbur J. Thompson, traffic manager, FMB-F No. 4, effective April 12, 1960, naming commodity and class rates between California ports and Seward and Valdez, Alaska; and

(b) Puget Sound-Alaska Van Lines, Inc., local and joint freight tariff No. 1, issued by William F. Boush, manager, rates and tariffs, FMB-F No. 1, effective May 21, 1961, naming class and commodity rates between Seattle and Tacoma, Wash., and Seward and Valdez, Alaska. Like Alaska Steamship Co., P.S.A.V.L. enjoys the benefits of the existence of a through water-rail tariff published by the Railroad under which the Railroad absorbs the Seward terminal charges on shipments routed beyond Seward via the Railroad.

Substantially all of the charges named against the Railroad in its relationship with Alaska Steamship Co. exist likewise, in the relationship between the Railroad and P.S.A.V.L. All actions requested of the Board in respect of the relationship between the Railroad and Alaska Steamship Co. and such requests as were made relative to Alaska Steamship Co., individually, are hereby made of the Board in respect of the relationship between the Railroad and P.S.A.V.L., jointly, and in respect of P.S.A.V.L., individually.

The Alaska Railroad freight tariff 63-A, issued by F. W. Hoeffler, Traffic Manager (rates and tariffs), A.R.R. 55, effective April 22, 1961, names class and commodity rates which include pickup and delivery (in Alaska) between Seattle, Tacoma, Wash.; Oakland, Long Beach, Calif.; and points taking same rates or arbitraries over and stations in Alaska on the Alaska Railroad and certain other points in Alaska.

IV

Garrison Fast Freight, Division of Consolidated Freightways, Inc., hereinafter referred to as Garrison, publishes its Garrison Fast Freight, Division of Consolidated Freightways, Inc., in connection with Alaska Steamship Co. (MXF-1 No. 4), local and joint freight tariff No. 1, issued by John F. Douglass, traffic manager, FMB-F No. 1, effective June 10, 1959, naming class and commodity rates between Seattle, Wash., and "Destinations in Alaska Listed Herein," including such inland, interior points as Fairbanks, Palmer, Big Delta, Alaska, and other Alaskan points.

Garrison provides service in its own containers, vans, or truck trailers, over the lines of Alaska Steamship Co., the Railroad, and by its own motor carrier over-the-highway service.

Rule 10 of the tariff named last above, at fourth revised page No. 11, states, in part, that rates named therein apply "* * * via vessel, railroad, and/or motor vehicle or any combination thereof at carrier's option and include all charges for transfer at intermediate interchange points and charges for transportation service by motor vehicle and/or railroad in Alaska."

The Railroad assesses its trailer-on-flat-car rates in connection with such motor carrier freight in motor carrier owned or controlled vans, containers, or truck trailers, under its through water-rail tariffs named hereinabove and takes its division of the through water-rail transportation on the basis of its division sheets.

The service within the purview of Garrison's tariff by water common carrier (Alaska Steamship Co.) is purported to be "legal and lawful" by virtue of a section 15 (Shipping Act) agreement between Garrison and Alaska Steamship Co. However, section 15 of the Shipping Act of 1916, as amended, is not in any manner applicable to overland railroad or truck line-haul operations. The Railroad, to repeat, is free of regulation and the motor common carrier service

is subject to either the Interstate Commerce Act, or, in cases in which the Interstate Commerce Act or the Interstate Commerce Commission has exempted such motor common carrier operations, to the Alaska Motor Freight Carrier Act. The Federal Maritime Board has exercised jurisdiction that it is not empowered with. Section 33 of the Shipping Act of 1916, as amended (46 U.S.C. 832), provides:

"That this Act shall not be construed to affect the power or jurisdiction of the Interstate Commerce Commission, *nor to confer* upon the board *concurrent power or jurisdiction* over any matter within the power or jurisdiction of such commission; nor shall this Act be construed to apply to intrastate commerce." [Italics supplied for emphasis.]

In other words, the Board has encroached upon the jurisdiction of the Interstate Commerce Commission; and by virtue of such encroachment, the Board is, itself, in violation of section 33. Moreover, the Board has, by virtue of its failure to refuse to accept and file Garrison's section 15 agreement and its tariff, misled and aided and abetted Garrison in violations of the Shipping Act of 1916, as amended, and of the Interstate Commerce Act. And, Alaska Steamship Co. is a party to such violations.

Further, a motor common carrier subject to part II of the Interstate Commerce Act, as is the Garrison's motor common carrier service, is precluded under the jurisdiction and regulations of the Interstate Commerce Commission from substituting the service of a carrier which is not under the jurisdiction of that Commission, such as the Railroad, for its own motor common carrier service.

In encroaching upon the jurisdiction of the Commission, the Board has so beclouded the issues that it has impeded and obstructed the Commission in carrying out its duties and meeting its responsibilities.

Further, the Railroad publishes, assesses, and charges, and has in the past assessed and charged rates and charges to motor common carriers for the service of transporting motor common carrier's containers, vans, and trailers laden with the motor carrier's freight at the Railroad's tariff rates. Such acts violate the Interstate Commerce Act since the Railroad is not a common carrier, subject to the Interstate Commerce Act (1924, 34 Op. Atty. Gen. 232, as cited in 48 U.S.C. 301), and, more specifically, the Railroad is not a motor common carrier subject to part II of the Interstate Commerce Act as an underlying carrier is required to be in substituting rail service for motor common carrier service (see Stone's Express, Inc., Common Carrier Application; No. MC 45263, 32 M.C.C. 525 as reported at 3 CCH Fed. Car. Cases 30, 199).

V

Weaver Bros., Inc., holds itself out as a water carrier, having a section 15 agreement (Shipping Act) between it and P.S.A.V.L. applying between Seattle, Wash., and numerous inland points in Alaska, which is filed with the Board. And, Weaver Bros., Inc., recently filed a new section 15 agreement between it and Puget Sound Tug & Barge Co., the parent company of P.S.A.V.L., which is quoted in part as follows from pages 4005 and 4006 of the May 19, 1961, issue of the Federal Register (vol. 26, No. 88):

"DEPARTMENT OF COMMERCE

"FEDERAL MARITIME BOARD

"WEAVER BROS., INC., ET AL.

"NOTICE OF AGREEMENTS FILED FOR APPROVAL

"Notice is hereby given that the following described agreements have been filed with the Board for approval pursuant to section 15 of the Shipping Act, 1916 (39 Stat. 733, 46 U.S.C. 814):

"Agreement No. 8501-2, between Weaver Bros., Inc., and Puget Sound Tug & Barge Co., modifies approved Agreement No. 8501, as amended, of the parties, covering a through billing arrangement on cargo between Seattle, Wash., and places in the interior of Alaska, with transshipment at Seward, Alaska. The purpose of the modification is to amend the provision of the agreement covering the understanding of the parties with respect to claims and insurance."

Weaver Bros., Inc., hereafter referred to as Weaver, operates under its Weaver Bros., Inc., in connection with Puget Sound-Alaska Van Lines, Inc. (MXF-1 No. 1), Freight Tariff No. 7-A, issued by Edward R. Sanders, General Traffic Manager, FMB-F No. 3, effective June 17, 1960, which names local, joint, and proportional class and commodity rates between Seattle, Wash., and "Destinations in Alaska listed herein."

All of the charges stated herein in respect of Garrison are hereby made in respect of Weaver.

Additional relevant facts relative to Weaver are in the record in "Common Carriers by Water—Status of Express Companies, Truck Lines, and Other Non-Vessel Carriers," docket No. 815, before the Federal Maritime Board.

VI

Anderson Terminal Co. (and Cook Inlet Tug & Barge Co., Inc., its affiliate which operates the tug *Northwind* and several non-self-propelled barges) is located at Anchorage, Alaska.

It leases a barge terminal in the tidelands area of Anchorage to Alaska Freight Lines, Inc., in connection with the latter's interstate common carrier barge service under a lease agreement executed in 1953. The lease agreement which could be within the purview of section 15 of the Shipping Act of 1916, as amended, had not been filed with your Board, at least by March 15, 1961.

Neither Anderson Terminal Co., nor Alaska Freight Lines, Inc., has filed a terminal tariff covering the operation of such terminal with the Board, at least by April 27, 1961, even though the terminal has been in service since about July 1953.

VII

Alaska Freight Lines, Inc., operates simultaneously as a motor common carrier and a water common carrier by tug and barge between Seattle, Tacoma, Longview, Vancouver, Wash.; Portland, Oreg.; Oakland, San Francisco, Long Beach, Los Angeles Harbor, Calif.; and certain other irregular ports, on the one hand, and Anchorage, Fairbanks, Palmer, Seward, Valdez, Big Delta, Eielson AFB, Alaska, on the other hand, according to Alaska Northern Express, Inc., local freight tariff No. 1, issued by William M. Hamilton, traffic manager, FMB-F No. 1, effective October 10, 1958, which was adopted by Alaska Freight Lines, Inc., adoption notice issued by Alaska Freight Lines, Inc., by Errol D. Anderson, traffic manager, FMB-F No. 9, effective June 1, 1960. Alaska Freight Lines, Inc., was also a predecessor to Alaska Northern Express, Inc.

The tariff named last above is purported to be filed with Board; and it names rates and service from and to inland points which are beyond the scope of the Board's jurisdiction.

We have in our possession a copy of a ditto sheet entitled "Alaska Freight Lines, Inc., Traffic Information Bulletin No. 26," dated March 26, 1957, which states:

"At our leased dock facilities at Seward and Anchorage, should other accounts wish to use the facility at any time, and we are willing and able to accommodate them, the following charges would be applicable: * * *"

The bulletin then names rates and charges for berthage, wharfage, handling charge, and equipment rental. This bulletin is not a published tariff.

We also possess an Alaskan Freight Lines, Inc., "Traffic Information Bulletin No. 28," dated March 26, 1957, which covers "Equipment Rental" for "Seattle Area" and "Alaska Area."

VIII

Alaska Aggregate Corp. has an old ship hull beached in the tidelands mud at Anchorage, Alaska. A crane is mounted on the deck of the hull. Alaska Aggregate Corp., hereinafter referred to as Aggregate, stores bulk cement in the hull after discharging the cement from barges brought alongside the hull at high tide and beached.

The hull is referred to as Alago Dock and is also used as a terminal facility in connection with water common carrier cargo moving on barges.

Aggregate publishes its tariff to cover such terminal operations, known as Alaska Aggregate Corp. Alago Dock Terminal, Tariff No. 1, issued by Ken Hinchey, president, FMB-F No. 1, effective December 28, 1960, which names charges for wharfage, handling, rail and truck loading or unloading, and charges for equipment rental on freight traffic handled over Alago Dock.

Aggregate also does business under the name Pacific Western Lines.

Alago Dock has performed terminal services for Pacific Western Lines and Northland Freight Lines, both of which are water common carriers.

On May 26, 1961, Mr. Grove G. Lautzenhiser, traffic manager, port of Anchorage, telegraphed the chairman of the Federal Maritime Board as follows:

MAY 26, 1961.

CHAIRMAN,
Federal Maritime Board,
Washington, D.C.

(Confidential):

We are informed and believe that Alaska Aggregate Corp. is performing terminal services at its Alago Dock, Anchorage, Alaska, in connection with T. F. Kollmar, Inc., doing business as Northland Freight Lines, and others, which are in flagrant violation of section 18, and other provisions of the Shipping Act of 1916 as amended.

It is hereby respectfully requested and urged that an immediate investigation be made to determine the extent of such violations and such remedial action as is deemed necessary be initiated by your Board on its own motion.

We offer our cooperation with your staff in this connection.

GROVE G. LAUTZENHISER,
Traffic Manager, Port of Anchorage, Alaska.

On May 28, 1961, Mr. Lautzenhiser dispatched a further telegram as follows:

MAY 28, 1961.

CHAIRMAN,
Federal Maritime Board,
Washington, D.C.:

It is hereby respectfully requested that the reference to section 18 in my confidential wire of May 26, 1961, be amended to read section 17.

GROVE LAUTZENHISER,
Traffic Manager.

On May 29, 1961, Mr. Lautzenhiser received the following telegram in reply:

MAY 29, 1961.

GROVE G. LAUTZENHISER,
Manager, Port of Anchorage, Alaska:

Retel 26th and 28th, information given insufficient to institute investigation. Please furnish us detailed information considered violation Shipping Act.

L. E. RATCK,
Federal Maritime Board.

And, the following telegram over the signature of Henry Roloff, director, port of Anchorage, was dispatched on June 2, 1961:

JUNE 2, 1961.

Mr. L. E. RATCK,
Federal Maritime Board,
Washington, D.C.:

Reference your telegram to Lautzenhiser re port of Anchorage complaint on Alago Dock. We are informed and believe that terminal services are being performed without adherence to published Alago tariff. Also, FMB requirements are not being observed as pertain to Pacific Western Lines and filing of terminal contracts regarding labor agreements.

HENRY ROLOFF,
Director, Port of Anchorage.

On June 6, 1961 the following further telegram was received:

JUNE 6, 1961.

HENRY ROLOFF,
Director, Port of Anchorage, Anchorage:

Retel 3d. We request detailed information concerning noncompliance with Alago tariff and FMB requirements as pertaining to Pacific Western Lines. Letter follows re filing terminal contracts regarding labor agreements.

WILLIAM A. STIGLER,
Federal Maritime Board, 3d Alago.

Further, we have in possession a photographic copy of a letter written on Pacific Western Lines (division of Alaska Aggregate Corp.) letterhead to Mr. Paul Pearson, Foss Launch & Tug Co., dated March 23, 1961, which we quote below:

Mr. PAUL PEARSON,
Foss Launch & Tug Co., Seattle, Wash.

DEAR PAUL: Concerning the unloading of lumber from your LST barges at our dock here in Anchorage, we are submitting for your consideration the following prices.

Commodity: Lumber, bundled (2,000 board feet per bundle).

Minimum shipment: 160,000 board feet at \$8.40 per 1,000 board feet; 300,000 board feet at \$7.80 per 1,000 board feet.

The above prices include wharfage, stevedoring on barge, handling on dock, and delivery to Ketchikan Spruce Mills yard.

The above rates would also include loading rail cars or trucks on our dock.

These prices may be changed by our company informing you in writing 30 days in advance.

Please advise if you plan to use our dock for discharging lumber shipments, so we may plan our operations accordingly.

Very truly yours,

PACIFIC WESTERN LINES,
(Sgd.) James J. Haagen,
JAMES J. HAAGEN,
Traffic Manager.

In addition to offering services for which no rates are named in the Alageco-Dock terminal tariff named above, the rates quoted are substantially lower for the entire operation quoted than the rates named in the tariff merely for the services for which rates are named. This kind of solicitation or procurement of traffic constitutes unjust and unreasonable practices in violation of section 17 of the Shipping Act of 1916 as amended.

IX

Alaska Aggregate Corp. doing business as Pacific Western Lines Local Freight Tariff No. 1, issued by James J. Haagen, traffic manager, F.M.B.-F. No. 2, effective February 34, 1961, names class and commodity rates between Astoria, and Portland, Oreg., Longview, and Vancouver, Wash.; and Anchorage, Kenai, Homer, and Seward, Alaska, on a point-to-point basis. (Anchorage is the only port of call served in Alaska.) In other words inland and beyond overland hauls are included in the service contemplated in the tariff last named.

Again, such a tariff goes beyond the scope of the jurisdiction of the Board and encroaches upon the jurisdiction of the Interstate Commerce Commission. Nevertheless, the Board had arbitrarily and apathetically accepted the tariff for filing rather than reject it as an improperly filed tariff. The failure to take overt action may be deemed the proximate cause of much of the chaotic, unsound, unlawful, and illegal, practices and conditions existing in Alaska and in the Alaskan trade today.

T. F. Kollmar, Inc., doing business as Northland Freight Lines, Local Freight Tariff No. 1, issued by T. F. Kollmar, general manager, F.M.B.-F. No. 1, effective July 2, 1960, names class and commodity rates between Seattle, Wash., and Anchorage, Alaska, via Northland Freight Lines.

Section VIII, hereof, shows the relationship between Northland Freight Lines and Alageco Dock.

X

The Railroad leases certain of its terminal reserve land adjacent to the Anchorage tidelands area to such parties as Alaska Aggregate Corp., Anderson Terminal, and Union Oil Co., which is used in conjunction with the terminal operations of each party named respectively; and, under the terms of such lease agreements, the Railroad receives a certain percentage of the terminal revenues of each terminal operator. The Railroad is, therefore, a party to each of the violations shown herein of each of the terminal operators. Through such lease arrangements, the Railroad is an "other person" as that term is defined in section 1 of the Shipping Act of 1916, as amended, and is, further, believed to be in violation of section 17 and other provisions of the same act by virtue of the fact that it has not filed an appropriate tariff with the Board to apply in connection.

with such terminal operations. And, further, the Railroad has not filed said lease agreements, themselves, with the Board; consequently, it violates section 15 and other provisions of the Shipping Act of 1916, as amended, and related acts.

XI

The economic development of Alaska and its great potential are in serious jeopardy because of existing conditions in the transportation complex. This State represents the greatest arsenal of natural resources within the United States, and perhaps within the world. Alaska covers an area of 571,000 square miles. Stated another way Alaska is about the size of France, Spain and Sweden combined. There are within the State 120 million acres of land geologically favorable to gas and oil with vast oilfields already being developed; there are 125 million acres of timberland ready for export; it is estimated that 1 billion tons of coal lie in Alaska soil; approximately one-third of the United States' iron reserves can be found here; and the State has over 150 locations for hydroelectric power, plus the whole range of mineral ores awaiting discovery and development.

Should the Federal Maritime Board permit historical, current and existing chaotic transportation practices to continue it would not only mock the dignity of the established regulatory system of the Federal Government and the State of Alaska, but would stunt and even abort the entire economy of the State.

Alaska's cost-of-living index is the highest in the Nation. When this factor is combined with destructive and unlawful practices among and between public owned and private owned common carriers, the free flow of interstate and foreign commerce is obstructed and thwarted; the natural population growth and concurrent development is hindered by prohibitive economics directly and indirectly related thereto; and the Alaska arsenal of natural resources is economically precluded from availability to our citizens and the nations of the free world.

It is imperative that established statutes, authorized by the Congress of the United States, be invoked and enforced by the Federal Maritime Board with no passive application, no hesitancy of purpose or objective, and with no administrative delay. To do otherwise would perpetuate a known situation totally repugnant to the intent of Congress and the statutes of the United States.

Mr. ROLOFF. Sections IV and V of the resolution named, pertain to a variety of issues about specifically named nonvessel water carriers that Senate bill 1839 would seek to rectify. However, I would point out that this is a single-purpose type of legislation aimed at legalizing a type of transport not now covered by ICC statutes. My only purpose in bringing this particular bill before this committee is to plead a point, namely, that piecemeal, or, what perhaps can be called superimposed legislation, is not the answer to the myriad problems facing Alaska's transportation complex. Neither is it believed that so-called "home grown" legislation should be considered as having objective argument and logic in offering solutions to the regulatory problems facing us today. Hearings such as this one, held in the interest of establishing a full and complete record, and subsequently analyzed by career men in the field of transportation and regulatory law, compose the framework of providing the type of factual and objective data required by our congressional delegations in arriving at sound legislative conclusions. It should be emphatically stated that once the doctrine of "sound conclusions" prevails, then the development of Alaska's transportation complex will leap ahead to meet the great development potential that exists in this State.

Senate hearings on the subject of transportation were held in Alaska during October of 1959, and I recall that Senator Bartlett presided during those sessions. An analysis of the FMB transcript of the hearing held this June followed by a study of the transcript of the 1959 hearings will reveal that a great deal of additional and highly

important collateral data is now available to our legislators. This hearing should be the final inning in a long-drawn-out ball game—a ball game which had its beginning back in territorial days when Tennessee plan representatives were not privileged to plead the transport problems facing their home State.

The complexion of the Alaskan transportation picture has changed extensively since the Senate hearing of 1959. A major example is that a new seaport, built and financed by the citizens of Anchorage, has come into being since that time. Completed this year at a cost in excess of \$8 million the port of Anchorage has already opened up trade with the Orient, the South Pacific and New Zealand, and has been the means of establishing new carriers serving from Pacific coast ports. The city of Anchorage is the largest city in the State, and when you include the total population within a 60-mile radius, this area contains about one-third of the total population in Alaska. Hence, factors as exist today were not in consideration during the hearings of 1959.

Certainly the jurisdictional controversies confronting Alaska and Hawaii in 1959 required some coordinating legislation, but Alaska in 1961 is still sorely in need of sound jurisdictional legislation governing its transportation complex.

I would point out that passage of time alone has moved the ICC to extend its overland controls in Alaska, so that there appears to be a sound regulatory program in the making at this time. Also, the State of Alaska has established its own Public Service Commission and moved toward smooth control of intrastate commerce. However, there is still no adequate control over the policies and rates of the Alaska Railroad as the Anchorage Port Commission resolution so emphatically points out.

Senate bill 1225 is another example of how complex the solution to the total Alaska problem can become, and it is respectfully suggested that the solution to our problems is to be found in the simplification of regulatory law rather than in complicated structures which appear to have been designed to fit on top of an already shaky pyramid.

Establishment of any joint board envisaged by the enactment of S. 1725 would still leave the Alaska Railroad free of jurisdictional control over its administrative policies and ratemaking practices.

As port director of the port of Anchorage I am heartily in favor of single board jurisdiction over transportation between Alaskan interior points and other points in the contiguous 48 States.

On the surface the joint board approach might appear to be the proper solution, but would it not, in fact, through necessary coordination of policies of two executive and one legislative branch agencies, namely, the Civil Airlines Board, Federal Maritime Commission, and Interstate Commerce Commission, be an unwieldy combination whose rules would necessarily be different from all of the parent bodies? We would anticipate even greater delays than are now experienced in the handling of regulatory cases. Frankly, we cannot conceive that this new creation would do more than add a new regulatory agency to the Federal payroll, devoted exclusively to Alaskan and Hawaiian transportation matters and, more important, still powerless to exert any effective control over the Interior Department's railroad.

Most transportation experts recognize the desirability of through rates. Approval of through rates is quite a different thing from approving joint rates in which the segments are not separately stated as proportions of the through rate. The transcript of the June hearings of the FMB contain pertinent and interesting testimony on this subject which are of paramount interest to Alaskans. It is believed that a separate statement of through rates is essential to keeping all rates adherent to costs in any given trade route. The practice of requiring the filing of proportional rates is historic. The FMB found several years ago that publication of through rates by the Alaska Steamship Co. and the Alaska Railroad without such separate statements was an unreasonable practice and required the Alaska Steamship Co. to establish a separate proportional rate tariff which is maintained to this date. The proposed legislation, as framed, would reverse this requirement.

While I do not wish to state that any such practice is planned—and let me make this point unmistakably clear in the record—I would, in an objective and logical way, ask that you consider the opportunity an unregulated Federal carrier would have to exert absolute control over the movement of commercial traffic on its lines where a through rate tariff is published by it and regulated ocean carriers. It would be, in fact, possible for the Department of the Interior's railroad to employ Federal funds to frustrate the growth and development of the port of Anchorage and, at the same time, to subsidize any carrier with whom it enjoys through rates, providing the separate statement of proportional charges is not a requirement.

Let this also be doubly clear in the record—the port of Anchorage has no desire nor intention to force increased rates on shipments moving from the Northwest ports to Alaska. On the contrary, it is the port's contention that an all-water route to Anchorage is necessarily going to be less costly than a water-rail route. The only way it would prove to be otherwise is for the rail carrier to operate at a loss. I believe this subject is also adequately covered in the recent FMB proceedings.

However, to return to the basic question of through rates, it is believed that one agency should have control of traffic moving between the south 48 States and the State of Alaska. It is not believed that the best means will be served by the erection of a hybrid joint board. It is further believed that the most efficient and desired results can be obtained through vesting the control of rates, safety and service on interstate traffic moving over sea routes, thence on connecting carriers, in the Interstate Commerce Commission. There is a suggested provision, however, when vesting this unified control in the ICC, and that is that the general provisions of part III of the Interstate Commerce Act be modified to meet the need.

Service to Alaska is, after all, a coastwise shipping operation. Under unified ICC control proportional rates, (and it is meant by proportional rates published proportional rates) can be established, kept reasonable and nondiscriminatory.

Senate bill 1839 is another example of how complex and complicated is Alaska's transportation complex. This legislation, in all likelihood, represents another attempt by nonvessel water carriers to be recognized as "water carriers in intercoastal trade without vessels." This

type of transportation fiction, if approved, would permit the two existing nonvessel water carriers now serving Alaska to operate in a joint capacity with the vessel operating carriers without any further legislation. To repeat, without any further legislation these carriers would, under the provisions of the Reed-Bullwinkle Act, be permitted to establish any rate divisions desired between themselves, and free of antitrust laws. There are, to be sure, certain specified qualifications, but again we point out the risky and dangerous practice of superimposing legislation upon legislation.

Since the existing steamship company bargelines operate under Federal Maritime Commission jurisdiction, and the trucklines do also, the existing covenants of the Interstate Commerce Act do not control this situation. Should the ICC assume jurisdiction of both the motor carriers and steamship and bargelines under this proposed legislation, then the door is wide open for unpublished agreed divisions between them. Should S. 1839 and the companion house bills pass, then the carriers can proceed to form through rates with unpublished divisions subject to the review of the Joint Board, but not to public scrutiny.

On October 18, 1867, the Stars and Stripes were first raised over Alaskan soil. From that day until Statehood Day in 1959, there were altogether too few things subject to free and analytical scrutiny by Alaskans. Can we now afford legislation which would again close the door on recourse to the ills besetting the bloodstream of Alaska, namely the transportation routes from our sister 48 States? Any one of these companion-type joint board bills are trails into nowhere for Alaskans because they permit the ocean and trucklines to establish through rates competitive with the ocean-rail rates via Seward.

The one-third of the State's population residing in and near Anchorage deserves a better break than is offered in these proposals. Regulatory law for Alaska needs simplification, not complication. The first step needed is the regulation by the ICC of the Alaska Railroad. The second step is to modify the Interstate Commerce Act to give the ICC the necessary tools to regulate intercoastal trade to Alaska which would at the same time block out the vested interests who appear to be using existing loopholes in the act to continue domination of rates and transport policies.

Now before the legal counsel for the committee, or you, Senator Bartlett, attempt to cross-examine me, let me state that I am not a traffic expert. If I am anything, it is perhaps only that I am a fairly competent reader. In this regard I have read the letter dated September 25, 1961, from the Committee on Legislation of the Interstate Commerce Committee. This particular letter noted that the legislators of the State of Alaska passed a resolution urging that the Alaska Railroad be put under regulatory control. This Interstate Commerce Committee further stated, and I quote:

Enactment of S. 2413 is, in our opinion, most desirable * * * and we therefore urge that it be given your early and favorable consideration.

Single agency jurisdiction over Alaska's transportation complex can be the beginning of a clarified and simplified answer to the transport requirements of this great State. Without equal regulation of the Alaska Railroad, no regulation will have any appreciable effect

toward solving our problems. Perhaps with sound legislation we would even withdraw our objections to joint rates as opposed to through rates.

As evidence of its support, the Anchorage Port Commission at its last regularly held meeting unanimously adopted a motion favoring regulator control over the railroad of the type outlined in S. 2413. However, it should be noted that the Alaska Railroad is also a port operator and a marine terminals operator at the port of Seward. Any proposed legislation should permit the Federal Maritime Commission to maintain jurisdiction over those practices, subject to the Shipping Act of 1916, as amended, and related statutes, in order that the municipal investment in the port of Anchorage may not be jeopardized by unfair practices which are not subject to regulation.

Senator BARTLETT. Thank you, Mr. Roloff. Does that conclude your statement?

Mr. ROLOFF. Yes, sir, it does.

Senator BARTLETT. I am going to ask you a few questions, but you are in no danger from me at all because I am not a traffic expert, either.

Let me quote from your statement on page 7, when you said:

The second step is to modify the Interstate Commerce Act to give the ICC the necessary tools to regulate intercoastal trade to Alaska which would at the same time block out the vested interests who appear to be using existing loopholes in the act to continue domination of rates and transportation policies.

Will you be good enough, Mr. Roloff, to elaborate upon that statement and give us a better idea of what you have in mind?

Mr. ROLOFF. I think we should refer back to a statement I made regarding the Reed-Bullwinkle Act and the differentiation between joint rates and through rates.

As I understand the Interstate Commerce Act it is possible for carriers enjoying a joint rate to use the existing provisions of the Interstate Commerce Act and the Reed-Bullwinkle Act to a point where joint rates are not subject to public scrutiny.

And this, I believe, is a hazard. So that when I make reference to giving the ICC additional tools, I am trying to present an objective analysis of a possible condition wherein the Alaska Railroad, which owns the port of Seward, and water carriers and truck carriers, could have a joint rate situation not subject to public scrutiny.

Do I make myself clear?

Senator BARTLETT. Yes. What would you recommend, that the legislation on this subject should specifically spell out that the joint rates be open for public inspection?

Mr. ROLOFF. Yes, sir, on competent authority. In other words, a through rate is always a published proportional, as opposed to a joint rate which is not a published rate to the general public. I think in order to protect the improvement that the people of Anchorage have in this port, which conceivably could run in excess of \$20 million in the next 20 years, that this port and the people in Anchorage who consume a great majority of the freight moving into central Alaska, be given the opportunity to scrutinize any joint rate agreements.

Senator BARTLETT. Will you tell us why you believe that the port of Anchorage might be jeopardized if the Federal Maritime Commission does not continue to maintain jurisdiction over certain terminal areas?

Mr. ROLOFF. A great deal of this subject matter is covered again in the factfinding hearings of the Federal Maritime Board in June. Substantially it relates to the existing practice of the Alaska Railroad to, on a cost-accounting basis, add an increment to the through rate which is alleged to be an increment for terminal charges at the port of Seward. The port of Anchorage is subject to the applicable statutes of the act of 1916 of the Federal Maritime Board, and we publish a tariff and are required to conform to that tariff with reference to existing agreements with stevedores, with reference to existing agreements with steamship lines, if there are any, and we must adhere to the provisions of the tariff.

If the port of Seward, for example, in any proposed legislation were not equally confined by Federal maritime law, obviously the advantage would lie with them and the disadvantage would lie with the port of Anchorage on a through rate agreement with interline or underlying carriers.

Senator BARTLETT. What if your suggestion were not followed? would that mean that the ICC would have jurisdiction instead of the FMC?

Mr. ROLOFF. I would presume so, Senator Bartlett.

Senator BARTLETT. And you haven't the same confidence that the ICC would deal fairly with the port of Anchorage, or would that be problematical?

Mr. ROLOFF. I would have all the confidence in the world that they would take care of the situation. It is just that I pointed out that there didn't appear to be any provisions in the existing legislation which would indicate this.

Senator BARTLETT. I think it has been a very interesting development, the concentration of interest within Alaska in only the last several weeks, on having the ICC take over from the Federal Maritime Commission the regulatory authority over water carriers.

In this connection, would you approve of an arrangement whereby certificates of convenience and necessity would be granted to all or certain existing water carriers?

Mr. ROLOFF. Are you referring in this case to grandfather rights, so called?

Senator BARTLETT. Yes; certificates with grandfather rights.

Mr. ROLOFF. I am inclined to agree that the best interests of Alaska would be served if existing carriers with historic rights to and from Alaska were to be granted certificates of convenience because it would tend to stabilize the ocean carriage industry, which is badly needed, and on the other hand it would tend to stabilize the rates under some type of unified control arrangement. And I think that is what is sorely needed.

Senator BARTLETT. It has been argued in the past, and by many, that the ICC is not the proper agency to move from land to water. There was a considerable volume of testimony before this very committee that the ICC has failed miserably in that job in respect to the coastwise and intercoastal trades. Do you think that this agency, which is geared primarily to regulation on land, could be depended upon to exercise vigilance, appropriate supervision in the public interest, and to have enough concern with the maritime trade to Alaska to be a proper and appropriate successor to the Federal Maritime Commission which is geared to this special activity?

Mr. ROLOFF. As a personal opinion my answer would be "Yes," Senator Bartlett, because very little cargo originates at the ports of embarkation or debarkation, however, you want to put it.

Cargo moving into Alaska conceivably can come from anywhere in the 48 States moving through the ports of Seattle, Portland, Tacoma, San Francisco, even Los Angeles. And certainly the ICC, if it had the overall jurisdiction from the points of origin on a water route to Alaska and subsequent jurisdiction which they now have on cargo moving over highways and rail—and of course I would reemphasize that in order to make this thing develop into what we would hope would be a comprehensive and solid arrangement the Alaska Railroad would also have to come under ICC jurisdiction. I think the answer would be a clarification of a lot of gray land which now exists under the existing Federal Maritime Commission control.

Senator BARTLETT. I understand that you couple all your recommendations with a most urgent one of all, perhaps, so far as you are concerned; namely, ICC regulatory authority over the Alaska Railroad.

Mr. ROLOFF. Yes, sir, because if you have control of your water carriers and control of your truck carriers without collateral control of your Alaska Railroad, which is a dominant carrier in the picture, the regulation doesn't have any full force and effect.

Senator BARTLETT. Argument has been made repeatedly that the ICC is simply the tool of the railroads, and acquiesce in their every demand. Would you fear that such a situation might arise insofar as the Alaska Railroad and the ICC are concerned?

Mr. ROLOFF. No, sir, because the Alaska Railroad is an entity of the Department of the Interior and the State of Alaska still has two votes in the Senate and one in the House, and I don't conceive of any situation where it would be too difficult to, shall we say, overcome.

Senator BARTLETT. What do you have to say, if anything, concerning the problem posed to the committee Saturday by Mr. Smith, namely, that a curious and perhaps untenable position would exist on account of the fact that the Attorney General of the United States would be expected to appear both for the ICC and the Department of the Interior?

Mr. ROLOFF. I can't foresee any difficulties, frankly. We have to depend upon the integrity of the men involved. Certainly it could not be the same man. The field of law is an honorable profession, even within the Government.

Senator BARTLETT. Committee counsel are smiling, let the record show.

Mr. Grinstein objects to the word "even" in your statement.

Mr. ROLOFF. I withdraw the word "even."

Senator BARTLETT. As you are thoroughly aware, Mr. Roloff, Alaskans have on more than one occasion, on many occasions in fact, been in a situation where they have cried "Plague on both your Houses." They have felt that the Federal Maritime Commission and its predecessors have yielded to every request made by the steamship companies for rate increases whenever they were asked, and that the public interest hadn't been properly protected by that agency, and there has been an expression of hope recently that with the divorcement by President Kennedy of the promotional activity from the regulatory job that this might be cured, and that better regulation might be expected.

Mr. ROLOFF. That is true, Senator Bartlett, it could be expected. However, there has been a great deal of legislation introduced in the last several years, and predominantly this hearing has concerned itself with several acts which are on the record.

My testimony was aimed directly at trying to extend an idea which would indicate that perhaps the ICC was the single agency to govern what, after all, is intercoastal trade. Actually in the case of Alaska, it is merely that you have a connecting water carrier between two land carriers, one on the south 48 and one on Alaska.

We have here, and with the proposed legislation for regulation of the Alaska Railroad, something to work with. In the case of the Federal Maritime Commission, we have nothing specific currently on the record which would indicate that aggressive action would be taken in the case of ratemaking practices as come under the jurisdiction of the Federal Maritime Commission.

The port commission resolution of Alaska just pointed this out, that there were obviously some glaring discrepancies which existed in the case of the ocean carriers, the nonvessel water carriers, and the terminal practices within the State of Alaska.

They had existed for a long time. And if anything they were getting worse.

Perhaps we are merely suggesting that something has to be done within the immediate future, and it would appear that the Interstate Commerce Commission is the agency which could activate a correction faster than the FMC.

Senator BARTLETT. Mr. Roloff, I have been rather a persistent critic, and sometimes I fear a rather violent critic, of the Federal Maritime Board. On the other hand I must say that I was not exactly pleased, in company with all other Alaskans, when the ICC, in making a ruling on the so-called rail export-import case, ruled against Alaska. It has occurred to me many times—this has been stated publicly by others, too—that actually this formation of an overall transportation policy for Alaska should long since have come from one of the Federal transportation agencies created by law for this very purpose.

Over the years we have waited for the Federal Maritime Board to speak out on this subject. It never has. And I would hope now that after these many hearings, extending over such a long period of time, that we might look forward with more confidence than we have been able to in the past, to the active sort of cooperation from these agencies and what has been said here and elsewhere this year and before, and what may have to be said again in the future, will be a clear signal to whatever agency takes over, that this is a very real problem, a problem that has no exact parallel in any other trade, and it deserves the best attention and service and devotion of the agency which is given by law authority, and that it will be the job of that agency to do everything possible to evolve a sound, coordinated transportation pattern with the single idea of promoting the development of Alaska and of benefitting the public of Alaska.

In this connection, Mr. Roloff, you are aware of the fact that this committee held last winter quite extended hearings on the so-called offshore shipping problem, and many meetings were conducted outside of the committee hearings, participated in by representatives from Puerto Rico and Hawaii and Alaska—including the govern-

ments of the two States and of the Commonwealth and members of the congressional delegations—seeking to halt the almost runaway inflation in maritime freight rates through Government assistance of one kind or another. Our difficulty is that we have not yet found just what direction that assistance should take.

I for one am more firmly convinced than ever that something needs to be done, that there is an imperative requirement because as it is now we find that people of these three areas support in their small numbers independent measures, and this isn't duplicated anywhere else in the Nation.

Have you any views on this general situation?

Mr. ROLOFF. Only from the point of view of general principles, Senator. After all, Puerto Rico, Hawaii, and Alaska, have, since the end of World War II, evolved into unique situations insofar as existing regulatory law is concerned. Of course, there has been a great economic and population development in Hawaii. We all know what is happening in Puerto Rico, where industries are moving in under tax-exempt situations. And we have Alaska which we are trying to develop on a comparable level.

In general we have to find some type of equalized regulatory control over the two States and the one Commonwealth that remain and are served by both the FMC and ICC requirements.

Although I didn't indicate it in my testimony, there is another valid argument for a unified control under the ICC, and it is a projected situation which might occur within the next 5 or 10 years, conceivably.

There has been some research and some study and some talk about connecting a rail link between the south 48 States and Alaska via Canada. There has also been some conversation and conceivably this could come to pass with an agreement between the United States and Canada, that interstate commerce could move over the highway through Canada into Alaska.

If these things should come to pass, obviously the Interstate Commerce Commission should be the governing agency, whether it is a rail link or a highway link.

Hence if they have unified control over the water link now and these other two situations do evolve into possibilities, it should be apparent that the ICC should control all methods of transportation to and from Alaska.

Senator BARTLETT. Do you have anything else you would care to add, Mr. Roloff?

Mr. ROLOFF. No, sir; I believe I have stated almost too much.

Senator BARTLETT. Not at all. We have been most interested in your testimony, and you have made an extremely useful statement.

I am sure that committee counsel will have questions to add to those which I projected.

Mr. McElroy?

Mr. McELROY. I would like to go back to this matter of the "joint" rates as opposed to the "through" rates.

I think it would help clarify the record if you would give a concrete example of the harm you think might flow from the use of joint rates without publication of division or proportional shares.

Mr. ROLOFF. I believe I stated, Mr. McElroy, that we have a situation here where we have nonvessel water carriers serving Alaska and they do it under an agreement with underlying ocean carriers and the Alaska Railroad. It would point along the rail belt only. This is a unique situation.

As was indicated in the factfinding hearing of the Federal Maritime Board, these are contractual arrangements under existing law between the ocean carriers and the Railroad.

Mr. McELROY. These are the barge operators and the Railroad, is that right?

Mr. ROLOFF. These are nonvessel water carriers. In essence they are both truckers.

But they are contractual agreements.

There was some evidence introduced in the testimony before the FMB which indicated in some small way the essence of these contracts, but I don't think the total story has been told yet. That is only an opinion of mine. It may not be true.

But if we got into a situation whereby legislation was created which would legalize what we believe now to be an illegal operation under FMB law, but if legislation was introduced which would legalize this situation under existing Interstate Commerce Act provisions, then joint rates could be a matter of agreement between underlying and connecting carriers which would not be subject to scrutiny except, in the case of one bill, by the joint board.

Mr. McELROY. How, specifically, would that hurt the port of Anchorage?

Mr. ROLOFF. Because it has been pointed out that terminal charges as such are not broken out in contractual agreements between the Railroad, the ocean carriers, and the nonvessel water carriers. The Railroad states that they have an increment in their rate which is alleged to be a terminal charge.

Mr. McELROY. You think that is inadequate?

Mr. ROLOFF. But whether it is a compensatory increment or not is a subject of debate.

The port of Anchorage, of course, must amortize its investment of \$8 million of public funds. And the tariff is set up to be compensatory.

If a joint rate were set up whereby terminal charges at Seward were only an increment, let us say, they may or may not be compensatory, which in essence would put the port of Anchorage in a non-competitive position, and this would be unfair to the people and the citizens of Anchorage who financed this \$8 million facility.

Mr. McELROY. Do you think that the rail portion of the haul is charged for at a compensatory rate under these agreements?

Mr. ROLOFF. As was indicated by Mr. Sanders in his testimony for the Alaska Carriers Association, it has been alleged by both the Alaska Carriers and the port commission resolution that some commodity rates appear to be noncompensatory. They are designed to control a flow of cargo and a volume via rail. No one can say whether or not these rates are compensatory until an analysis would be made. As I have stated, they appear to be noncompensatory because, as I stated

in my statement today, we have no desire to raise the total freight rate from the south 48 to Alaska because we maintain that an ocean carrier, serving directly from a port in Washington or California direct to this port, must, of necessity, be a cheaper way to route the cargo than a connecting rail haul of 125 miles with terminal charges in between, handling, loading, and unloading charges in between, and if these charges were to be compensatory then the direct water route would have to be cheaper.

Do I make myself clear?

Mr. McELROY. Yes, indeed.

It leaves some other problems, but none that we can handle.

That is all, Senator.

Senator BARTLETT. Mr. Grinstein, do you have any questions?

Mr. GRINSTEIN. Yes, sir.

If I understand you correctly, you would like to have the Interstate Commerce Commission assume regulatory jurisdiction over all the modes of transportation serving within and to and from Alaska?

Mr. ROLOFF. That was my position, Mr. Grinstein.

Mr. GRINSTEIN. And you would like, in the case of joint rates, that all the divisions of a joint rate be published?

Mr. ROLOFF. Be published divisions; yes.

Mr. GRINSTEIN. Including the terminal charge?

Mr. ROLOFF. Yes, sir.

Mr. GRINSTEIN. You are concerned, I gather, that in the case of the terminal charge, there might be two separate agencies judging the reasonableness of the terminal charge, or one might be regulated while the other is not and what you would prefer to have is both subject to the regulatory jurisdiction of the same agency?

Mr. ROLOFF. In other words, to state it another way, the port commission has recommended Interstate Commerce Commission control of the Railroad. It was my position that the Interstate Commerce Commission should control all cargo moving over routes originating in the south 48 destined for points in Alaska.

However, I pointed out that the ICC should have control only of the cargo and the rates affecting the cargo. But furthermore, that the Railroad still owns the port of Seward and its terminal facilities, and terminal services should be separate from control of the cargo and should probably remain under the FMC unless, of course, as the Senator asked me, provisions are made in the Interstate Commerce Act to control the terminal services also.

Mr. GRINSTEIN. Basically what concerns you then is unreasonable or preferential rates as between ports or unreasonable or preferential rates as between carriers which would affect ports?

Mr. ROLOFF. Exactly.

Senator BARTLETT. Thank you very much, Mr. Roloff.

Mr. ROLOFF. Thank you, Senator.

Senator BARTLETT. Is there any other witness in the room who desires to testify on the subject of transportation?

Mr. Smith?

Mr. John Smith for a return engagement.

FURTHER STATEMENT OF D. J. SMITH, GENERAL MANAGER, THE ALASKA RAILROAD

Mr. SMITH. I believe that to rehash the entire factfinding hearing at this time would only take up a lot of time. I notice Mr. Roloff has submitted the resolution of the port commission. I would like to submit our rebuttal statement which appears in that hearing that we will send you a copy of.

Senator BARTLETT. That will be received and incorporated in the record following your testimony now.

Mr. SMITH. I do feel, however, that there are a few matters here which should come out, particularly for the benefit of those in the room who were not here Saturday, or who were not at the FMB hearings.

First of all, I believe that the Railroad's position is quite clear that we, too, agree to ICC control as stated in my testimony.

Secondly, regarding the feasibility of the Anchorage port, I can only say that I believe the worries should have been recognized before the port was ever built, and I particularly refer to page 30 of the 1958 Coverdale and Colpitts reports in which it is stated that 216,000 tons at \$5.82 a ton terminal charge is needed to make the port pay off.

Senator BARTLETT. This is an annual tonnage?

Mr. SMITH. Yes, sir.

I think it is also a fact that the port tariff of the Anchorage port is more closely set at \$2 a ton.

Apparently it is for competitive reasons only.

There is one other point in Mr. Roloff's statement and that is the fact that the port of Anchorage is under an undue competitive position because it reports to and is controlled by the FMC. It is our position that no port is under the FMC.

We base this on two things. First of all, there are 9 out of 11 port tariffs in the State of Alaska that are issued without FMC numbers.

Secondly, we have a letter as late as 1961 from Mr. Stigler, of the Federal Maritime Board, in which it is our interpretation that he stated that he accepts terminal tariffs only as a matter of courtesy.

Senator BARTLETT. Won't he speak plainly?

Mr. SMITH. We think it is plain. But I wish not to definitely say that this was the purpose of the letter.

Furthermore, insofar as divisions are concerned, also our agreement with our substituted service truck carriers, these are on file as a matter of courtesy with the ICC.

Our terminal tariff at Seward is also on file as a matter of courtesy with the FMB.

That is all that I have to say.

Senator BARTLETT. Thank you, Mr. Smith.

Mr. Grinstein?

Mr. GRINSTEIN. When was the Anchorage port built? When did construction finish?

Mr. SMITH. It was opened this spring. I believe the opening date was April. The first cargo was handled in April I am advised.

Mr. GRINSTEIN. Since the opening of the Anchorage port and the filing of the Anchorage port tariffs, has the Seward port adjusted its tariffs downward to meet the competition from the Anchorage port?

Mr. SMITH. No; the fact is, even with the port of Anchorage going to be built, we adjusted it upward in February 1960.

Mr. GRINSTEIN. Could the Alaska Railroad seen any objection to placing both previously unregulated ports, we will say, Seward and Anchorage, under the regulatory jurisdiction of either the ICC or the Federal Maritime Commission?

Mr. SMITH. Of course, the Alaska Railroad in its position that there is nothing wrong with ICC control of that Railroad under the conditions we spoke of, we feel that the ICC would probably be examining our port increment fairly closely.

Senator BARTLETT. Mr. McElroy?

Mr. McELROY. You gave a figure as to the volume of traffic projected as needed to move through the port of Anchorage in order to amortize the costs. If that volume actually materialized, what would happen to the Alaska Railroad line between Seward and Anchorage?

Mr. SMITH. Let me explain this to you first. There are two Coverdale and Colpitts reports, 1956 and 1958. Very definitely the reports made a definite error in what the combination water and rail rate actually was.

Furthermore, the ports were built at a time when military construction at that time was at a high level, and therefore, it was projected that the annual tonnage would be great.

Actually the annual dry cargo tonnage coming into the rail belt area has, let's say, leveled off. Actually it has dropped from 1956 to 1960 a total, offhand, of 25 percent.

To answer your question more specifically, freight is going to move by the cheapest and most consistent means. If the port of Anchorage was cheaper, we would be out of business up to 4 months a year. Of course, then the taxpayers of the entire United States would have to standardize the line so there would be a way of getting business in here during the frozen months. But I am proud to say that we have not asked for an operating appropriation at all in the last, I believe, 23 years.

Mr. McELROY. That answers it.

Mr. GRINSTEIN. You anticipate, then, that whatever scheme of regulation is developed for Alaska that there would be some provision or coverage for undue or unreasonable preferences as between carriers or as between ports?

Mr. SMITH. Yes. I think it will sober itself up.

(The statement referred to follows:)

STATEMENT IN BEHALF OF THE ALASKA RAILROAD JUNE 23, 1961, AT AN INVESTIGATION CONDUCTED BY THE FEDERAL MARITIME BOARD, BY J. GLEN CASSIDY, DEPARTMENT OF INTERIOR FIELD SOLICITOR FOR THE ALASKA RAILROAD, APPROVED BY D. J. SMITH, GENERAL MANAGER, THE ALASKA RAILROAD

The Alaska Railroad functions under its Enabling Act, 48 USC 301-308, and is not subject to the Shipping Act of 1916. The Alaska Railroad is in attendance at this investigation as a courtesy to the Federal Maritime Board, and to supply information to the public. A condition to its appearance here today is the stipulation by the Federal Maritime Board that this appearance shall not in any way be interpreted to be a jurisdictional concession by the railroad, or a jurisdictional assumption by the Board.

It should be pointed out that the Alaska Railroad is subject to the strict regulation of its Enabling Act, which requires equal rates and tariffs be extended to any and all carriers or shippers within any particular class, and is further subject to the regulation of the Secretary of the Interior and the regulation of public

opinion. The railroad is generally consistent with the policy determined by tariff and rate decisions and practices of the railroad industry throughout the United States, as varied by Alaska development.

Because the railroad is not subject to the Shipping Act of 1916, the allegations made against the Alaska Railroad by the Anchorage Port Commission, that it has violated this act, appear to be merely for the purpose of publicity; particularly in view of the fact that it does not appear that the railroad's actions would violate the said act even if the railroad were subject to it. The tenor of the port's allegations set forth accusations which, while as Shakespeare said, "are full of sound and fury," they signify nothing.

To explain this statement, the Alaska Railroad is at a loss to know what the Anchorage port would have the Railroad do. On one hand, the port seems to say that the great resources of Alaska must be developed by lower shipping costs, and in the next breath the port, although it does not say so directly, seems to demand that the Railroad increase its rates so that the Anchorage port can, as it states in the body of its confidential memorandum, carry out its "duty to do all things necessary to protect the interests of the holders of certain bonds * * *."

The Alaska Railroad sympathetically recognizes that Anchorage port has a serious problem.

On page 1 of the resolution of the port commission it is stated that "the port commissioner is gravely concerned in the respect of such matters, as it affects all present and future conduct of their (the port commission) responsibilities and duties".

I wish to state only in passing, because it is not at issue in this investigation, that in reviewing the records of the Alaska Railroad, it appears that the concern of the port commission in this matter is somewhat belated, inasmuch as most of the factors which have caused the port commission's concern which has led to the allegations made in appendix A to its resolution, are a result of matters which were in existence or should have been foreseen prior to the construction of the Anchorage municipal port and, in fact, prior to the issuance of bonds to finance the port.

The Alaska Railroad has a mandate from Congress to assist in the development of Alaska. Certainly the railroad has no objection to increasing its freight rates as the Anchorage port in effect demands, if such would, in fact, develop Alaska. The railroad is not convinced that it would; nor is the railroad sure that this increase of rates is what the Congress or the Alaskan public wants.

The railroad is somewhat aghast at the amount of incorrect information which is contained in appendix A to the Anchorage port resolution. Assuming that these allegations were based upon misinformation or a misunderstanding of the facts at hand, the railroad should like to avail itself of the opportunity to present the facts as they are.

It would be improper to comment on the body of resolution 1, of the Anchorage Port Commission and the general statements contained therein, since this should properly be answered by the Federal Maritime Board or some other Federal Government body other than the Alaska Railroad, I shall therefore pass on to the specific allegations and charges leveled against the Alaska Railroad in appendix A of the Anchorage Port Commission's Resolution No. 1.

(1) Allegation of Anchorage Port: The Alaska Railroad is a "corporation" and is under the Shipping Act of 1916.

Answer: The Alaska Railroad is not a Government Corporation as charged, but is an integral arm of the Federal Government, as was decided by the court case of *Berger v. Olson* (120 F. 2d 56), and other opinions and decisions. It should be noted that many of the allegations of the Anchorage port against the railroad immediately fall due to this false premise:

(a) Whether or not the railroad has filed its tariffs with the Federal Maritime Board becomes inconsequential in view of the foregoing.

(b) We wonder why the port commission has even raised the question that the Alaska Railroad does not file its terminal tariffs at Seward with the Maritime Board, in view of the fact that there is no statute requiring any terminal facility to file with the Federal Maritime Board, insofar as we are aware. It should be noted that 9 out of 11 ports in Alaska have issued tariffs containing no Federal Maritime Board numbers, including the Anchorage port. It might be further noted that the Alaska Railroad has, as a matter of courtesy, sent to the Federal Maritime Board, copies of its Seward terminal tariffs.

(2) Allegation: That the Railroad operated at a loss last year.

Answer: The Railroad has consistently operated on a self-sustaining basis over the last 8½ years and is presently operating on a self-sustaining basis.

(3) Allegation: The Railroad is monopolizing and destructive to other modes of transportation competing with the Railroad.

Answer: The fact is obvious that the Railroad has not destroyed competing forms of transportation. Most notable example is the Alaska Freight Lines which has been barging direct to Anchorage since 1953. Thus, there has been competition from the port of Anchorage long before the construction of the city dock. The Railroad has no desire to unfairly limit or impede other port facilities or competing modes of transportation under private ownership. At the same time, the Railroad would be remiss in attempting to penalize the public by increasing its rates or provide an artificial ceiling merely to allow competitive port operations or means of transportation to profit excessively at the expense of the public.

(4) Allegation: That the Railroad, through its tariffs, endeavors to aggregate connecting carriers' rates with its own to arrive at through rates named therein, and charges as misleading the statement in the tariff that rates named "are published for information purposes only and solely for the convenience of the public. The rates and changes named herein are not intended to supersede or otherwise effect the rates and changes lawfully published and filed with the Federal Maritime Board by Alaska Steamship Co."

Answer: It is obvious that the Anchorage port does not understand the reason for this statement. The statement is not misleading. The Federal Maritime Board required the water carriers to publish their own tariffs from ships tackle to ships tackle on the water leg of transportation connecting with the Alaska Railroad. The Alaska Railroad has combined these rates in its tariff for the convenience of the Alaska public in reading the tariff to avoid confusion. The public is not in the habit of having to compute the rail transportation and then compute and add to it the water transportation in order to know what its cost will be to transport goods from Seattle to inland Alaska.

(5) Allegation: That the Alaska Railroad charges the shipper no terminal increment for work performed at the Seward dock on shipments coming to Alaska on through rates if the movement continues from Seward on the Alaska Railroad line.

Answer: This information is not true and, while we assume that there is a misunderstanding, it is difficult to understand why the Anchorage port is not thoroughly familiar with the facts because on February 24, 1960, a hearing was held in Anchorage after publication in newspapers, at which hearing, the Alaska Railroad asked for an increase to the terminal increment of its Tariff 5-N, Docket No. ARR 144. This hearing, at which all citizens of Alaska had an opportunity to appear, both in Anchorage and Fairbanks, and protest the increase to Alaska Railroad's terminal increment, was held before a retired Interstate Commerce Commission Hearing Examiner at the specified request of the Secretary of the Interior. Notices of this hearing were published February 10 through February 16, 1960, and the newspapers gave ample coverage. I refer, specifically, among others, to the Anchorage Daily Times of February 17, 1960, February 24, 1960, and February 25, 1960. A quote from the advertisement reads as follows: "The rate increase in question would have the effect, generally, of adding to the Seward terminal increment in said Tariff (5-N) 5 cents per hundred pounds on carload traffic moving over the Seward dock at Seward, Alaska, for a line haul via the Alaska Railroad beyond, and 10 cents per hundred pounds on less than carload traffic of the same type."

At the hearing itself, the Alaska Railroad pointed out that it felt it needed to achieve, as nearly as possible, a charge of \$6 per ton of 2,000 pounds for the provision of necessary handling and carloading costs at the Seward terminal.

(6) Allegation: That the Railroad gives unjust and unreasonable preference to those whose shipments are routed by rail.

Answer: This charge becomes pointless in view of No. 5 above. Even if the Railroad were giving preference to customers who use the Railroad, it would not conflict with Interstate Commerce Commission's rulings on the matter, and I point out the case of *Rukert Terminal Corp. v. Baltimore & Ohio Railroad Co.*, 286 I.C.C. 485, which held that undue prejudice does not exist merely because a line haul railroad who can adequately handle all water-borne traffic at their piers absorb handling charges at such piers, but not at privately owned piers in the port of Baltimore.

(7) Allegation: The port of Anchorage alleges that the Alaska Railroad is subsidizing its connecting carriers, Alaska Steamship Co. and others, at the expense of the United States by absorbing terminal charges and that such subsidy is both unlawful and unauthorized.

Answer: This is not true. We fail to understand the meaning or significance of this allegation, since the dockside operations of a terminal are not ordinarily for the account of the water carrier in the Alaska trade.

Historically, this practice in the Alaska trade has existed since 1937 insofar as we are aware.

We know of no case in the trade any place in the United States where the water carrier does pay terminal costs beyond placing the cargo at first place of rest on the dock.

(8) Allegation: The port of Anchorage alleges that the Railroad is subsidizing ocean carriers by allowing "certain water carriers serving the port of Seward an unauthorized and unlawful operating subsidy at the expense of the United States of America, its owner, by furnishing equipment for use in certain privately owned carrier operations, reducing the cost of such privately owned carriers, and the capital requirement for and the cost of such containers by such privately owned carriers."

Answer: This statement is not true. The Railroad, for example, charges these carriers a use charge per ton of freight for the use of its unit rail boxes.

(9) Allegation: That the Railroad gives unjust and unreasonable preference to shipments and shippers whose shipments arrive by the port of Seward to points along the Railroad, to the prejudice and disadvantage of shipments and shippers who route via the port of Anchorage.

Answer: Statistics indicate that not less than 60 percent of the tonnage inbound to railbelt points has as its destination Anchorage. If this tonnage were to come over the Anchorage dock, the Railroad would perform no service and its rates would be meaningless insofar as this tonnage is concerned. Therefore, the only inference that can be drawn is that the port director would have the Railroad raise its existing rates, Seward to Anchorage, in order to force routing of this tonnage via the Anchorage dock. We do not believe this was the intent of those who conceived the dock.

Insofar as Railroad rates Anchorage to points north are concerned, existing rates suffice for existing traffic. If justification for some joint rate arrangement develops, the Railroad will accord such request every consideration on the same basis as such rates are developed from and to other points on the Railroad. Only a week prior to the issuance of the confidential resolution becoming known, the Railroad notified the port of a substantial reduction in a rate from Anchorage to the interior on a commodity which in all probability will move through the port of Anchorage.

The port of Anchorage has even suggested privately that the Railroad absorb Anchorage port terminal charges in the Railroad's tariff for rail hauls from the Anchorage port. This the Railroad cannot legally do.

(10) Allegation: That the Alaska Railroad competes in the open transportation market against carrier services financed by private enterprise and advertises "One package transportation via Alaska Railroad Containers" in connection with Alaska Steamship Co. and Puget Sound-Alaska Van Lines. Further, the port alleges that "Again, the Railroad allows certain water carriers serving the port of Seward an unauthorized and unlawful subsidy at the expense of the United States of America, its owner, by furnishing equipment for use in certain privately owned carrier operations, reducing the cost of such privately owned carriers in the capital requirement for and cost of such containers by such privately owned carriers."

Answer: The subsidy question is answered above. Competition in any business or trade is healthy. The Alaska Railroad is proud of its unit rail box program and feels that it has done much to upgrade the transportation picture in Alaska. Further, it is proud to be associated with the other carriers that have adopted this modern means of cargo handling. The Railroad would be remiss, however, in taking full credit for this development inasmuch as the other carriers named with the Alaska Railroad have furnished similar containers of their own in the trade.

(11) Allegation: That Mr. John Manley, Assistant General Manager of the Railroad, was publicly quoted as stating that, should the port of Anchorage be able to offer a rate from Seattle to Anchorage lower than the present combined ocean-rail rate, "We would have to attempt to meet it."

Answer: Mr. Manley is quoted out of context. From that newspaper release the quote was as follows: "Commenting on possible competition between the Anchorage port and the Railroad in serving the Anchorage area, Manley said: 'The Railroad is going to continue its policy of compensatory rates which aid in the development of Alaska,' as provided in the Presidential Enabling Act which created the rail carrier. 'We have to have rates that pay their way,' he added. But should the port be able to offer a rate from Seattle to Anchorage lower than a present ocean-rail rate, 'We would have to attempt to meet it,' Manley said."

(12) Allegation: That the Railroad is violating the Interstate Commerce Act by its "piggyback" hauling of motor truck trailers.

Answer: "Piggyback" operation is perfectly legal and regular practice of outside railroads under the ICC. The Alaska Railroad has a division sheet and offers the service to all truckers under equal conditions. With regard to the particular case citation of *Stone's Express, Inc.*, 32 MC 525; 3 CCH Fed. Car. Cases 30,199 quoted by plaintiff, we fail to see where the case is germane to the issues. This was a motor carrier case and appears to have no application to the rights or lack of rights of a rail carrier in performing substitute service with which we are concerned here.

(13) Allegation: That each listed private terminal operator in Anchorage is in violation of law and that the Railroad leases land to these individuals operating docks in its Anchorage Terminal Reserve and that the Railroad receives a percentage of the terminal revenues of these operators. Therefore, the port alleges the Railroad "is a party to each of the violations of each terminal operator."

Answer: The Alaska Railroad does lease portions of its terminal reserve to the parties named. These leases are now being used for different purposes than the original leases. Under terms of these leases the rental payments to the Railroad have increased equitably where the leases utilize the grounds for purposes other than, and more profitable than, those outlined in the scope of the original lease in order to give the Federal Government a fair return. The Railroad exercises no control whatever over the operations or tariffs or policy of these private dock operators. To do so would be improper.

CONCLUSION

The railroad is charged by Congress with the responsibility of operating as a self-sustaining unit and to aid in the development of Alaska. The railroad is not ashamed of its record in doing both.

Cargo is and has been coming into the docks operated by private operators at Anchorage in the neighborhood of 30 years. In recent years this has developed into volume handling of freight. The railroad's existence has not diverted or precluded this Anchorage business.

Since the Anchorage City port is new upon the scene the railroad recognizes that the port must deal with many new and complex problems without much Alaskan port operation experience. The railroad has made much information available to the port commission to aid it in getting started. It is ready to give additional help in any way possible consistent with the practices of good economics, sound business, and the railroad's congressional mandate.

Senator BARTLETT. Mr. Strandberg?

Will you identify yourself?

STATEMENT OF HAROLD STRANDBERG, CHAIRMAN OF THE PORT COMMISSION, ANCHORAGE, ALASKA

Mr. STRANDBERG. I am Harold Strandberg, chairman of the port commission. I just want to correct—

Senator BARTLETT. And your mailing address?

Mr. STRANDBERG. Box 2099, Anchorage.

I want to correct a couple of errors in Mr. Smith's testimony. One was that the revenue being derived from the port is now set at somewhere around \$2, I believe you said, which indicated that the port was cutting its rates below that of the recommendations in the Clover-

dale and Colpitts report. It is true there is an adjustment downward slightly in the rates as represented in the Cloverdale reports.

There is a lot of misconception on this Cloverdale report, and believe me it has given us a lot of trouble, the least of which is the tonnage forecast.

Unwittingly, the whole port revenue was tied to what we believe and in my conversations direct with the engineers I know they were setting a general and an average figure of all revenue. At times, I think this is true, Hank, we have had difficulty in putting this across to the bondholders.

What we charge at the port is all determined by the trustees for the bondholders under a trust indenture.

I agree with Mr. Smith that there are many things which have changed in the picture since the Cloverdale people have put out their report. It was the belief of the engineers whom we hired that there would be a diversion of cargo. It was not our belief that this cargo diversion would happen overnight.

I do believe that the competition has increased and is a lot for cargo on the railroad. I might say that the attitude of the railroad in general and the attitude of the Department of Interior regarding the port has definitely changed since the bonds were floated.

Senator BARTLETT. In what way?

Mr. STRANDBERG. We had the assurance in this regard, the assurance and cooperation of the previous managers of the railroad in the development of the port. We had the assurance of previous Secretaries of the Interior in the development of the port.

I don't think that anybody is naive enough to believe that Mr. Smith and his organization aren't real rough competition. We are not objecting to that. I want to make that clear. The only thing is that we feel that the port of Anchorage, the investment by the people of that area, by bondholders in the States, that we are entitled to play this game under exactly the same rules. And I think that that, in essence, is the request that we made to the FMB.

If we are wrong, let them state so.

We want to cooperate with the railroad, and I have told Mr. Smith on many occasions I hope that we can isolate this area that we are going to fight about in this corner and get together in other areas where we can cooperate. And I have Mr. Smith's assurance that we will be able to do that.

I think that we are always going to be fighting for freight with the Alaska Railroad, and I think that that is the way it should be.

I think that it is competition, and if he can haul freight cheaper from Seward into Anchorage than we can bring it in here by water, then there is something wrong.

Either this area is getting a very good thing out of subsidies for the railroad or we are not doing our job.

We most assuredly, speaking for the port commission, have no intention of doing anything which we feel would raise the rates to Alaska.

We are all skirting around one of the main points as to why we are having difficulty in diverting cargo, and that is that we do not as yet have a major carrier who has filed a tariff into Anchorage. We have had promises on the filing of these tariffs last April. We have

had some assurance that this will be done. I realize it is a complex problem as far as any of the carriers are concerned.

We are trying to cooperate with them. I think that the same principles are involved here as are involved in the previous statement about the competition between the Alaska Railroad.

If we are to make Anchorage a port city, and have direct ocean shipping connections with the State, we had to have a deepwater port. The people of this area said they wanted to have a deepwater port.

We have some problems to iron out. It is my hope that these can be ironed out with the carriers and with the Department of Interior, and that, as I have said before, we all play this game of competition with the same rules.

We have the feeling that we aren't right now.

I hope that the hearings, the FMB hearings, will determine once and for all whether we are right or whether the Alaska Railroad is right.

I have the greatest amount of respect for Mr. Smith and his management of the railroad. I am not saying that if I was in his position I might not be doing some of the same things he is doing, because it is competition. It is up to the people, the governing bodies of the United States, to determine the rules that we are going to operate under.

I think that concludes my statement.

Senator BARTLETT. You said that Mr. Smith provides tough competition. With all due deference to him, I should say it is lucky you haven't got Otto F. Ohlson.

Mr. STRANDBERG. I think many of you who know me from the past know that I am an expert on Otto Ohlson because we were in partnership for a number of years. I wholeheartedly agree with you.

Senator BARTLETT. How much did it cost to build the port of Anchorage?

Mr. STRANDBERG. If you figure the total cost, I think it was \$6 million plus. The balance of the money was set up for the covering of bonded indebtedness.

Senator BARTLETT. How was the money raised?

Mr. STRANDBERG. \$2 million of general obligation bonds by the city of Anchorage which are being paid off now by the taxpayers, and with no thought of this \$2 million being returned until after the general obligation bonds are paid.

In other words, it was \$2 million that the city of Anchorage put up for the construction of the port.

We used that \$2 million to try to get Federal participation. We approached the railroad, the Federal Government, and it was with a great deal of misgiving that we went the revenue bond approach.

There is no requirement on the part of the people of Anchorage, and no strings attached to the revenue bonds. They are true revenue bonds, similar to the revenue bond that is proposed to be floated for the International Airport.

Senator BARTLETT. How much money was raised by the sale of revenue bonds?

Mr. STRANDBERG. The total bond indenture was \$8 million. I think we got authorization for \$8,600,000.

I am advised it was a total revenue bond authorization of \$6,800,000, of which \$6,200,000 had been sold.

The total is \$8,800,000.

Senator BARTLETT. What was the interest rate?

Mr. STRANDBERG. I think the average interest rate is just a little under, with the GO's and the revenues together, just a little under 5 percent, isn't it? You are asking me for a figure which I shouldn't mention. I can furnish it.

Senator BARTLETT. Please have prepared and placed in the record a statement of what the port of Anchorage pays. Does the port of Anchorage pay the interest on the general obligation bonds?

Mr. STRANDBERG. Wait a minute. Port of Anchorage is not funding the general obligation bonds.

Senator BARTLETT. You don't have to pay the interest on those?

Mr. STRANDBERG. No. That is handled by the city. That is the ante that the people of this area put in the kitty for the construction of the port.

Senator BARTLETT. Is there an understanding, formal or otherwise, that when the port is a going concern, you will repay to the general fund of the city the amount raised by those general obligation bonds?

Mr. STRANDBERG. The only obligation to pay that back is that it cannot be paid back until the general revenue bonds are retired.

Senator BARTLETT. And then it may or may not be paid back?

Mr. STRANDBERG. That is right.

Senator BARTLETT. You will place in the record—

Mr. STRANDBERG. We will be glad to place in the record the complete trust indenture.

Senator BARTLETT. Fine.

(The document referred to is too extensive for reprinting but is retained in the committee's files for public reference.)

Senator BARTLETT. Now, how is tonnage running in the port since April to date in respect to your calculations as of earlier this year?

Mr. STRANDBERG. Poorly. We are under our calculations.

Senator BARTLETT. What do you think would be required by way of annual tonnage to make the port self-supporting?

Mr. STRANDBERG. It is figured that it takes about 110,000 tons a year across the port to amortize the obligations of the port.

Senator BARTLETT. Thank you, Mr. Strandberg.

Mr. McElroy?

Mr. McELROY. I have no questions at this time.

Senator BARTLETT. Mr. Grinstein?

Mr. GRINSTEIN. Is my understanding correct that it costs less for cargo to come from Seattle to Seward, and then transship from Seward to Anchorage, than it does to land it directly in Anchorage from Seattle?

Mr. STRANDBERG. I don't believe so. Understand that I am not qualified to pass on all these rates. I am chairman of the commission. We would be glad to furnish you with any information which we have as to the comparison between the costs of bringing freight in over the dock and the available information to us via Seward. I would rather do it that way rather than make any off-the-cuff statements.

Mr. GRINSTEIN. Is the charge to the consignee less?

Mr. STRANDBERG. We believe it is. Our records show that it is. Our trouble is mainly we haven't got a major carrier in here.

Senator BARTLETT. Why won't they come in; do you know?

Mr. STRANDBERG. I would rather not answer that. I would rather let the records speak for themselves on that. I have my own opinions and I don't believe at this time that I would care to—

Senator BARTLETT. The witness remains mute then.

Mr. STRANDBERG. That is right.

Senator BARTLETT. Thank you.

Is there any other witness on the subject of transportations?

(No response.)

Senator BARTLETT. I think that since we have concluded the subject of transportation, and since we have a good long afternoon in which to proceed with any further witnesses on the subject of the fishery, and the reception center at the international airport, and any other subjects within the jurisdiction of the committee we will stand in recess until 2 o'clock; I presume, although I cannot state categorically, that we will be in the same room.

The committee is in recess until 2 o'clock.

(Whereupon, at 11:43 a.m., the hearing was recessed to reconvene at 2 p.m., the same day.)

AFTERNOON SESSION

Senator BARTLETT. The committee will be in order.

Mr. Anderson?

Will you give your full name and mailing address?

STATEMENT OF JACK ANDERSON, ANCHORAGE, ALASKA, CHAIRMAN OF THE TRANSPORTATION COMMITTEE, ALASKA STATE CHAMBER OF COMMERCE

Mr. ANDERSON. My name is Jack Anderson, mailing address, 1016 East 4th Avenue, Anchorage.

Senator BARTLETT. Do you have a prepared statement?

Mr. ANDERSON. No, I do not, Senator Bartlett.

Senator BARTLETT. We will be glad to hear from you.

Mr. ANDERSON. I served in the capacity of the chairman of the Transportation Committee of the Alaska State Chamber of Commerce and director of the Anchorage Chamber, and the division chairman of the Transportation Division of the Anchorage Chamber of Commerce.

I would like to ask permission of the Senator to insert in the record, starting with paragraph 2, page 4, through page 8, remarks that I made at Ketchikan with regard to surface transportation in Alaska. The preceding remarks are related to air transportation and I don't believe they are pertinent to the hearing you are conducting.

Senator BARTLETT. Would you mind inserting the whole document? Aviation is within the jurisdiction of this committee.

Mr. ANDERSON. I wouldn't mind.

Senator BARTLETT. Do you have an extra copy of it? I have been hearing about it for days and haven't seen it yet.

Proceed in your own way, Mr. Anderson.

(The document referred to is as follows:)

ADDRESS BY MR. JACK ANDERSON, CHAIRMAN OF THE TRANSPORTATION COMMITTEE, ALASKA STATE CHAMBER OF COMMERCE, AT CONVENTION OF ALASKA STATE CHAMBER OF COMMERCE, KETCHIKAN, ALASKA, OCTOBER 12, 13, AND 14, 1961

I appreciate the opportunity that has been extended to me this afternoon to discuss with you the transportation industry, an industry which I feel is the key to the development of the economic stability of the State of Alaska.

I should like to preface my remarks by saying that I am presenting this afternoon results and conclusions that have been reached over the past year after careful review of Alaska's transportation problems, after extensive inquiry among Alaskan citizens and shippers, and among transportation consultants in the south 48.

To discuss transportation as related to the State of Alaska, you must, of a necessity, discuss transportation in two phases:

Alaska is unique among the 50 States in that it does not have a network of highways. It does not have a railroad system crisscrossing the State; therefore, it does not have the huge complex of private transportation available and is necessarily dependent on public utility type transportation—both surface and air.

The first phase in my discussion with you is devoted to aviation. Alaska does not yet have adequate facilities in the field of aviation; but, to the credit of the farsighted men who have pioneered aviation in Alaska, the services provided by this industry come closer to being adequate than any other transportation system that exists within the State today. So, this being in my estimation the best operated and the most adequate, let us discuss what the chamber's responsibility should be in the field of aviation.

I refer you to an article which appears in the October issue of *Air Travel* which is a part of the "Official Airline Guide" and I quote verbatim:

"UNITED STATES-ALASKA MARKET LOOKED AT BY CAB"

"The Civil Aeronautics Board has expressed concern with the 'continuing problem of uneconomic multiple carrier service' in the 'relatively thin' U.S.-Alaska market and may launch a formal two-step investigation of the market to determine, among other things, whether one or more carriers might be eliminated from the route.

"Officials of the airlines currently serving the route—Pan American, Northwest, Pacific Northern, and Alaska Airlines—have held informal meetings with the CAB, which sought their ideas as to how much service the market requires and how it can be best provided.

"As in its *U.S.-South America route* case, the Board probably will first seek to determine what United States-Alaska routes should be served and then determine what carriers should serve the routes. The Board also may welcome merger proposals from carriers in the market."

What is the significance of this article and what relationship does it have to the State chamber of commerce? First, the Alaska State Chamber of Commerce and its members must concern themselves and inform themselves of existing local service routes and patterns. Secondly, the Alaska State Chamber of Commerce and its members must concern themselves and inform themselves of the pattern of service which exists between Seattle and Alaska. Thirdly, the Alaska State Chamber of Commerce and its member chambers must concern themselves and apprise themselves of the eminent position that Alaska occupies in international air routes.

These three factors are so important in the orderly development of the State's aviation industry that I could dwell on them for this entire presentation, but let me recount to you what I think is the greatest single concern that we should look toward. This is a concern that I share with many people in Alaska and relates to the continuance of subsidy payments by the Federal Government to provide the necessary air service that Alaska requires.

Using round figures, the Federal Government today allocates 12 percent of its entire subsidy payments to Alaska. We are talking about subsidy payments of \$10 million annually. In States-Alaska service, we are talking about four air carriers all with their management, their maintenance, and their headquarters in the south 48 and who base their permanent crews in the south 48. Two of these carriers, Northwest and Pan American, are not subsidized. The

other two, Alaska Airlines and Pacific Northern Airlines, share about one-half of these subsidy payments.

The other half of this subsidy goes to support the network of intra-Alaska carriers whose management, crews, and maintenance facilities are located entirely within the State. Now, these two subsidized carriers in States-Alaska service are well operated and well managed and contribute very substantially to our transportation pattern and growth. They do not have international air routes and their management is devoted entirely to the improvement of their States-Alaska service.

With the demands by the traveling public for upgrading of equipment and service, Alaska Airlines and Pacific Northern Airlines may be faced with a heavy capital expenditure program for acquisition of jets which may, or could, result in additional subsidy requirements to maintain and operate this ultra-modern equipment.

The State chamber of commerce and its members must become aware of the infinite details of air routes, regulations, and subsidies and they must separate in their thinking the subsidy payments that provide States-Alaska service from the subsidy payments that provide intra-Alaska service. An economy government or an economy-minded Congressman may not separate or concern themselves with States-Alaska subsidy versus intra-Alaska subsidy. If we do not examine "the continuing problem of uneconomic multiple-carrier service." If funds provide, we Alaskans could find ourselves in a position of jeopardizing our entire intra-Alaska air route system or our States-Alaska air route system as they exist today.

There must be in the chamber's thinking of a clear-cut understanding of subsidies necessary to maintain a strong intra-Alaska air carrier operation. There must be concern and understanding of the CAB's announced policy to examine "the continuing problem of uneconomic multiple carrier service." Individual chambers and the State chamber may be asked to enunciate policy in both respects, and I urge you to study these problems and prepare yourselves to arrive at some firm solution as to your chamber policy.

Now, may I discuss with you surface transportation as we know it in Alaska today and the role that I feel that the chambers and the State chamber should play in the public interest in this regard. As important as air transport is to the State, and as important as the development of a highway system for Alaska, and as important as the development of a marine highway in southeastern Alaska is, there still remains the undisputed fact that surface transportation provides the lowest cost and best method for moving goods.

There are many in Alaska who feel that the best method for developing low-cost surface transportation is by regulation. Conversely, there are many in Alaska who feel that the best method for the orderly development of low-cost surface transportation is by complete freedom of regulation. I think that the greatest single problem that will be faced by the Alaska State Chamber and its members is the policy that they may choose to adopt in favor of, or opposed to regulation and service.

The State of Alaska through the Alaska Public Service Commission already has established certain ground rules and procedures whereby they have the authority to publish cease-and-desist orders halting service deemed not in the public interest, and whereby they have the authority to hold public hearings to determine the requirements for, or the necessity of, additional truck service over specified routes.

The chambers of commerce in the respective communities involved in service hearings should participate, and are welcome to participate, representing the public interest in these hearings which are held before the Public Service Commission.

The Alaska State Chamber and its members should concern themselves and interest themselves in these hearings as the decisions that are made on the basis of information presented are decisions that establish frequency of service, type of service, and rates—all of which are important to a businessman or a business community in establishing its distribution industry and the highway trade patterns and rates that will be applied to their particular locality. The chambers should apprise themselves of the method under which these rates and services are promulgated.

Continuing under the subject of regulation and service, let us turn to the situation as it exists today in waterborne commerce to Alaska. In order to establish a basic outline from whence the policy of the Alaska State Chamber of Commerce can be established and from such outline, member chambers can

consider their position, I'd like to list some pertinent questions which I think we may have to consider in determining an overall transportation policy in the State of Alaska as it applies to waterborne commerce.

There are cogent arguments in favor of or opposed to an affirmative or negative answer to these questions and I think that the board of directors of the Alaska State Chamber of Commerce should study and consider these questions on a broad basis and from the conclusions a State chamber of commerce transportation policy should be written and adopted.

I have a booklet here entitled "Policy Declarations on Transportation and Communication" adopted by the members of the Chamber of Commerce of the United States upon the recommendations of the transportation committee.

We have serving Alaska right now in water-borne commerce a number of companies, all of which are familiar to us. Some of these companies have a long history of service to Alaska. Many have substantial investments in this service; others are charter operators and some are interested only on an occasional and infrequent basis. We will have next year the addition of the Southeastern Alaska Ferry System as another carrier in water-borne commerce.

No purpose would be served by listing the names of these individual carriers, but what will our Alaska State Chamber policy be as related to the number of carriers and the type of service they should offer?

Next question—What is the chamber's policy regarding regulation of rates of service? Should they be regulated or not?

What is the chamber's policy as to the effectiveness or ineffectiveness of the jurisdiction of the Federal Maritime Board?

What is the chamber's policy on common rating of individual ports in various geographical areas?

What is the chamber's policy in support of or as opposed to Senate bill No. 1765, introduced by Senator Bartlett, which is entitled "A Bill to Amend the Interstate Commerce Act in Order to Promote Coordinated Rail Barge Transportation."

or

Senate bill No. 1764, introduced by Senator Bartlett, May 3, 1961, entitled "A Bill to Amend the Interstate Commerce Act in Order to Require Justification of Certain Rate Publications and Suspension Board Actions."

or

Senate bill No. 2413, entitled "To Provide for Economic Regulation of the Alaskan Railroad Under the Interstate Commerce Act."

or

Senate bill No. 1725, entitled "A Bill to Permit the Establishment of Through Service and Joint Rates for Carriers Serving Alaska or Hawaii and the Other States and to Establish a Joint Board to Review Such Rates."

What is the chamber's policy with regard to regulation by the Interstate Commerce Commission of rates in water-borne commerce as well as surface transportation?

What is the chamber's policy regarding the establishment of a joint board which will have jurisdiction in all matters of joint rates, classifications, regulations and practices charged in through services. This joint board to consist of three members, one to be designated from the membership of the Civil Aeronautics Board, one from the Federal Maritime Board and one member from the Interstate Commerce Commission. The joint board to have the same power as conferred upon the Interstate Commerce Commission.

What is the chamber's policy with regard to the rates and types of service to be offered by the Alaska Ferry System?

What is the chamber's policy as related to Government competition in water-borne commerce, and to digress for just a minute, in airborne commerce as well?

What is our policy to be in carrier agreements, carrier consolidations, competitive rates, ratemaking principles and transportation coordination?

My last question, which I feel is of tremendous importance to the State of Alaska and particularly as applied to water-borne commerce is: What is our policy going to be, and what is our attitude going to be toward the carriers who are required to provide unprofitable service to many coastal communities throughout the State?

I say to you ladies and gentlemen gathered here today that we do not have in Alaska the traffic consultants, the traffic practitioners, the ratemaking bureaus, nor all of the aids that our counterparts in the south 48 have so readily accessible to determine the policies that they should adopt, but we do have a wealth of human assets in our chambers and their members. We also have our friends in the Pacific Northwest who have these aids and who have demonstrated throughout the years by their presence at these meetings their willingness to assist us with our problems.

I am sure that there are those of you who are as anxious as I am to establish a solid chamber policy on transportation and, if you feel as I do that this is of great importance, I ask that we instruct the directors of this State chamber to take the initial steps and turn first to those who are in the industry for their suggestions and help in establishing our policy. I suggest that we do this by conducting a transportation seminar at which air carriers, water-borne carriers, rail and highway carriers would present papers and speakers offering suggestions and supporting these suggestions with appropriate data and research. Presentations also can be included by the State of Alaska Public Service Commission, the Civil Aeronautics Board, the Interstate Commerce Commission, and the Federal Maritime Board, all of which are regulatory agencies involved in these policies. In the business and public interest, I believe that Professor Stanley Brewer of the University of Washington would be eminently qualified to present his views on the subject.

From this seminar, the directors and the chamber's transportation committee would be better advised of policies that should be presented for adoption by the members in regular session.

In conclusion, we must consider that there is invested in private and Federal capital an amount exceeding \$100 million in air, rail, highway and water-borne transportation equipment and enterprise and, I urge that we take decisive steps to establish our policy in support of this adjunct of our Alaskan economy which is the key to and the forerunner of any development of an industrial complex in our State.

Mr. ANDERSON. Senator Bartlett, there are four bills in the Congress which you have introduced which in various methods and manners involve transportation and transportation regulatory agencies in Alaska. I refer to 1764, 1765, 1725, and 2413.

With the advent of statehood in Alaska I feel that the State chambers are going to be requested, such as you are doing here in your current hearings, to take a position with relation to not only the Senate bills but with relation to the policy or support of the regulatory agencies which now govern transportation rates and services in the State.

The Economic Development Committee of the State chamber, therefore, asked me to call attention at the State chamber convention to the problems that I felt should be considered. It would be repetitious to repeat them here as they are outlined in the prepared remarks which I have submitted. The directors of the State chamber at Ketchikan asked that we be permitted to comment on, prior to the time the record is closed, the information that is received by you in this hearing, and I believe that the directors of the Anchorage Chamber of Commerce feel pretty much along the same line, Senator.

We have not adopted a policy as far as transportation in any shape, manner or form to this date. But it is being considered both at the State level and at the Anchorage level.

Senator BARTLETT. Mr. Anderson, returning to your address before the State chamber of commerce, did you have many recommendations to make, definite recommendations?

Mr. ANDERSON. Yes, sir. I made one recommendation and that is that the State chamber of commerce conduct a seminar on transportation at which industry members, members from regulatory agencies,

and representation from our congressional delegation would recommend some guidelines or suggest guidelines for consideration to establish an overall State transportation policy.

I feel personally that the surface transportation and the air transportation is so interrelated and so important to the development of an industrial economy in this State that the chambers cannot take a middle-of-the-road position in every phase or aspect.

Senator BARTLETT. This morning in an opening statement I recommended, because I believe so strongly in local as opposed to national control, that it would be advisable for the State to develop for presentation to the National Government, including, of course, the Congress, a basic transportation program. In other words, to have Alaskans recommend initially what ought to be done, instead of having the Federal Government impose something upon them. Would you think that would be worthwhile approach?

Mr. ANDERSON. Yes, sir, Senator. I can say without any qualification whatsoever that I wrote an original presentation for the State chamber of commerce which made some very definite recommendations. And after reviewing it I felt that the problem was of so much significance at the State level that it would be more appropriate if it was given serious study by a wider group than just one committee.

In my experiences in gathering information for this presentation I requested information as to the activities of the Alaska Public Service Commission as a regulatory agency for motor carriers. I asked for a statement from Mr. Scavenius, on air carriers. I asked for and received a statement from Mr. Roloff, of the Anchorage Port Commission. And I talked to three transportation consultants in Seattle, and I talked to, I think, probably the 10 major shippers in Alaska. I found that stateside shippers, Senator, who control substantial volumes of freight, have a tendency to oppose any regulation whatsoever because they are in the position of bargaining for rates with the amount of volume of traffic that they control.

Senator BARTLETT. Would you repeat that, please?

Mr. ANDERSON. I find that shippers who control substantial movement of cargo are not necessarily anxious to see regulations of rates applied to Alaska because they are in a position to bargain for rates among competitive carriers.

Senator BARTLETT. This ties in with the statement made in your speech at Ketchikan in these words:

There are many in Alaska who feel that the best method for developing low-cost surface transportation is by regulation. Conversely, there are many in Alaska who feel that the best method for the orderly development of low-cost surface transportation is by complete freedom of regulation.

Mr. ANDERSON. Yes, sir.

Senator BARTLETT. Your conversations led you to the conclusion that these shippers believe that there could be orderly development of transportation without regulation?

Mr. ANDERSON. Yes, sir; but then when you talk to the industry—and I think they have a very excellent point—under the present rules and ground rules under which the industry operates—talking about the waterborne carrier service in Alaska, and I have called attention to this in these remarks that there are substantial carriers who have served Alaska in a regular and scheduled manner for many years

who have tremendous investments in the waterborne transportation to Alaska—we find in the summertime charter or noncharter carriers who bring up 1,000 or 1,500 tons during the summer months and to a degree skim the cream off of the year-round carriers operations.

Then the other problem in Alaska, which I think as far as regulated carriers is concerned is the problem of who is going to supply the service to the outlying areas, the villages, when there is absolutely no economical justification for providing waterborne service to these areas.

It is obvious the rail belt area is the revenue producer for any carrier. But who is going to send a ship to the northeast cape or any of the rest of them?

Senator BARTLETT. And they have to be served?

Mr. ANDERSON. They must be served; yes, sir.

Senator BARTLETT. We had in the closing days of Congress a major piece of legislation, the so-called dual-rate shipping conference bill. The floor manager of the bill was Senator Engle of California. This was very controversial. It had earlier been passed in the House in entirely different form. It did confirm, by law, in effect, a waiver of the antitrust laws when the agreements made by these conferences is approved by the Maritime Commission.

The point that I want to make here is that to the best of my knowledge every shipper who testified was in favor of such an arrangement because of unhappy experiences in the past, or fear of unhappy experiences with the itinerant, irregular carrier who couldn't be depended upon, they informed the subcommittee and the Congress, to furnish regular service. They might have a trip or two where the rates would be much lower than the scheduled carriers offered, and this would seem wonderful. But the next ship wouldn't sail. And, of course, all of these things have to be borne in mind in connection with our own transportation problems, as you have already indicated.

Mr. ANDERSON. There is that, Senator, and there are two or three companies, as you well know, and organizations and combines, now studying the feasibility of furnishing a blackball-type ferry operation to all communities in southeastern Alaska via the Alaska ferry system which goes into service next year. This is going to take the burden away from the steamship companies of supplying some of this uneconomical service, but at the same time the State's policy as to the rates for movement of water vehicles and movement of trucks loaded with freight on that ferry system could affect the entire States-Alaska rate system as it exists today.

I think when the constitution was framed for the State they recognized to a degree, through the Alaska Public Service Commission and its regulatory authorization, and through the State department of aviation and its authority to issue local service air certificates, that there needed to be consideration of this problem. But I don't think that the State itself—and I would preface this remark by saying this is no criticism of the administration nor the legislators, I just do not feel that it has been brought forcibly enough to the State's attention—that regulation of air carriers on certain routes could very well jeopardize the service of air carriers on international routes or States-Alaska routes, or regulation of motor carriers on certain routes in the rail belt area of Alaska certainly has to be considered or extended to

regulation of motor carriers that may or intend to provide that type of service on the ferry system. These factors certainly tie to the rates that are established by the waterborne carriers, and that is why I hope that the State of Alaska, as you have suggested here this afternoon, will take official recognition of this problem and, if you may, establish a State transportation commission in an advisory capacity to help formulate this policy. I think it is most significant.

Senator BARTLETT. Thank you, Mr. Anderson.

Mr. McElroy?

Mr. McElroy. I have no questions.

Senator BARTLETT. Mr. Grinstein?

Mr. GRINSTEIN. Have you come to any personal conclusions, Mr. Anderson, as to whether there should be or should not be regulation of the Alaska transportation resources?

Mr. ANDERSON. My personal conclusion is that there should be regulation but it should not be to the extreme limits that are applied by the Interstate Commerce Commission, because I think that the ground rules and procedures that are used in the States have been established certainly over two decades. With the lower 48 States having the advantage of a complete interstate highway system, and not so entirely dependent upon the public-service-type transportation, there has to be some freedom. But the carriers that have shown or demonstrated a willingness to serve both a profitable and an unprofitable route throughout Alaska over a period of years have to have protection from what I call the gypos that come June, July, and August, and we don't see them the rest of the year.

I am only referring to those that haul commercial freight for hire. The contract carriers available for the DEW line, MSTs, or Government freight, are an entirely different matter which I do not believe are affected.

Mr. GRINSTEIN. The form of protection you are talking of could be accomplished through certification?

Mr. ANDERSON. Yes, sir.

Mr. GRINSTEIN. What about economic regulation in the sense of rate regulation, maximum and minimum?

Mr. ANDERSON. I feel to a degree that the water rates that apply to Alaska have just now begun to settle out on a justifiable basis both from the return to the carrier and from the cost to the consumer. In years preceding the last 4 or 5 years we have had rates regulated largely by volume of traffic offered.

But I think that the pattern of rates that is being established at least for western Alaska could very well be adopted as an initial starting point, so long as that pattern wasn't adopted as a ceiling or umbrella but as a basis to start from either up or down.

Mr. GRINSTEIN. Would you have some agency protect either the carrier on the one hand or the shipper and consumer on the other hand from rate excesses either one way or the other?

Mr. ANDERSON. I don't know whether the Senator's board is the agency or not. But there certainly has to be an agency because to get a shipment to Bethel, Alaska, takes five bills of lading by the time you transfer it from Seattle, transfer it at Anchorage, put it on a truck, take it to the international airport, and transfer to Northern Consolidated Airlines. The Railway Express Agency has taken the first

step to provide through billing service which we are using today quite extensively out of Kansas City, and Consolidated Freightways through Garrison now nearly has through billing service, not quite. I believe there has to be a watchdog agency.

Senator BARTLETT. Thank you, Mr. Anderson. The text of the remarks made at Ketchikan will appear in the printed record.

Mr. McELROY. Let me ask you one question before you go.

Has the chamber made any estimate of what proportion of the total cost of living is accounted for by freight costs?

Mr. ANDERSON. No. There is a study in process on that, sir.

Mr. McELROY. By the chamber?

Mr. ANDERSON. Yes, sir.

Senator BARTLETT. Your personal opinion, not seeking to bring it down to percentages, is that a material factor or not?

Mr. ANDERSON. No, sir, I don't believe it is.

Senator BARTLETT. Why, then, are prices X percent higher in Anchorage than in Seattle?

Mr. ANDERSON. The reason, sir, is the cost of labor and handling, the cost of money for financing the inventory, and the cost of construction of the facility which you have to have to serve the merchant.

Senator BARTLETT. Thank you.

Mr. Scepurek, please.

Will you give your name and your mailing address to the reporter?

**STATEMENT OF ALBERT L. SCEPUREK, TURPIN SUBDIVISION,
GENERAL DELIVERY, ANCHORAGE, ALASKA**

Mr. SCEPUREK. Albert L. Scepurek. I live here in Anchorage. My mailing address is Turpin Subdivision.

Senator BARTLETT. Do you have an exact address?

Mr. SCEPUREK. It is General Delivery at present.

Senator BARTLETT. General Delivery, Anchorage, Alaska?

Mr. SCEPUREK. Yes.

My interest is mining. I have a prospect, several, across the Cook Inlet, and also in the upper Susitna Basin.

Senator BARTLETT. What kind of a prospect?

Mr. SCEPUREK. They are ores. I am referring to iron ore, coal, and other related minerals pertaining to iron ore smelting for use within the industry.

I want to thank Senator Bartlett and Senator Gruening, also Mr. Roloff for the fine cooperation and work, and the tremendous amount of work that they had performed in reducing this 30 percent Alaska added cost of freight which, you recall, was dropped this spring, on behalf of shipments of ores and materials to and from Alaska.

Is that the way it is interpreted?

Senator BARTLETT. Yes, that is right. The Trans-Pacific Freight Conference of Japan imposed a 30-percent surcharge upon shipments to Alaska, with certain exemptions being made for the port of Anchorage. They diminished that on the order of 10 percent initially. Certain pressures were exerted and it was finally wiped out.

However, this does not mean that surcharges will not be imposed by individual lines on individual transactions.

I should like to use this forum as an opportunity to say to the members of the Trans-Pacific Freight Conference of Japan that if they believe that they can use this other method as a continued means of discrimination against Alaska ports, they are going to have quite a fight on their hands.

Mr. SCEPUREK. Thank you, Senator Bartlett. I appreciate that.

Together with all of the problems that plague us here in putting a deposit together, for instance, what I refer to as private mining or private enterprise in mining and shipping ores worldwide in competition with worldwide market, we have found repeatedly, and ran into the same problem time and time again where the cost of transportation, the inaccessibility of a road, and the demand on bridges and the causeway here in particular referring to a deposit 40 miles across the Cook Inlet near Anchorage, with rates so preposterous in transportation and also waterway transportation, or referring to the transportation by rail, equivalent to the price charged now, or the existing rate in referring to the coal transportation from the Palmer area and assimilating a bunch of figures to ship ore competitive out of the region, seems to be out of proportion with the price you would receive for it.

What I am referring to are ores of an enormous amount in quantity and yet on the borderline of quality, passing the rules of quality ores that can be shipped and compete in the world market.

Using a figure that would help clarify these conditions, if we would assume that the transportation of 40 miles would be within the \$1.70 bracket by rail, and port-handling costs of between 35 and 70 cents—now I am using all round figures that would probably be workable from the minimum to the maximum—we find ourselves that we are so close to putting an export contract together that with just a little bit more cooperation on the part of the transportation systems, and the port here in Anchorage with an amicable solution, I mean being more amicable toward putting this trade together, we could achieve such shipments and sale of such deposits, and yet if they were being put together on these very high or expensive rates we have nothing to put together because the world market wouldn't stand it. We have found this, for example, in coal, in steam coal, that would be priced within \$5 to \$7 to \$9 a ton. To compete with Alaskan coal with the Australian market, for example, we found we are priced out of the picture.

And not only that as much as the inaccessibility of 40 miles without any roads or cooperation of the railroad, we will never achieve such a feat as putting the world market together or ship any ore out of Alaska unless we get these amicable conditions whereby we can depend on mutual cooperation among all these facilities in order to help put such market together.

Senator BARTLETT. Mr. Scepurek, how much would rates have to drop by way of a percentage estimate before these ores to which you refer could be competitive?

Mr. SCEPUREK. Do you mean the transportation portion of it?

Senator BARTLETT. Yes.

Mr. SCEPUREK. It wouldn't take very much. It would be a minor percentage. Except that here I want to point out, there is a catch to this type of situation. If we were to figure water transportation and reloading across Cook Inlet of 17 miles, waterwise, that does make

a lot of difference in proportion to rail and the pricing with rail shipped this distance across the causeway.

Senator BARTLETT. Is there a demonstrable market in the Orient for Alaska products?

Mr. SCEPUREK. Yes. Let's put it this way. In competitive terms of tonnage and pricewise, assuming that we are on an even equal price rate on the world market, we could highly compete for these enormous tonnage deposits, you might call them, like iron ore, coal. There are other minerals of the same importance that will create a market along with the smelting industry that I am not too much aware of at present, but that I know are possibilities if the transportation and the port facilities are available at a minimum cost.

Senator BARTLETT. You mentioned a causeway. Perhaps you had better explain that a little bit more, because when the members of the Commerce Committee read the transcript of these hearings they won't be familiar with what you have in mind.

What do you mean by a causeway?

Mr. SCEPUREK. I will be glad to, Senator Bartlett. The causeway to this particular valley that I am referring to, the Tyonek and across Cook Inlet, which has certain deposits out there only 40 miles distant in a direct line which also could be followed with a direct line railroad or road, and better yet, boat.

Senator BARTLETT. Is this causeway which you have in mind in a different location from one that has been so generally discussed in Anchorage?

Mr. SCEPUREK. Not at all. That is the causeway.

Senator BARTLETT. How much would that cost? Has there been any reliable estimate?

Mr. SCEPUREK. I hear so many conflicting rumors.

Senator BARTLETT. In any case, the Corps of Engineers now has a modest appropriation to start a study of that, does it not?

Mr. SCEPUREK. Yes, as I understand it.

Senator BARTLETT. How much distance would be saved if that causeway were built?

Mr. SCEPUREK. Enormous. To the deposit that I am referring to, ore deposits, there would be a difference of 40 miles compared to 170 miles by the road of Palmer and Wasilla to the Susitna.

Senator BARTLETT. Thank you very much.

Mr. GRINSTEIN. Do you now ship any ore or coal?

Mr. SCEPUREK. No; but we have been approached for a contract of 1 to 2 million tons a year.

Mr. GRINSTEIN. If you can bring the transportation costs down?

Mr. SCEPUREK. Yes, and at the same time use all round port facilities.

Senator BARTLETT. How far are your deposits from the water?

Mr. SCEPUREK. From the water they are exactly—let me ask this question. To which water? To the port of Anchorage or to—

Senator BARTLETT. No; to Cook Inlet, in a direct line from where your deposits are.

Mr. SCEPUREK. I am glad you asked that question. They are only 27—from 17 to 27 miles. But there is hardly no possible way to put a port in on that other side without being harassed with ice every year, or be taken out.

Some engineers are telling me it is impossible.

Senator BARTLETT. So you would have to truck it all the way around to Anchorage?

Mr. SCEPUREK. Yes; truck it or railroad would be a better proposition because it is equipped, tonnagewise, at a lower cost rate.

Senator BARTLETT. You don't have any railroad in there?

Mr. SCEPUREK. No. Or no road, either. Both of them would bring the Anchorage area, or the Federal Government, a revenue between \$27,000 to \$450,000 a year on one deposit alone.

Senator BARTLETT. Thank you, sir.

By the way, I have here a couple of copies of the hearing which was held in Washington on Senator Gruening's bill to amend the Saltonstall-Kennedy Act. They will be left on the table for any fishermen who might desire to have them and read the hearings.

The next witness is Mr. Gaasland.

STATEMENT OF HAROLD A. GAASLAND, SPENARD, ALASKA

Mr. GAASLAND. I am Harold A. Gaasland, Spenard, Alaska. I represent the homesteaders in this area, being a homesteader myself.

Senator BARTLETT. Mr. Gaasland, I understand that you are not going to testify on matters relating to the fishery or transportation?

Mr. GAASLAND. That is right.

Senator BARTLETT. But instead on land matters?

Mr. GAASLAND. The Homestead Act.

Senator BARTLETT. Before you start, I should state that this committee has absolutely no jurisdiction in that area, and that this falls within the province of the Senate and House Committees on Interior and Insular Affairs. Notwithstanding, we shall be very glad to hear you. It will be our intention and purpose to transmit the testimony you are about to give to those committees for their consideration.

Mr. GAASLAND. My principal question is interpretation of what a right-of-way is through a homestead. According to the act of July 24, 1947 (48 U.S.C. 321-D), the reason I am concerned, I have a patented homestead. The highway is going through my property, which is fine. I received a letter from Howard Benson, the right-of-way negotiator, department of public works, Anchorage, relative to signing over—

Senator BARTLETT. That is the State Department?

Mr. GAASLAND. The State Department, sir. And I asked him what constitutes a right-of-way. He is unable to give me that definition. There has never been one handed down, what constitutes a right-of-way.

Due to the fact that I have a patented homestead in the Willow-Talkeetna area, and the homesteaders up there, which are being hurt, and myself, wanted me to bring it before you so that you could bring it to the group back there who have jurisdiction over it.

Senator BARTLETT. I think that I had best amend my opening remark. Apparently from what you say, this isn't a Federal matter at all, but one entirely within the State. I am wondering if you have

written the attorney general of Alaska for a ruling on this, Mr. Gaasland.

Mr. GAASLAND. I have not, yet, sir.

Senator BARTLETT. Do you know if anyone has?

Mr. GAASLAND. I doubt if they have. And it refers to the U.S. law here. This is a copy, an extract of it, sir [handing to Senator Bartlett].

I don't want to take your time.

Senator BARTLETT. We are glad to hear from you but we have to preserve proper procedures here. If this committee were to begin to instruct the State, there might be fireworks. So I think in this particular case, if you will permit, I will take this up as a Senator from Alaska with the attorney general in Juneau, and we will divorce it from committee consideration. Is that all right?

Mr. GAASLAND. May I suggest, if I know when you will be there, I would just as soon go to Juneau and meet with you, because this is a critical problem. It not only affects us along the right-of-way but also every homesteader in Alaska.

Senator BARTLETT. I am going to be in Juneau Wednesday afternoon and Thursday, but we are going to have hearings all the time. Let me talk to the attorney general and I will be in touch with you.

Mr. GRINSTEIN. Your question is what are your rights under this Federal act as a result of the right-of-way by the State agency?

Mr. GAASLAND. What constitutes a right-of-way. On my map they show that they have taken over 550 feet. That is not a right-of-way.

Mr. McELROY. Your question is as to the width of the right-of-way?

Mr. GAASLAND. That is right. And how can they take this much property, 22-some-odd acres from me. I don't mind the right-of-way, according to the basic map I have here. But then they needed 25,000 cubic yards of gravel, so they zig-zag over here to take my gravel. I get nothing.

Senator BARTLETT. My difficulty is that approached with this now, I am unable to state whether this act was modified in any way or eliminated by the Statehood Act. This is a 1947 law which may or may not have been changed by the Statehood Act.

Have you people who are so concerned with this retained the services of an attorney?

Mr. GAASLAND. I have not, sir. I thought I would bring it to you. If you want to make a note, the patented homestead is on November 10, 1955.

Senator BARTLETT. Off the record.

(Discussion off the record.)

Senator BARTLETT. Are there any other witnesses?

If not, the committee will stand in recess until tomorrow morning in Cordova.

Thank you all for attending, especially those of you who testified.

(Whereupon, at 3 p.m., the hearing was recessed to reconvene Tuesday, October 24, 1961, in Cordova, Alaska.)

(The following letters were received for the record:)

NOVEMBER 8, 1961.

Hon. E. L. BARTLETT,
*U.S. Senator, State of Alaska,
Senate Office Building, Washington, D.C.*

DEAR SENATOR BARTLETT: I have just learned that you held hearings in Anchorage and Fairbanks on various transportation matters and I am very sorry that I did not learn of these in time to attend for no doubt these hearings were in regard to your bill S. 2413 which you introduced this year in regard to the Alaska Railroad's being placed under ICC regulations. I also have an excerpt from the Congressional Record containing a statement which you made when this bill was introduced and I might add that it was an excellent review and analysis of the situation.

At this time I would like to add something to this which I feel will be of material help to you in this matter:

In the present Alaska Railroad Division sheet 1-E, item No. 80-C of this sheet, copy of which we are enclosing, provides for freight charges to be assessed on containerized freight going from Seward to Anchorage or Fairbanks and from Anchorage to Fairbanks. These rates are applicable to ourselves, Weaver Bros., Garrison Fast Freight, and Puget Sound-Alaska Van Lines.

You will note on the various maximum weights between Seward and Anchorage and Seward to Fairbanks as against the Anchorage to Fairbanks maximums, how the Seward gateway rates are most preferential to Anchorage gateway rates. On freight loaded in excess of 40,000 pounds, the rate from Seward to Anchorage is 43 cents per hundredweight, Seward to Fairbanks \$1.03 per hundredweight, and the rate from Anchorage to Fairbanks is 84 cents per hundredweight. As the above rates indicate, the Alaska Railroad rates are inconsistent as to the Anchorage to Fairbanks rate structure in that the railroad is charging but 4 cents per hundredweight more for hauling all the way from Seward to Fairbanks over the charge of 99 cents per hundredweight from Anchorage to Fairbanks. For purpose of comparison, the mileage from Seward to Anchorage is 114 miles, Anchorage to Fairbanks 356 miles, the total Seward to Fairbanks mileage is 470 miles. If the Alaska Railroad were to abide by ICC regulations, the Anchorage to Fairbanks rate structure would be in violation of section 3 of part 1 of the act in that Seward gateway rates are preferential to Anchorage gateway rates.

We have for some time been endeavoring to have the Alaska Railroad review this Anchorage gateway rate but have been unsuccessful, in fact they have informed us that they were contemplating raising the Anchorage to Fairbanks rate.

With the Alaska Railroad operating as an unregulated carrier and the Alaska Freight Lines, Inc. and others subject to stringent regulations, not only by the I.C.C., but the Federal Maritime Commission, as you can see places this company in a very unfair competitive position in view of this rate disparity of charges between Seward and Fairbanks as compared with Anchorage and Fairbanks. Although it is true that distance is not the sole factor upon which rates are predicated to entitle it to substantial consideration, in light of the great disparity in distances here involved the burden is shifted upon the carrier to set forth the reason which justifies the disparate rate treatment. In all my correspondence with the Alaska Railroad they have never given me any factors which were considered by them in coming up with the charges set forth in this substituted service schedule. In this case it is very difficult for me to see how the railroad can talk of substituted service since that can only occur when both parties subject to regulations concur in a direct tariff and then have a separate division sheet between them. In this case the Alaska Railroad is not subject

to the I.C.C. and whether or not they call it a substituted service it is really a proportional rate from Seward to Anchorage or Fairbanks.

Under these circumstances the Alaska Railroad should not be allowed to hide behind the guise of a rate division but should be required to justify the establishment of the rate from Anchorage to Fairbanks as a proportional rate in comparison with the rate which they charge from Seward to Fairbanks.

Further, in the case of Puget Sound-Alaska Van Lines using the Alaska Railroad as the connecting carrier, under these circumstances the railroad will make deliveries for Puget Sound-Alaska Van Lines at no additional cost. Under this same rate structure Alaska Freight Lines, Inc., must deliver its own freight, which as you can see makes the disparity substantially greater.

As you know, the Alaska Railroad is at this time operating what I would call "line haul movements with a truck fleet." I would like to point out to you that under the Alaska Railroad Act there is no authority for the Alaska Railroad to operate trucks. They have stated that their truck operation is merely a substituted service. However, I would further like to point out that every railroad in the United States which uses trucks in substituted services is required to obtain a Certificate of Public Convenience and Necessity from the I.C.C. Why should it be any different for the Alaska Railroad? Furthermore, there are points served by the Alaska Railroad which are a substantial distance from the railhead and the operation by trucks cannot be considered substituted service since it is beyond the point served by the railroad.

There is another analogy which is applicable. When Congress passed the grandfather statute granting grandfather authority to Alaska motor and freight carriers, an application for authority was filed with the Commission on behalf of Yutana Barge Lines and the Alaska Railroad filed a similar temporary authority. The Commission saw fit to grant the temporary authority to Yutana Barge Lines and denied the temporary authority to the Alaska Railroad. In this the Alaska Railroad stood up on its hind legs and said, "We are the Alaska Railroad and we are not subject to your jurisdiction." The Commission's Director of the Bureau of Water Carriers informed the Alaska Railroad that it was subject to their jurisdiction. In the same way it is perfectly clear that the motor carrier operations of the Alaska Railroad are also subject to the I.C.C. jurisdiction and they are now operating in violation of the law. Nowhere in the Alaska grandfather bill is a specific exemption for a motor carrier operation performed in Alaska as a part of a movement in interstate commerce by the Alaska Railroad. In absence of this exemption, the Railroad should not be permitted to continue its motor carrier operation, even if somebody should dream up some authority in the basic Alaska Railroad Statute to authorize the operation of a fleet of trucks.

Further, as you know, the Alaska Railroad can file rate increases or reductions on a moment's notice. Carriers such as ourselves must file and it requires 30 days from the Commission for approval or disapproval. This in itself places this company in a very unfair competitive position.

Now, Senator, this brief outline I have given you at this time is only part of the conditions that now exist, but I felt that this part of it should be made known to you at this time. It would be my hope that before any complete hearings would be held on the present transportation matters to Alaska with the new five-man commission that will soon be in operation, that we might have the opportunity of talking to you pertaining to other aspects of the matter as we are certainly looking forward to talking with you at your earliest convenience.

Respectfully yours,

ALASKA FREIGHT LINES, INC.,
WM. H. TUFFORD,
General Manager.

THE ALASKA RAILROAD

SUPPLEMENT 14 TO DIVISION SHEET 1-E, DIVISIONS AND RULES IN CONNECTION WITH MOTOR CARRIERS (NAMED HEREIN) FOR SUBSTITUTED FREIGHT SERVICE ON LOADED OR EMPTY TRAILERS, SEMITRAILERS, SHIPPING PLATFORMS, VANS, OR VAN BODIES AS MORE SPECIFICALLY DESCRIBED HEREIN, AND HEREINAFTER CALLED TRAILERS (SEE ITEM 35), TRANSPORTED ON RAILWAY CARS BETWEEN SEWARD, ANCHORAGE, FAIRBANKS, AND PALMER, ALASKA

Issued June 30, 1961; Effective July 10, 1961

Issued by E. J. KUNZ, General Traffic Manager, Anchorage, Alaska, and F. W. Hoefler, Traffic Manager (Rates and Tariffs) Anchorage, Alaska
(38 Stat. 305; 48 U.S.C. 301-308; Executive Order 3861; June 8, 1923)

Item	Subject	Application of divisions and rules		
		From Seward, Alaska, to—		
		Anchorage	Fairbanks	Palmer
	Maximum weight per trailer: ^{1 2}			
	24,000 pounds.....	\$177.00	\$387.00	\$218.00
	30,000 pounds.....	230.00	445.00	280.00
	36,000 pounds.....	238.00	463.00	290.00
	40,000 pounds.....	245.00	480.00	295.00
	Freight loaded onto 1 car in excess of 40,000 pounds will be charged (per hundred-weight).....	.43	1.03	.53
				From Anchorage to Fairbanks
30-C	Northbound only; (except as noted) charges per trailer or per hundred-weight as shown.			
	Maximum weight per trailer: ^{1 2}			
	24,000 pounds.....			351.00
	30,000 pounds.....			381.00
	36,000 pounds.....			395.00
	40,000 pounds.....			405.00
	Freight loaded in or on 1 trailer in excess of 40,000 pounds will be charged (per hundredweight).....			³ .84
	Mail van loads northbound or southbound (minimum weight, 12,000 pounds per hundredweight):			
	Between Seward and Anchorage.....			135
	Between Seward and Fairbanks.....			210
	Between Anchorage and Fairbanks.....			200

¹ Exclusive of the tare weight of the trailer, dunnage, racks or cribbing, except that the combined gross weight of trailers when more than 1 trailer is loaded on 1 car, may not exceed 100,000 pounds.

² (a) Lift vans 24 feet in length may be shipped in multiple units of 2 such vans per car on a single bill of lading, or, in lieu of second 24-foot van, 2 12-foot vans may be substituted. Charges will be based on maximum weight of contents of each van on 1 bill of lading as if shipment had been loaded in a single van.

(b) Shipping platforms 24 feet in length may be shipped in multiple units of 2 such platforms per car on a single bill of lading. Charges will be based on maximum weight of contents of each platform on 1 bill of lading as if shipment had been loaded on a single platform.

³ Reduction.

STATE OF ALASKA DEPARTMENT OF COMMERCE,
PUBLIC SERVICE COMMISSION,
Anchorage, Alaska, November 3, 1961.

Hon. E. L. BARTLETT,
U.S. Senate Building, Washington, D.C.

DEAR SENATOR BARTLETT: During your recent hearings concerning various legislation dealing with transportation, you requested an expression from the State of Alaska as to a transportation policy which Alaska would deem most beneficial to the new State and its people.

As a general expression of the State legislature's evaluation of transportation regulation, we would call to your attention the Alaska House Joint Memorial No. 13, passed by the house March 6, 1959, and the senate, March 10, 1959. The memorial stated in part: "Whereas in the newly created State of Alaska, the future development of the State will depend upon the orderly development of transportation facilities to, from and within the State of Alaska. * * *" The

memorial goes on to respectfully request consideration of uniform regulation of all modes of surface transportation including the Alaska Railroad, a Federal agency. The State legislature recognized the existence of situations that could result in inequities between regulated and unregulated carriers serving Alaska.

We do not now suggest that the Alaska Railroad can be subjected to full regulation of private industry because of certain complications relating to accounting requirements, rate of return on investment and its very important and sometimes costly program of construction and service, primarily brought about by military requirements and national defense. The Railroad defends its position by generally stating they operate in compliance with the Interstate Commerce Commission rules and regulations as relates to rate changes, etc. We do not argue this statement. Irrespective of the Railroad's policy, the public and competing carriers still must deal with the agency itself or seek authority to take court action against the Federal Government. If there were no other result from regulation of the Railroad but to afford interested parties the benefit of a quasi-judicial regulatory agency to whom they could turn for a determination, the whole effort would be worthwhile. The Railroad is an essential part of the Alaska transportation complex as well as it is essential to national defense. But private industry, too, has an equally important role and must not be impaired nor destroyed by Federal competition which has in past years occurred and which can certainly reoccur without regulation. Statistics prepared by the Automobile Manufacturers' Association, "Motor Truck Facts," 1961 edition, indicate that in excess of 10,000 employees in Alaska are trucking employees, directly effected by the health or illness of the motor industry. An industry which for the most part uses year-round employees in an area plagued by seasonal peaks and valleys of employment must be given some consideration.

A second very important aspect of the regulation of the Railroad is the matter of single factor through rates which would and could be participated in by the various modes of surface transportation companies. The joint board bill would have created a lawful status for such an arrangement but the Railroad is still not covered in a manner to permit any of the agencies to exercise any regulatory control over the Railroad. If the ICC were given regulatory control of the Railroad coupled with regulation of the vessel carriers operating between ports on the west coast and ports of Alaska, the legal framework would be established without the creation of another function or composite board.

We would now offer comments on the bill that would turn the regulatory functions of the FMB over to the ICC as respects coastwise operations between the other States and Alaska. The maritime regulation does not provide for the regulation of tramp or contract carriers. This permits and encourages destructive competition for the common carriers operating between these ports. The unregulated water carrier skims the cream from the substantial volume traffic that would permit the common carrier to operate with some greater efficiency as to capabilities and service. Common carriers by water who serve Alaska are placed in a very precarious position by such unregulated competition. Uniformity of regulation is again imperative if the transportation system for Alaska is to achieve a sound and efficient operating basis. Short-term benefits of slightly cheaper rates offered by the unscrupulous competitor is enjoyed only by a few individuals to the detriment of the general public. As an example, a pair of articles on a store shelf does not reflect any different price to the consumer because of transportation rates variation that exist between the several carriers involved. The only benefit that can be gained for the public ratewise is to create an atmosphere which will bring about a stabilized, equally regulated, efficient, and capable transportation complex. Such an atmosphere will never be brought about when unregulated carriers can operate in the midst of the regulated carriers.

During the hearings in Fairbanks, Alaska, some testimony was presented relating to section 22 rates offered on Government traffic. In the contiguous 48 States the volume of military traffic percentagewise does not have the impact of military traffic to, from, and in Alaska. The Legislature of Alaska during the 1960 session passed the Alaska Motor Freight Carrier Act (ch. 166, SLA 1960) and, in their wisdom, did not provide any section comparable to section 22 for the U.S. Government, State, or city as relates to intrastate commerce. We have been unable to do anything with this situation as relates to Federal agencies or the military because of the Federal supremacy policies relating to rates and charges. Now we find ourselves in a situation where we prescribe rates (maximum, minimum, or maximum and minimum) for the

intrastate common carriers and require they adhere to such rates. These rate levels are to reflect just and reasonable rates. We then find the carriers, by demand of the various Federal agencies and the military, transport shipments of a similar if not identical volume and nature at a rate less than those charged to a commercial account. Now to view this situation from a practical standpoint, shippers and consignees involved in this situation must by payment of these higher rates subsidize the Federal Government shipping agencies and military traffic. For example, a distributor selling locally in Alaska is not competitive with a shipper in Seattle on shipping differentials alone. If the Federal Government takes possession in Seattle it moves its goods to Alaska on a section 22 rate, lower than that available to the Alaskan, who must ship on commercial rates. This most surely retains a captive trade for others than those in our new State. We need commerce of a commercial nature in Alaska but cannot compete with, again, unregulated competition by the Federal Government using section 22 type rate tenders.

By action respecting the House Joint Memorial No. 13 and the passage of an intrastate regulatory act which now applies to the extent permitted under Federal law, the Alaska Legislature has clearly taken the position that such uniform regulation is a necessity to stable transportation industry. They have indicated section 22 type rates are not desirable since they did not provide for this type relief in the State regulatory act.

If the U.S. Congress fails to act on legislation that will offer the several modes of surface transport a lawful place in the Alaska trade, it would appear then to encourage a completely illegal and unlawful situation which now exists. We feel to force a State into the position that it must rely on transportation facilities that do and will continue to operate in a state of chaos created by lack of provisions under which they may lawfully operate constitutes a serious dereliction of duty on the part of all involved, including the U.S. Congress. While exact figures are not available at this time, a reasonable estimate would be that in excess of 50 percent of the total volume of traffic handled by section 15 non-vessel-operating water carriers who also conduct motor operations in interstate commerce within Alaska operate on tariffs filed with the Federal Maritime Board or Commission which include motor service beyond the ports of Alaska and are completely and unquestionably beyond that Board's jurisdiction. These tariffs should have been rejected on January 3, 1959, at the time of Alaska statehood, but dereliction of duty and procrastination has allowed this situation to continue and even flourish in hopes something would happen to legalize the arrangements. We do not suggest that the purpose behind the filing of these unlawful tariffs was not a good purpose, we even say they were a benefit in savings in transport costs, but we do not agree that it should or could be permitted under law that now exists.

Summarizing, we support the passage of an act to place the Alaska Railroad under regulation of the Interstate Commerce Commission; we support passage of an act to place the water carriers operating between the ports of Alaska and the ports of the other contiguous States under Interstate Commerce Commission regulation; and, we support the repeal of the provisions of section 22 of the Interstate Commerce Act except to the extent it would apply on shipments of the military when national defense or other emergency conditions exist that warrant such applications.

These recommendations are based on the sole and distinct purpose of providing the general public and Alaska with a stabilized sound, healthy, and economic transportation system so that the great potentials of this new State may be more quickly developed and brought into their proper perspective.

Respectfully,

ALASKA PUBLIC SERVICE COMMISSION.
By WILLIAM F. MEEHAN, Jr.,
Director, Division of Motor Transportation.

STUDY OF ALASKA TRANSPORTATION

WEDNESDAY, OCTOBER 25, 1961

U.S. SENATE,
COMMITTEE ON COMMERCE,
Juneau, Alaska.

The committee met, pursuant to notice, at 3:30 p.m., Hon. E. L. Bartlett presiding.

Senator BARTLETT. The committee will be in order.

This is near the end of a series of hearings being conducted on the Pacific coast by the U.S. Senate Commerce Committee. Hearings heretofore have been held at San Raphael, Calif., and Seattle, Wash.; and that disposed of the three more southerly Pacific Coast States. Then the committee moved to Petersburg, Dillingham, Naknek, Homer, Kodiak, Fairbanks, Anchorage, Cordova, and now, somewhat belatedly, we are at Juneau.

The committee has been hearing testimony principally on the Pacific coast fisheries, but likewise on transportation problems, and this has been the case in Alaska, where there was considerable testimony offered at both Fairbanks and Anchorage relating to transportation matters.

The first witness today is Mr. James A. Williams, director of the Division of Mines and Minerals, Department of Natural Resources, State of Alaska.

STATEMENT OF JAMES A. WILLIAMS, DIRECTOR, DIVISION OF MINES AND MINERALS, DEPARTMENT OF NATURAL RESOURCES, STATE OF ALASKA

Mr. WILLIAMS. I am here on transportation. Are we taking this testimony now?

Senator BARTLETT. The time is appropriate.

Mr. WILLIAMS. I have possibly two short statements, certainly one. This first statement is made at the express request of Phil Holdsworth, commissioner of natural resources. Mr. Holdsworth requested that I read into the record the statement that he presented to the State chamber of commerce at Ketchikan on October 13, 1961.

When your chamber manager Don Dickey asked me to speak on this panel today, he suggested that I discuss world trade in relation to Alaska's resources, with special reference to Japan.

Over the past 40 years there has been a noted lack of interest on the part of U.S. industry to develop Alaska's natural resources. There is, of course, a good reason for this. U.S. industry is almost self-sufficient as regards availability of raw materials and low-cost power in the southern 48 States. If this attitude on the part of the U.S. industry is to continue, how are we to develop our resources—particu-

larly in a manner which will create a sound basic economy within the State?

If we are to develop our resources by any means whatever, there are certain steps that must be taken. First, we must know what constitutes our resource raw materials. We must inventory those which are evident, such as forest products, agricultural land and potential products, stock raising capabilities, and those mineral deposits which are known or have surface expressions. Secondly, we must develop markets for these potential products. And finally, to assure the realization of trade which usually results in matching supply and demand, we must develop an attractive industrial climate within the State. Actually, all three of these activities must be pursued simultaneously.

You may recall that at the June International Development Commission meeting with Canadian officials in Juneau, British Columbia's minister of mines and petroleum, W. K. Kiernan, was conspicuous by his absence. He was in Japan at the time developing markets for British Columbia's natural resources and negotiating for Japanese participation in development of those resources.

In the September issue of *Western Miner and Oil Review*, Mr. Kiernan reports that new records are being established in British Columbia in the staking of mining claims and in the value of mineral production. He credits this satisfactory condition largely to Japanese markets for British Columbia's mine products and also to the Japanese willingness to subscribe to the development and mine-preparation costs in advance of production.

This same issue of *Western Miner and Oil Review*, in the editorial section, mentions my recent trip to Japan and subsequent comments made as to the interest in Alaska's resources. The editorial closes with this comment:

If a lesson is to be learned from his observations, it is that western Canada has some definite advantages in the establishment and development of trade patterns with Japan and the Orient in general, but that the benefits to be gained (and they are substantial) can easily be lost to competitors, either by neglect or default.

It is important to realize that this market situation is extremely competitive. We must compete not only with the friendly countries of Canada, South America, Australia, and the Philippines but also with Russia and Red China. The big question is: Can we be competitive?

It is quite evident that under present conditions our labor market is not competitive with other possible suppliers. This must be offset by other favorable factors, such as quality or grade of product, shorter and more economical transportation routes, availability of large blocks of cheap power, et cetera.

A favorable political and tax climate is also important. The political uncertainty of some of our competitors is certainly in our favor and we have attractive State corporation, mining, and industrial tax incentive laws.

Now let us consider those potential Alaska resources amenable to early development for export.

You are all aware of the first breakthrough in our potential hardwood industry. The plant of Alaska Hardwood Co. at Wasilla will produce finished birch lumber to be marketed by O. B. Williams Co. of Seattle. Products are shipped via the Alaska Railroad to Seward.

thence to Seattle by Puget Sound Van Lines. Past experience has shown that once a new operation has proven its economic feasibility, others will follow.

That two pulp mills here in southeastern Alaska are now established operations, one shipping its product to the southern 48 and the other to Japan. These two plants and existing sawmills are utilizing about one-half of the estimated allowable annual cut of the Tongass National Forest, based upon sustained yield management.

Timber allotments were set up for two other proposed operations in the Tongass Forest; namely, Georgia-Pacific Alaska Co. and Pacific Northern Timber Co. The former has dropped its concession and the latter, after investing approximately \$2 million in a sawmill installation which is presently idle, is apparently looking for joint venture capital.

In this connection, the Japanese press recently stated that Toyo Pulp and two of the large Japanese trading companies, C. Itoh & Co. and Marubeni-Iida, are negotiating with Pacific Northern to establish a joint venture to include a pulp mill of economical size in addition to the sawmill.

While on this subject of timber, it might be well to briefly summarize the limited information we have on our interior forests. These comprise some 120 million acres of forest land about one-third of which are considered commercial. Commercial forest land is defined as that land which is producing, or is capable of producing, forest stands having 5,000 board feet of timber per acre in trees 11 inches or larger in diameter. The estimated 40 million acres of interior commercial forest land support a stand containing 180 million board feet, with an estimated net yearly growth of 4 billion board feet. It is estimated that 55 percent of the timber land is in conifers (softwoods), 17 percent in broadleaf (hardwoods), and 28 percent mixed. This resource exists even though almost every acre in the interior has been burned over at one time or another, and growth has been reduced by insects and disease.

You are probably wondering why I spend so much time discussing this one resource. It is because this resource is the one most critically needed by Japan, a country presently importing nearly 4 billion board feet annually as lumber and logs. These imports presently come from five areas; 17 percent from the United States and Canada, 14 percent from Russia, 45 percent from the Philippines, 14 percent from Borneo, and 10 percent from New Zealand.

Instead of letting our own forests "die on the vine," shouldn't we make some effort to supply this market? The harvesting of such a replenishable resource under proper management will result in greater yields the second time around. Here again, we must be competitive with other sources of supply, or the market simply doesn't exist.

Other Alaskan resources of immediate interest to Japan are in order of importance: coking coal, iron ore, copper, nickel, petroleum products, lead, zinc, and antimony. Japanese industry is interested in purchasing these raw materials from local suppliers, participating in joint ventures with U.S. companies in their development and production, or even establishing a wholly owned domestic corporation under Alaska laws to accomplish the same purpose.

In any event, Japanese industry is seriously interested in our known, and yet to be discovered, mineral deposits. We want to keep this interest alive and feel that we can help to do so by being sure that it is fed the best and most factual information available. It is with this in mind that we recently issued a policy statement which bears repeating here.

Following the recent official visit to Japan, the department of natural resources has received numerous requests for the names and addresses of specific companies in Japan who might be contacted by prospective suppliers of natural resource raw materials in Alaska. In discussing with prospective Japanese purchasers those commodities we believe are available in Alaska, the department offered the same service it has been providing U.S. industry in the past; namely, acting as a clearing house for interchange of factual information between the supplier and the buyer.

The department is, among other things, charged with "protecting the interest of the investor in the mining industry." It is this responsibility which has dictated our past policy of providing examination and evaluation services to Alaskan mining property owners, while at the same time protecting the prospective developer or consumer by providing factual information on the potential resources.

The department's activities in this area will be closely coordinated with those of the division of planning in the Governor's office and the department of commerce. The division of mines and minerals will continue to assist the owners of Alaskan mineral deposits in their exploration and evaluation of such deposits and, where considered justified, to place the owner in direct contact with a purchaser or developer.

Another potential Alaskan resource, which was reviewed with the Japanese trading companies and in which they expressed an interest, was reindeer meat. There is a market in Japan for not only the meat itself but also for bonemeal—resulting from slaughtering operations—as feed for their rapidly expanding poultry industry. Here is a potential resource in northwestern Alaska worthy of development.

This part Mr. Holdsworth asked me to bring to your attention.

In the process of developing trade with Japan, what are the various factors affecting the economic feasibility of such trade and is there anything we can do to enhance the possibilities of success?

First, let us consider one of the most important—transportation costs. This has always been a touchy subject with Alaskans, and so-called monopolies have been blamed for the major portion of our high cost of living. Any trade we can develop with the Orient, especially that which results in the development of backhaul tonnage destined for the southern 48, should improve our position.

In connection with the Alaska hardwood development at Wasilla, the Alaska Railroad has made every effort to assist the operation by establishing new rates and procedures for the gathering of birch logs along the railbelt and shipment of finished lumber to Seward. Similar efforts are being made to assist development of coal shipments from the Matanuska Field to the Orient, in cooperation with the port of Anchorage.

It is difficult for transportation agencies to agree to rates which, on a limited tonnage basis, would indicate an operating loss. At the

same time, it is good business to consider these things on a long-term basis. One successful enterprise leads to the establishment of others, and a short-term operating loss could well develop into a long-term profit, especially where the development of backhaul tonnage is concerned. The end result could well be an overall reduction of freight charges on the commodities used or consumed by Alaskans.

Our present trade with Japan has so far been principally confined to tonnage handled by the Kawasaki or K Line, made up mostly of pulp from Sitka and lumber from Wrangell, but including a limited tonnage of building materials and oil well pipe to Anchorage. Hull insurance for the K Line is carried by Lloyd's of London and, as Alaskan waters were considered by them to be extremely hazardous for shipping, the rates were high.

The K Line selected Capt. S. Asami of their staff to make an extensive study of sailing conditions and harbor facilities in Alaska. His report, coupled with 2 years of experience in shipping from southeastern and to Anchorage, resulted in a reduction of hull insurance rates. This had much to do with the recent reduction in the 30 percent surcharge applied to freight rates from Japan to Alaska as compared with rates to the Pacific Northwest.

It is interesting to note, however, that during my recent visit to Japan I was advised that the K Line had refused to accept shipments from Alaska to Japan by competitors of their principal customer. A request was made that something be done to break this apparent monopoly, a term which has become a nasty word in Alaska. In transportation, as in any other business, competition is necessary if Alaska is to be successful in entering the field of world trade.

The benefits of long-range planning are by no means limited to railroads or steamship lines; they should also be seriously considered by barge lines, truckers and airlines. This may be wishful thinking on my part, but I can visualize Alaska as the transfer point or hub for trade between the Orient and most of the United States and Canada.

Japanese bottoms will be coming to Alaska to pick up any natural resource raw materials we have to offer, including the present and future pulp and lumber tonnage from southeastern. Certainly they will not come empty, especially when they could be bringing those manufactured products normally sold in the eastern United States and Canada.

In view of our proximity to Japan, it would be reasonable to assume that these manufactured products could be transferred to another carrier at some point in southeastern Alaska for barge and rail shipment to eastern markets, leaving the Japanese bottoms free to load out raw materials from Alaska for direct delivery to Japan. To me, this presents an interesting possibility.

This is the end of that portion which Mr. Holdsworth asked me to bring to your attention.

Another key factor affecting trade development is labor costs. Actually, the first questions asked by foreign interests are: "What does labor cost?" and "Do you have the labor force in Alaska?"

In answering the first question, What figures do we use? Our major industry for many years has been military construction. Wages paid by this industry are based on the Associated General Contractors'

scale, a scale which is prohibitive for basic resource industries. It is difficult to convince industry that other wage scales can be applied in resource development studies. It is done in Alaska; witness the wage scales established by the mining, petroleum, and logging industries under their own union affiliations.

In answering the second question—"Do you have a labor force?"—we generally have to say "No." It is true that rapidly expanding natural resource industries would not find a trained labor force available in the field of base metal mining, or hardwood logging and timber management.

The next question asked is: "Then why can't we bring in our own labor force?" Our answer to this is that there is presently unemployment in the mining industry and in the Lake States hardwood logging industry in the United States. A trained labor force is available there upon showing of need.

Next, Is our business climate attractive? What incentives do we offer to new industries? Can this climate be improved? It is possible under existing State law for investment groups from some foreign countries to form wholly owned domestic corporations qualified to do business in Alaska, including the right to hold mining claims and oil and gas leases, own land, et cetera. This the Japanese did not know. They were also unaware of our Industrial Tax Incentive Act (ch. 129, SLA 1957), and the provisions of our Mining License Tax Act encouraging new mining operations.

The possibilities of joint ventures with U.S. industries is an interesting one. We have already found out that on first approach U.S. companies disclaim any interest in such a venture, while at the same time their representatives are in Japan discussing just such possibilities. This applies to iron ore, copper, crude and residual oils, and others.

You may be sure that the owner and/or operator of a mineral deposit in Alaska, whether it be an individual or a large company, is interested in making the maximum possible profit from its operation. If this can be accomplished by the marketing of its products in the Orient, that is where the product will be sold.

Under present conditions of supply and demand, firm metal prices, and the reserves position of the Nation, it appears to me that if our natural resources are to be developed and marketed in the near future, we must look to the Pacific rim countries as our customer.

Senator BARTLETT. That is an interesting paper, and we will refer especially to that part which you emphasized.

Mr. WILLIAMS. I am not sure whether this is within the scope that you intended to cover. As long as I was requested to come, I thought I would put in some comments on my own of what we think about roads and the development of Alaska. This is within the State, now. This is just within what we are discussing here.

Senator BARTLETT. Go ahead.

Mr. WILLIAMS. This is my own statement, but I speak for the department of natural resources, because we, of course, all think alike on this within the department.

In the exploration and development of our resources to a point where they may be considered for production and shipment either in foreign or interstate commerce, the construction of access roads is most important. The best road expenditures in Alaska that can be

made are those for simple access roads to open new areas in which truck transportation will be the key to development. By simple access roads we mean roads sufficiently well built to stand up for several seasons, not precisely engineered highways for pleasure driving. In many cases, a single-lane road with occasional turnouts would be sufficient. With this type of road construction, we will get the most country opened up, and the most development for the money expended.

Practically all of our highways are being built with Federal aid funds, and so, of course, must be built to Federal specifications. These are pleasant to drive on and are of great help to the tourists and other traveling public. But they are also so expensive to build that relatively few miles can be constructed, and these few miles cannot be justified into new areas unless a main artery is being developed. We suggest that the type of access roads we are in need of may be built with the secondary road appropriation under the Bureau of Public Roads.

We note that this appropriation for Alaska for fiscal 1962 is \$14,764,171 as compared to \$22,091,082 for primary highways. This is the contents of Senator Bartlett's Washington newsletter, so it must be right.

Senator BARTLETT. Exactly accurate.

Mr. WILLIAMS. We urge that efforts be made to induce the Bureau of Public Roads to reexamine this apportionment to determine if more secondary road money might not be advisable and available for the development of Alaska's resources.

Senator BARTLETT. Mr. Williams, are you telling the committee that there is this \$14,764,171 available for secondary roads, but none of that can be used for access roads?

Mr. WILLIAMS. I am assuming that this \$14 million for secondary roads can be used for these access roads.

Senator BARTLETT. And you are saying that that is not quite enough to do the job, or not nearly enough?

Mr. WILLIAMS. That is what I am saying.

Senator BARTLETT. You are saying that there should be less for primary highways and more for the access roads?

Mr. WILLIAMS. We are suggesting that this could be the case.

Senator BARTLETT. Do you know the attitude of the State department of highways on this?

Mr. WILLIAMS. No; I do not.

Senator BARTLETT. Maybe you don't care very much, because your interest doesn't have to coincide with theirs. What you want to do is to get access opened up so that there may be more mining; is that right?

Mr. WILLIAMS. And other industrial developments, as well as opening up the country for homesteaders and other people who would like to spread out.

Senator BARTLETT. I am going to restrain myself with the greatest difficulty. I was going to ask you something about the gold mining industry, but I guess I won't because that hasn't anything to do with our hearings. You might just give us a paragraph on what you think the future of gold mining in Alaska is going to be.

Mr. WILLIAMS. Under the present circumstances there is no doubt but that gold mining will be gone in 3 or 4 more years. Practically gone; not completely, but almost.

Senator BARTLETT. What is the value of the production last year?

Mr. WILLIAMS. \$6 million.

Senator BARTLETT. How much of that was produced by the U.S. Smelting, Refining & Mining Co. at Fairbanks and Nome, and wherever else their operations are located?

Mr. WILLIAMS. This, of course, is a confidential matter. We are not allowed to reveal—

Senator BARTLETT. Don't reveal the company's figures, but just tell us how much the other gold producers in the State produced.

Mr. WILLIAMS. The other gold producers, other than those that you have mentioned, produced perhaps one-fourth or one-fifth of the total amount.

Senator BARTLETT. When is U.S. Smelting going to be through at Fairbanks?

Mr. WILLIAMS. They are presently forecasting almost a complete shutdown, I believe, in about 1963.

Senator BARTLETT. How about at Nome?

Mr. WILLIAMS. I believe they are scheduling their shutdown there for 1962.

Senator BARTLETT. What other operations do they have?

Mr. WILLIAMS. They have a dredge at Hog River and another at Chicken.

Senator BARTLETT. How long will they be in operation?

Mr. WILLIAMS. Apparently those will operate for a few years yet—4, 5, or 6.

Senator BARTLETT. Are those two dredges minor producers in terms of the overall and minor employers?

Mr. WILLIAMS. In terms of what the company has produced and employed in the past, yes.

Senator BARTLETT. How high would the price of gold have to be, in your opinion, before gold mining would again be profitable in Alaska?

Mr. WILLIAMS. Probably a hundred dollars.

Senator BARTLETT. I know Congressman Rivers will be especially interested in that, because he has been striving to bring about a change in the situation so that gold mining could be revived here.

On page 5 of Phil Holdsworth's statement you mentioned the Alaska hardwood development at Wasilla. Is that birch?

Mr. WILLIAMS. I presume it is. I am quite sure he is speaking of birch there.

Senator BARTLETT. If it were iron, platinum, or gold, you would know.

Mr. Grinstein?

Mr. GRINSTEIN. Is there any pulp shipped to the lower 48 States from Alaska?

Mr. WILLIAMS. I am under the impression that all the pulp from the Ketchikan mill goes to the lower 48.

Mr. GRINSTEIN. It all goes to the lower 48?

Mr. WILLIAMS. Yes; that is my understanding.

Mr. RIVERS. You are still thinking of the Sitka mill? Or about the one in Ketchikan? The one in Ketchikan sends its products to the lower 48, mostly to the east coast. The one at Sitka sends its total output to Japan.

Senator BARTLETT. And this doesn't mean that some of the pulp shipped from Ketchikan to the other States isn't reshipped to foreign countries from there.

Mr. GRINSTEIN. So Alaska pulp is competitive with pulp that is produced in the lower 48?

Mr. RIVERS. In terms of chemical mills, not in terms of newsprint.

Mr. WILLIAMS. I am out of my print here when you discuss pulp.

Senator BARTLETT. The answer is "Yes."

Mr. GRINSTEIN. What I am trying to find out is whether the transportation cost had put you in a position where you weren't competitive.

Senator BARTLETT. Mr. Grinstein, you should know that the Ketchikan pulp is taken by barge to Prince Rupert and shipped by rail from there. Is that right?

Mr. RIVERS. Correction. These barges are American bottoms. They are owned by the American Co., an affiliate, for the purpose of hauling this cargo to Prince Rupert. And then it goes via Canadian rail.

Mr. GRINSTEIN. Foreign bottoms?

Mr. RIVERS. Bottoms on the water. The barges are American bottoms. The rail is Canadian.

Senator BARTLETT. Canadian National has its northwest terminus at Prince Rupert.

Mr. GRINSTEIN. If I understood your suggestion correctly, it was to establish trade between Japan and Alaska with transshipment from Alaska down to the lower 48. This would help create a backhaul, presumably.

Mr. WILLIAMS. Yes.

Mr. GRINSTEIN. And lower transportation costs.

Do you know whether this would be consistent or contrary to our existing laws which restrict shipping between two American ports to American bottoms?

Mr. WILLIAMS. If the so-called Jones act is still in effect—

Mr. GRINSTEIN. It is.

Mr. WILLIAMS (continuing). Then it would be contrary to that.

Mr. RIVERS. Mr. Chairman, may I interject?

Mr. Grinstein, would you yield to me for a moment?

Mr. GRINSTEIN. Certainly.

Mr. RIVERS. Are you speaking about the merchandise which is landed at an Alaska port, then being carried by American bottoms down to Seattle? What I am getting at is that you would have a foreign vessel hauling between two American ports in that case. You would have the Japanese vessel haul between Japan and Alaska—

Mr. GRINSTEIN. If you are shipping on an American bottom, there would be no problem.

Mr. RIVERS. Transshipment would be on American bottoms. That is where our backhaul is important.

Mr. GRINSTEIN. It wasn't clear to me from the statement whether the witness was talking about an American bottom or foreign bottom.

I have no further questions.

Senator BARTLETT. Congressman Rivers.

Mr. RIVERS. No questions.

Senator BARTLETT. Mr. McElroy?

Mr. McELROY. I have nothing, sir.

Senator BARTLETT. Thank you.

Mr. WILLIAMS. I didn't get a chance to answer a comment you made a while ago, about whether I cared, Senator, about the attitude of the State division of highways. I would like the record to show that I certainly do care about what their attitude is. If I had known before 12 o'clock noon today as Mr. Holdsworth left for Anchorage that I was going to be here, I would have certainly checked this matter out with the division of highways before I came here.

Senator BARTLETT. Let the record be very clear, I only made that comment as a jesting remark to indicate a knowledge that your principal interest naturally is in development of mines and minerals, and wasn't intended as a slap at the State department of highways at all.

Mr. WILLIAMS. Thank you.

STUDY OF ALASKA TRANSPORTATION

FRIDAY, OCTOBER 27, 1961

U.S. SENATE,
COMMITTEE ON COMMERCE,
Ketchikan, Alaska.

The committee met at Ketchikan, Alaska, at 1:30 p.m., pursuant to notice, Senator E. L. Bartlett presiding.

Senator BARTLETT. The committee will be in order.

Two weeks ago today this committee, Senate Commerce Committee, opened hearings in Alaska at Petersburg. Since then we have been here and there receiving testimony relating to fisheries and transportation principally. This is the 12th hearing conducted along the Pacific coast on these subjects. However, at San Rafael, Calif., beginning on October 4, and at Seattle a few days later, the only subject under discussion was that of fisheries.

I do not know whether it was coincidental or not, but this is the 12th such hearing held, and 10 of them have been in Alaska. We opened, as I said, at Petersburg, and went from there to Dillingham, then to Naknek and Homer. The next hearing after that was at Kodiak, then we went to Fairbanks and Anchorage and Cordova, and concluded the Juneau hearings yesterday.

We will be very glad to hear from anyone who wants to testify here on the fishery, on transportation, or any other subject within the legislative jurisdiction of this committee.

We cannot well receive information in praise or condemnation of the State's fish regulations, for example, because that is an internal matter with the advent of statehood, with which the Congress nor any other segment of the Federal Government has any connection.

The first witness today is Mr. Robert Sharp, whose mailing address is given on this slip as Box 1110, Ketchikan, and his title is represented as being that of city manager of the city of Ketchikan.

The statement regarding your name is correct, Mr. Sharp. Is there any other statement which I have made pertinent now?

STATEMENT OF ROBERT SHARP, CITY MANAGER, CITY OF KETCHIKAN, KETCHIKAN, ALASKA

Mr. SHARP. That mailing address, Mr. Chairman, will be changing shortly but I don't know what my new address is, so I gave my old one.

Senator BARTLETT. You are departing Ketchikan shortly for another Alaska city I understand?

Mr. SHARP. That is right, Senator. I will be going with the Department of Public Works, State of Alaska, on November 1.

Senator BARTLETT. We will be very glad to hear from you.

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Mr. SHARP. First I would like, on behalf of the city, to welcome you to Ketchikan, and the staff members who are accompanying you.

I am glad you are here. You are in two fields of particular interest to all of Alaska—fisheries and transportation.

I would like to say a few things regarding transportation, first. We have read with a great deal of interest the Alaska International Rail and Highway Commission report, and what it has to say particularly in regard to highway construction.

I certainly agree with the recommendation in the report that in the executive branch there should be a technical office to follow through, further investigate the recommendations contained in the report.

I think the main thing that impressed me in reading the report is the thing that is so obvious when you look at the geography of what we call the 48 lower States and Alaska. In the emphasis placed on the Canadian road system improvements which are needed. Obviously you can't get to Alaska without coming through Canada.

It is also obvious to us who visited Canada on numerous occasions that if the major routes connecting with Alaska, through the river valleys of southeastern Alaska, as well as the Alaska highway connections, are to be made to contribute to the development of Alaska, there is going to have to be participation beyond the State funds. Otherwise, at least in my opinion, the funds available for highway construction in the Provinces involved, particularly British Columbia and Alberta, will not be sufficient to see the improvements that should be made 30 years from now. Very obviously with the amounts of money involved, 30 years from now we won't see the improvements that are recommended in the Alaska International Rail and Highway Commission report without some U.S. participation in those costs.

I don't think it is unreasonable to expect that we will have to participate on the Canadian side on many of these roads. We will have instances where the prime benefit will be to Alaska. We will have far fewer cases in my opinion where Canada will have the benefit coming their way from road improvements. That may not be true in at least one case which I will mention later, but certainly as a general statement I think it is true.

I think it is also obvious in connection with the Senate Joint Resolution 137, which has been introduced, that, beyond the need through Canada for highway improvements to develop Alaska, there is a great need within Alaska beyond the funds available under the Federal A-B-C program. When you consider such projects as a road to Nome to open up that entire area, a road down to Cold Bay, down the Alaska Peninsula, in the interior, two particular projects that I know have been discussed, it just becomes quite obvious with the cost involved, with \$36 million to \$37 million a year available under the A-B-C program, that these very vast regions of Alaska won't be opened up for many, many years to come.

I think an investigation by the Department of Commerce, called for in Senate Joint Resolution 137, is certainly in order.

I would hope to see some very valid recommendations for improvements of major roads in Alaska as well as connecting roads through Canada.

I would like to mention specifically some of the roads here in southeastern. If we depend on the A-B-C program they obviously won't

be built for years to come. One is the Taku and Stikine. Now more emphasis is on the Unuk and Stikine Rivers. In the latter case the need may be earlier than we had thought in years past because of the mining development that is reaching very intensive exploratory stages at this time.

Here are three major routes in what is a small section of the State that probably we are talking in terms of \$50 million to \$60 million on the Alaska side.

Senator BARTLETT. That is in the aggregate?

Mr. SHARP. Yes, of the three on the Alaska side alone.

And what the total may be with the Canadian sections that are involved there will probably be a like figure.

So I would say that the road problem is one that can't be coped with under the present A-B-C program because of the inadequacies of the funds within Alaska, and the lack of authority to spend any of those funds if they were available in quantity in Canada.

So I think the highway problem certainly is going to require dealing with Canada. In that regard I have heard a proposed meeting solve one problem with the Canadians. Through our State Department it has been pending for well over a year; and that is in regard to a ferry terminal at Prince Rupert.

As you well know, Senator, no State can enter into an agreement with foreign countries. Consequently any arrangements or agreements made must be made through the State Department. I think that we should urge them to be more aggressive, take more initiative, and try to solve not only this problem of the ferry terminal, which is minor compared to the overall scope of highways, but to fully participate in conjunction with the Secretary of Commerce and in cooperation with the State of Alaska in trying to work out a highway plan within Canada which has so much importance to Alaska and its development.

The past 2 years particularly I have been connected with various programs and organizations interested in highways, airlines, and waterborne transportation. It has become obvious to me that there should be some coordination among the several regulatory agencies that have jurisdiction over these three types of transportation. What you do in highways may have a serious effect on the financial capability of waterborne transportation to serve various areas of Alaska.

Conversely what is done in air transportation can affect both trucking and waterborne.

So I think there should be some consideration to at least mandatory coordination of these regulatory agencies, if maybe not go further, and to the consolidation of them in dealing with Alaska, which I think in many respects has some very unique problems that perhaps the other States are not encountering at this time in international commerce regulation.

Senator, I believe those brief remarks are all that I have at this time. Thank you very much for the opportunity of making them.

Senator BARTLETT. Thank you, Mr. Sharp.

About how much now, each fiscal year, does the State of Alaska receive from the Federal Government for the A-B-C program?

Mr. SHARP. Between \$36 million and \$37 million for the three classes of highways.

Senator BARTLETT. Do you know what the intention of the State department of public works is in respect to early large expenditures of these Federal allocations, that is to say, I have heard but do not know, that a very extensive program of repaving some of the main highways is under consideration.

Mr. SHARP. Senator, I know that the department in its programing to date has placed a great deal of emphasis on rebuilding a number of existing substandard highways because the maintenance expense is excessive at this time. A great deal of their funds will have to be devoted to that purpose. Otherwise their maintenance expense will be more than the State treasury could stand.

So it minimizes the amount of those funds available to build new roads into new areas of the State, major regions of the State, that need roads in order to develop.

Senator BARTLETT. This \$36 million figure is much greater than was available to the State when it was still a Territory?

Mr. SHARP. Yes, it is greater.

Senator BARTLETT. On the other hand there is an essential difference, is there not, in that prior to statehood the Federal money could be used interchangeably either for construction or for maintenance?

Mr. SHARP. That is true since 1956. The 1956 amendment allowed Federal-aid funds to be used for both maintenance and new construction.

Senator BARTLETT. And in the old days, the days when the Alaska Road Commission did the bulk of the road construction and maintenance in the Territory, that same feature applied?

Mr. SHARP. That is true. That is true and also the Forest Service highways which are now maintained by the State were maintained from Federal funds, not territorial funds.

Senator BARTLETT. Let's assume that which we don't know will occur. Let us say that the Federal Government were to recognize the highway needs of Alaska, especially in consideration of the fact that so little had been given by the National Government in years gone by, and would add substantially to the A-B-C program, say on the order of \$40 million a year, so these highways that you mention, and perhaps others, could be constructed in a hurry. Would this place an intolerable matching and maintenance requirement upon the State government?

Mr. SHARP. My offhand opinion, Senator, is that they would have to double their maintenance. They would have to appropriate from their general treasury. The income from the tax and gasoline by the State is not sufficient to accommodate the maintenance expense as well as all their matching fund expense under the existing program, much less add to the ABC program 100 percent. I think \$40 million is the figure you used. It might present budget problems in the treasury to accommodate the matching requirements, although I couldn't speak for the State in that regard.

Senator BARTLETT. On the other hand, Alaskans could correctly say to the Federal Government that uniquely among all of the States, and even the Commonwealth of Puerto Rico, Alaska does not share in the international highway program which finds the National Government paying 90 percent of the construction cost. Is that your understanding?

Mr. SHARP. That is very true, and the efforts to obtain either an appropriation in lieu of the exclusion from the international system of international defense highways, or have certain roads in Alaska designated under that system, has met with no success even though it has been pushed for at least 5 or 6 years to my knowledge.

Senator BARTLETT. The Department of Commerce has always said, "No."

Mr. SHARP. The most recent, I think, turndown was about 1 or 2 years ago when they brought some of the system in Hawaii, after statehood, under the international system, but refused to recommend, nor the Congress act on, the inclusion of Alaska.

Senator BARTLETT. Yes. This was one of the most curious decisions rendered in my view by the Federal Government, because the Senate Public Works Committee had directed the Department of Commerce to analyze the situation, to study it, and to come up with conclusions. As you say, there was a designation within Hawaii of the international highways. My recollection is that similar treatment was denied Alaska on the grounds that there was no connection with any possible international highway, and no direct connection with any other State.

It was a little difficult to determine how this would be the case with Hawaii.

Mr. SHARP. Senator, if one of the main purposes of the international system is to provide defense roads throughout the United States, and the strategic location that this State has in that defense picture is to be recognized, then we must recognize that you have to go through Canada to get to Alaska. It is just as important for land connections to the defense installations in Alaska as it is from some point in the Midwest to an installation on the west coast.

Senator BARTLETT. We all remember how it was when the first International Highway Commission, which was likewise headed by Chairman Magnuson, made repeated recommendations for a connection by highway and the military always rejected the proposal as being unnecessary, unwarranted, and then one fine day, after the war had started, the Department of Defense, which it wasn't then—the Department of the Army, I guess—announced that the construction of the highway would start, but along a route which had not been recommended by the International Commission after careful studies.

So although today the military likewise says that a railroad, for example, isn't necessary, for military purposes, we don't know what the decision of the next commander might be or what the decision of the present commander might be under different circumstances.

Mr. Sharpe, as you know, because you followed the transportation situation closely, the Statehood Act continued the Federal Maritime Board, now the Federal Maritime Commission, in regulatory jurisdiction over the Alaska maritime trade. This despite the fact that the Interstate Commerce Commission has that jurisdiction in intracoastal and intercoastal trades.

In an effort to bring about a situation which would permit lower costs for the consumers in Alaska, I introduced a bill which would have established a joint board, composed of representatives of the Federal Maritime Commission, the ICC, and the Civil Aeronautics Board. And twice this has passed the Senate, and twice the House failed to act upon it. The main purpose of this bill is to permit the

filing of joint through rates; one bill of lading. It has been noted that within recent weeks, probably not longer than 6 or 8 weeks ago, from various quarters, including the Alaska Carriers Association, with headquarters at Anchorage, an organization composed of the truckers of Alaska, there has been a determination that the joint board bill will not suffice, that instead there should be legislation giving the ICC economic regulation over the Alaska Railroad, and additional legislation placing the ICC in complete charge of the water transportation system in Alaska; meaning that the ICC would be the boss from the point of origin to the point of delivery in Alaska.

Have you given that proposition any consideration or study, and if so, have you any recommendation to make?

Mr. SHARP. I am inclined to think that particularly water and trucking joint regulation may have merit, and perhaps even go further and add air to it.

I just returned, Senator, recently from a meeting of officials representing about 13,000 cities in the United States. One of the complaints that they had about ICC is that it took forever and ever and ever to get a decision on rate cases. These were more particularly affecting movement of fuels, I presume across State lines.

So to go to the merits of the ICC as a regulatory agency for interstate movements into Alaska, I would be hesitant to recommend them. But I do feel that a joint regulation has a great deal of merit. Whether they are the agency that should do it, I am not prepared to state an opinion at this time.

Senator BARTLETT. Alaska finds great difficulty in singling out any one agency for approbation, because it was quite some time that the State of Alaska through the Attorney General moved against the most recent rate increase sought and imposed by Alaska Steam, and still the Federal Maritime Commission handed down no decision.

That was ever so long ago. So none of them is swift.

Mr. McElroy?

Mr. McELROY. I was wondering, in connection with your suggestion about Federal contribution to build roads through Canada to serve Alaska, is there any possibility that the construction of such roads might develop commercial centers in Canada to which parts of Alaska would be tributary?

Mr. SHARP. I don't doubt but that new roads will contribute to the development within Canada. But I don't necessarily think that it would be an attraction to the development of Alaska.

Mr. McELROY. Which part would come first? It would probably depend on which part of the road was built?

Mr. SHARP. That is true. I think, for example, the paving of the Alaska Highway—which I feel is mandatory if we are really going to get tourists in volume—I think Alaska will get more benefit out of it than Canada. There is a great attraction to come to Alaska right now; as you probably know we are rated fourth as a vacation State in the Nation. But one trip up that dusty Alaska Highway and they don't go back with the enthusiasm we would like to see them take home.

I think Alaska in that particular instance would benefit a great deal more than Canada, with the paving of the Alaska Highway.

One thing that makes me say that—they don't cater, the Canadians, to tourists as much as we do as an industry. The road is there, the

Alaska Highway is there, and the natural resource development of the area served is probably fairly adequate. But when you get into tourism and other forms of development then it becomes very inadequate because no one wants to drive over a dusty gravel highway for a vacation.

Mr. McELROY. Do you think it likely, if that highway were paved it would be treated much like a turnpike, that people would move over it faster to get into Alaska?

Mr. SHARP. I think they would spend less time in Canada than they do now, to be frank about it, although the greater number that would come, probably Canada would benefit. I think Alaska would benefit a great deal more.

Mr. McELROY. One other question, as a matter of information to me. Is Prince Rupert the northernmost point at which you can get a rail connection to the Canadian rail network and the south 48 rail network?

Mr. SHARP. No. The northernmost point right now is Dawson Creek. There is 100 miles lying north out of Prince George, which would be a little further north than Prince Rupert.

Senator BARTLETT. For service to southeastern—

Mr. SHARP. Or the tidewater connection to rail in Canada, the closest point to the Canadian system is Prince Rupert.

Senator BARTLETT. In any case, Mr. Sharp, in connection with your recommendation that the U.S. money be used to do part of the highway job in Canada, no undertaking would be made in this direction, I assume, without Canada having first been advised and without having first expressed a willingness to participate in such a program.

Mr. SHARP. Yes. And, of course, my first reference to more aggressive, more initiative on the part of the State Department in dealing with these matters, would certainly bear repetition at this point. We shouldn't come out with any big program without consultation and negotiations with Canada. That would be a mistake in my opinion.

STATEMENT OF GEORGE ANDERSON, REPRESENTING THE INTERNATIONAL LONGSHOREMEN & WAREHOUSEMEN'S UNION, KETCHIKAN, ALASKA

Mr. ANDERSON. Senator, I want to congratulate you on your action in the last session of Congress in regard to steamship conference rates. You were able to do some good for the State of Alaska. However, I still feel we have some discriminatory measures that are being imposed upon Alaska, not especially by the steamship companies but by insurance companies. We understand that they lay off insurance with Lloyd's of London, and there is a very high, excessive rate being charged against any line that is in the offshore trade as we call it, and this imposes a high insurance rate for their entrance into southeastern waters.

I think it is something that the Government should look into, and possibly come up with the idea of even having their own insurance company. It is something which could come under the Maritime Commission.

We had some 36 to 40 vessels that were in the foreign trade in southeastern Alaska during the last year, and it has contributed

highly to the economy of southeastern Alaska. However, because of these discriminatory insurance rates I believe it is retarding the commerce and we would have more of them if it weren't for these rates.

Senator BARTLETT. Our troubles aren't over in respect to the additional tariffs on cargo from the Far East to Alaska. It is true that the so-called arbitrary, the 30-percent surcharge, was eliminated at the very strong insistence of Governor Gruening and myself. It is likewise true that individual companies on individual voyages may hereafter set surcharges on the basis of each voyage. But it is additionally true that Senator Gruening and I were successful in having an amendment placed in the so-called dual rate shipping conference bill permitting a Governor to file a protest with the Federal Maritime Commission when he believes that his State is being unjustly discriminated against in this respect.

And if such discriminations do appear in the future, I hope the Governor will fill the mails with protests, because this is something we have to end as promptly as possible.

Mr. ANDERSON. I think an excessive insurance rate is retarding the export of iron ore out of the State of Alaska. It is also retarding the possibility of exporting copper ores along with other raw resources that are available here, such as coal and other things.

Senator BARTLETT. We have enough handicaps otherwise created without having man add his.

Mr. ANDERSON. I hope that you as an able Member are able to convince the rest of the Congress that something should be done about this insurance matter.

Senator BARTLETT. We will take that under consideration and see what we can do.

Thank you, George.

STATEMENT OF DEAN HAMLIN, KETCHIKAN, ALASKA

Mr. HAMLIN. Senator Bartlett, I didn't come up to talk unless you want to talk over what we have been doing last couple of months on trying to get this 10 percent rescinded.

Senator BARTLETT. Why don't you.

Mr. HAMLIN. I am Dean Hamlin, Box 118, Ketchikan, Alaska.

Senator, we listened to all the briefs and gripes that we all have, but our main trouble here in Alaska is the high cost of living. We have had it ever since it was a Territory and now a State. In all the years that I have been up here I am in the grocery business and I compare the prices of what we have to get up here compared with what is down in the States, in the lower States, and so it has always been a big interest of mine. Now, just lately, the city of Ketchikan has been fortunate enough to have a competing carrier come into town with lower rates. At that time I got together with a good friend of mine, L. C. Gosnell, and in talking it over I thought this is liable to help us, or should help us in getting the freight cut down and getting the 10 percent surcharge that the Alaska Steamship Co. has been charging, getting that denied. So I wrote to you and to Senator Gruening and Representative Rivers and the Governor and you all answered and asked for more information.

So the second time around we had received freight bills on the Griffith Line so we wrote in and told you about comparing the cost of

like commodities, like flour or canned goods and stuff like that, and your office sent a copy of the letter to the Maritime Commission and they in turn wrote and they didn't understand clearly what our comparison was due to the fact that they didn't have the actual freight bills for comparison.

So we took an overall average picture and sent 18 comparisons to them, showing the great discrepancy between one freight rate and another. One of the freight bills that I sent cost me, on Griffith, nine hundred some odd dollars, and it would have been better than \$1,300 on the Alaska Steamship Co., which at that time was charging cube rate, where I brought it on on a weight basis on the Griffith Line.

So we made up these comparisons and about that time I had another letter from your office. You were gone, Senator Bartlett, but your office informed us that actually all of the evidence that could be submitted was through December 1960, evidently; no new evidence could be sent in. But the fact that Mr. Stigler, Chief, Regulation Office, in the Maritime Board, the fact that he wrote and wanted this stuff showed that they were still interested in getting stuff. So we sent it to them. Before sending it, when Senator Gruening was here, I had him go over all of it and he was so enthused about it that he wanted it. He wanted all the stuff for his own office so that he could take care of it. But the fact that Mr. Stigler had asked for it and we had made it up for him, we continued in the same vein and sent the stuff to them, wrote a letter to Senator Gruening's office.

I tried to photostat the freight bills but it was an odd thing. The freight bills are evidently already copies and they wouldn't Thermo-Fax. They probably would have photoed but they wouldn't Thermo-Fax. So I wrote to Senator Gruening's office and told him, sent him a copy of the letter that we were sending to Mr. Stigler and told him if he wanted to see it and get photos that they could get photos.

We heard from Mr. Stigler. He thanked us very much for the stuff we sent. I sent a copy of the letter that I sent to Mr. Stigler to Mr. Friedman, who is representing the State in the case. I heard from him this morning. He agrees with me.

I feel that the people in Alaska had been lax in this. I feel that the Commission probably feels that Bartlett and Gruening and Rivers and Egan and all the rest of them have a political job to do in order to satisfy the voters, and I don't think that they pay as much attention probably as they should to some of the stuff that you talked to them about as they do from the actual consumer here in Alaska. We have never done anything about it.

SENATOR BARTLETT. I think that is a very good point.

MR. HAMLIN. I brought that out in the letter. Mr. Friedman congratulated me on bringing that out; and stated that in case an adverse condition does come out of it, that without a doubt he will file an appeal and he asked permission to use my letter in his brief, which I will give to him.

So that is what we have been doing since you left 2 or 3 weeks ago.

I called their attention to this, so they would know all the facts, that since that time the Alaska Steam has apparently posted a new tariff, where Nos. 1 and 2 items, which are mostly eating items, grocery items, will be brought at the same rate that the other line will.

SENATOR BARTLETT. What? Say that again.

Mr. HAMLIN. I said that the Alaska Steamship Co. has posted a supplement to their tariff and they are now bringing No. 1 and No. 2 items for the same freight rate as their competing line is bringing it.

Senator BARTLETT. Nos. 1 and 2 items are what?

Mr. HAMLIN. That is like canned beans, peas, things like that. That is No. 1 items. Stuff that is a little tougher to bring, like bulky stuff, bakery goods, ice cream cones, paper napkins, and stuff like that, which is bulkier and more expensive, that is No. 2 items. That kind of stuff is going to be brought for the same rate that their competition is bringing it.

Senator BARTLETT. Does the competition bring any other items?

Mr. HAMLIN. They bring anything that you want them to bring.

Senator BARTLETT. And in those other items, are they still lower than Alaska Steam?

Mr. HAMLIN. All I can tell you is as of before October 20, when the new supplement for Alaska Steam went into effect, every carrier has items which they class as n.o.s.—not otherwise specified. Then they have rates for them. Alaska Steam, for southeastern at least, has always used cube measurement on that stuff. I will give you the best example I can on it.

A case of Kotex coming by Alaska Steamship Co. is cubed and costs \$4.55 a case, freight. I brought some up on the Griffith Line by weight, and it cost \$3.06 per hundredweight, and the case weighs 27 pounds and I think it figured out 84 cents. That was the difference between cubic measurement and weight. As far as I know, the Alaska Steamship's new supplement is taking care of No. 1 and No. 2 goods, but what they are doing on the n.o.s. stuff I don't know and won't know until next week.

Senator BARTLETT. Is Kotex n.o.s.?

Mr. HAMLIN. N.o.s.—not otherwise specified. I think that that is probably the biggest ill of Alaska, the high cost of transportation.

Senator BARTLETT. I find difficulty in getting it figured out in my own mind how Alaska Steam could come down, because in submitting this rate increase that the State is now fighting, the line held that that wouldn't really provide enough money to give them a decent profit.

Mr. HAMLIN. That was the main reason that Mr. Gosnell and I started this correspondence with you, Senator Gruening, and Representative Rivers and everybody, including the law firm of Friedman, Wolfson, and whoever it is.

Senator BARTLETT. Oscar Chapman, former Secretary of the Interior.

Mr. HAMLIN. That is the reason we started it. It didn't make sense to us that any line should ask for a raise due to expenses, and then when a competing line came in and lowered the rates, that they should automatically meet their competition by lowering theirs right while they are asking for a raise in Washington. That is the reason we started this.

Senator BARTLETT. Maybe it couldn't happen anywhere else except in the transportation industry.

The maritime setup has been thoroughly reorganized within the last 60 days. We hope beneficial results will flow from this. Chiefly the regulatory aspects which have been so important to us but such a minor part of the Commission's job have been entirely divorced from

the promotional aspect. There is reason to hope that more attention will be made to this than in the past.

In the old days, under both Republican and Democratic administrations, in my experience I have discovered universally that the regulatory agency, the agency of the Federal Government charged with protecting the people, almost automatically gave the carriers anything they asked for and anything they wanted. That has been true in all these offshore trades. Maybe now we can hope for a better deal. We surely can hope for it from your testimony when we get some competition.

How long has the barge line been operating?

Mr. HAMLIN. Coming into Ketchikan for a couple of months. They started in when the pulpmill went to Sitka. They are doing all the hauling for the Sitka pulpmill. They put on another barge and are hauling for both of us.

Senator BARTLETT. Are they giving you a regular service?

Mr. HAMLIN. Yes.

Senator BARTLETT. How often?

Mr. HAMLIN. Once a week. So far it has been very good. The reception here in town has been good. So that I think they are probably pretty happy with the way they have progressed.

I have often thought, whenever we get into trouble, wars or anything, the farmers are about the first people that the Government subsidizes. If a farmer has a dairy farm and the price of cream is only 50 or 60 cents, and that isn't enough to keep him going, the Government pays him extra. Why has nothing ever been done to subsidize the people of Alaska or Hawaii, or operations like that, on these freight rates?

In other words, let's put it this way: Let's say that Alaska Steam has to have this money.

Senator BARTLETT. Mr. McElroy gave the perfect answer: Because they are not farmers.

Dean, seriously, this committee earlier this year held extended hearings on this very proposition, shipping to the offshore areas. It went on for days. Speaking for myself, I can say I reached one positive, definite, definitive conclusion, and that is, something must be done because you have something here, you have a situation here that is without parallel. You have merchant marines geared to serving Alaska, Hawaii, and Puerto Rico separately. They are not subsidized in any manner at all in direct contrast with our U.S. flag ships in foreign commerce. And yet the comparatively few people in each area, least of all in Alaska, are required to support the maritime industry. I think that there is going to be a need for something along the lines that you suggest.

We have done a lot of study of this, in addition to having the hearings. We have been brooding and fretting over it. We haven't hit upon a perfect formula yet, or even one that suits. But it will be discovered and when that day comes I hope that the Congress and the executive department of the Federal Government will be sympathetic. I agree with you that there may be lots of times, and perhaps for all I know, all the time, when high rates are justified. I don't know what goes into a carrier's costs. But if that is the case, especially in light of the fact that the committee was told last winter that the rate increases we have witnessed since the end of

the war are just the start of the beginning, then it would seem clearly to be the national interest to give protection to this trade similar, even if not identical, to that accorded U.S. vessels in foreign commerce.

Mr. HAMLIN. We get cut down from every direction. We have to make about 25 percent more wages here in order to live, and then we have to turn around and pay income tax on that 25 percent, which cuts us some more. When it ends up we haven't anything left.

Senator BARTLETT. You are right.

Mr. HAMLIN. There are lots of us in that boat. That is all that I have to say.

Senator BARTLETT. Mr. McElroy?

Mr. McELROY. I was just thinking of the witness we had in Anchorage who, in answer to the question of whether the high cost of living was occasioned by high freight costs, said, No, that it was an ingredient, but he thought high labor costs were more important.

Mr. HAMLIN. That is just a part of the evil. Take the position that I hold here. They have got to pay me more money for the same job than they would pay me if I had the same job in Washington State, for instance, because it costs me so much more to live up here. Then it is like a snowball. No matter what happens, something else happens. And I have to pay income tax on the higher living and because of that I have to have more money again and it keeps going round and round until it blows apart.

Senator BARTLETT. You recall, the joke around Alaska has been for years that the high cost of haircuts is because of the freight rates. Actually there is a little truth to it.

Labor costs had to be high because the general cost of living is high.

Mr. HAMLIN. It isn't because of cutting your hair but because his living on the side is higher and he has to have more money to take care of it.

Senator BARTLETT. Precisely.

Mr. HUSE. No questions.

Senator BARTLETT. Thank you, Dean.

Mr. HAMLIN. Thank you.

Mr. Wingren?

STATEMENT OF PAUL J. WINGREN, GENERAL MANAGER, WINGREN FOOD STORES, INC., KETCHIKAN, ALASKA

Mr. WINGREN. I am Paul J. Wingren, Post Office Box 377, Ketchikan. I am the present general manager of Wingren Food Stores, Inc. We operate two retail food stores at Ketchikan.

It wasn't my intention when I came up here to touch on this Russian crab situation that has been discussed at some length this afternoon. But it did arouse my curiosity as to whether or not you had any figures, either percentagewise or tonnagewise, on the import of Russian crabmeat.

Senator BARTLETT. Yes, Paul. It hasn't made a blessed bit of difference.

The information available to me is that the Russian crabmeat has been offered at U.S. eastern ports at prices higher than American producers are charging. So that there are no importations of Russian

crabmeat. I won't make an affidavit on this, but this is the information which has come to me.

Mr. WINGREN. My reason for asking the question is this: That I, as a retail grocer, have seen no offerings at any price. I wonder if we are making a mountain out of a molehill by getting all shook up about the importation of something that is not being imported.

Senator BARTLETT. As far as the imports are concerned, they aren't hurting our market at all because there have been none.

(Discussion off the record.)

Mr. WINGREN. I don't know what regulatory body this would come under, but I certainly would suggest that on any imports, whether they be Japanese, Russian, or Scandinavian, or whatever they are, that the law be such that the country of origin be visible and printed plainly. I notice it. We carry a certain amount of nonfood items. Among them is quite an amount of Japanese imports. And it is in very, very fine print, as a rule, "Made in Japan." People buy the stuff without being conscious that they are buying imports. Of if they were aware of it, they perhaps would pay the higher price for the domestic merchandise.

Senator BARTLETT. We learned something during this trip which came as a surprise to me; and that was that we sell to Japan annually twice as much in terms of dollars as we buy from them. I hadn't known that before.

Mr. WINGREN. I would be inclined to believe that.

So much for that. I would like to concur in Mr. Hamlin's remarks with reference to this 10-percent surcharge on Alaska freight that the Alaska shipper has been paying for a long time, and now on certain rates at least it has been waived. I think I am correct in saying that some rates have been reduced even beyond that 10 percent. I urge that if it is at all possible that that 10-percent surcharge that we have been paying now since—the date slips me—January 1960, nearly 2 years, I urge that that be refunded.

Senator BARTLETT. Will you put your question again?

Mr. WINGREN. I would like to urge that the 10-percent surcharge which Alaska shippers have been paying since January 1960 be refunded in view of the testimony that has gone before, which would certainly indicate that that 10-percent surcharge was not needed.

Senator BARTLETT. Let me say this, without seeking to speak authoritatively, because I can't, not being an expert;

(a) The decision as to whether the money will be refunded or not is to be made by the Federal Maritime Commission and by none other.

(b) My recollection is that when the State petitioned that the amounts collected under the surcharge be placed in an escrow account, this was denied by the Federal Maritime Board, as it then was.

(c) That if the Federal Maritime Commission should decide that the rate increase was not justified, then the refunds would be made, but of course the only beneficiaries could be the shippers. The consumers, whom you are advised to charge more when you get a rate increase, will never be compensated. It will be simply impossible. So the fellow who actually paid the bill will have no chance of having his money returned.

Do you agree with me, is my memory correct, that they refused to establish—"they" being the members of the Federal Maritime Board—this escrow account?

Mr. HAMLIN. Yes, that is right. The Alaska Steam contended in their answer to the accusation that their bills of lading or freight bills all showed the surcharge, the 10-percent surcharge as a separate charge, and that that was living up to the requirement that they were keeping it separately by showing it as a separate charge, and that an audit would actually show how much they had charged and would have to refund in case it was refundable. That was acceptable by the Federal Maritime Board.

Senator BARTLETT. And the proposals of every carrier in the 17 years that I have been in Washington has been accepted by the Federal Maritime Agency. Nevertheless, if it prevails, there will be refunds to the shippers.

Mr. WINGREN. I want to get my request in the record.

Senator BARTLETT. It is there.

Mr. WINGREN. I don't know the public law number, but the bill as introduced, there were joint bills, S. 2669, which had to do with charter boats, and you are familiar with the legislation—

Senator BARTLETT. Intimately.

Mr. WINGREN. In this the small charter boats running to Alaska were granted an extension of waiver. As the bill was introduced it asked for a 4-year extension. As the law now reads, and I think I am correct in this, it expires at the end of 1962.

It is quite obvious that these charter boats are still needed. It is also quite obvious that at the end of 1962 it will be difficult if not impossible to comply with all the required regulations.

I realize that there is no legislation pending at this time, but I do want to take the opportunity to point up that sometime in the near future I feel that it is going to be necessary to introduce new legislation and ask for further extensions.

Senator BARTLETT. Paul, you know if I had my way that would have been for a period longer than 4 years. You know also what the House report said when the last bill was passed.

I say the prospects are pretty bleak.

Mr. WINGREN. I recognize that.

Senator BARTLETT. I know you do.

The record will be held open for the introduction of additional testimony if anyone so desires, until November 20. Statements submitted in writing should be mailed to Mr. Harry Huse, U.S. Senate Committee on Commerce, 5202 New Senate Office Building, Washington 25, D.C.

The record is rather voluminous after 10 hearings in Alaska. We appreciate the opportunity of having been in Ketchikan, of having heard all of those who desire to testify. I personally regard the Alaska hearings as having been most successful. In addition to everything else, I want to thank those who have made physical facilities available for us, who have made us so comfortable in our hearing rooms as we have gone about—I almost said “the Territory”—the new State. Certainly we are winding up here in Ketchikan in excellent quarters.

The committee, having been in recess at the conclusion of other meetings, will now stand in adjournment.

(Whereupon, at 5:15 p.m., the committee adjourned.)

AGENCY COMMENTS

(S. 1725)

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, May 31, 1961.

HON. WARREN G. MAGNUSON,
*Chairman, Committee on Commerce,
 U.S. Senate.*

DEAR MR. CHAIRMAN: We refer again to your letter of April 28, 1961, in which you asked for our comment on S. 1725.

S. 1725 would permit the establishment of through service and joint rates via common carriers serving Alaska, Hawaii, and the other States and would create a Joint Board with regulatory authority over those rates. The bill is identical with S. 2452, 86th Congress, 2d session, as amended and passed by the Senate on May 4, 1960. In our letter to you on August 21, 1959, B-140351, we commented at length on S. 2452 as it was originally introduced. Most of our suggestions for changes were incorporated in the amended version which passed the Senate. One suggestion, however, concerning the imposition of civil liability upon carriers participating in through service and joint rates, was not adopted.

We continue to believe that the proposed legislation should subject to civil liability carriers which violate their duty to establish just and reasonable rates, charges and classifications, and related rules, regulations and practices, and should provide for aggrieved shippers a remedy by way of reparation for damages resulting from such violations. Rail carriers subject to part I of the Interstate Commerce Act and water carriers subject to part III are subject to civil liability for violations of the act. There are now pending in the Congress S. 676, S. 1283, H.R. 2765, and H.R. 5596, identical bills to amend sections 204(a) and 406(a) of the Interstate Commerce Act to impose similar liability upon motor common carriers and freight forwarders. Inclusion of comparable provisions in S. 1725 is warranted from the standpoint of uniformity and equality of treatment of carriers. It is essential also in fairness to shippers and, as to Alaskan traffic especially, it is important to the Government, since a large proportion of the total Alaskan commerce is reported to involve transportation performed for or on behalf of the United States.

We note, also, that S. 1725 as now drawn, does not permit carriers which participate in the through service and joint rates to offer free or reduced rate service to the persons (including the United States) or for the purposes identified in sections 1(7) and 22 of the Interstate Commerce Act, 49 U.S.C. 1(7) and 22. We strongly urge that S. 1725 be amended to so provide. This could be accomplished by changing the punctuation in line 20, page 3, section 4, from a period to a colon and adding thereto the following proviso:

"Provided, That the provisions of sections 1(7) and 22 of the Interstate Commerce Act, as amended, shall apply to common carriers subject to this Act with respect to the through service and joint rates authorized in this Act."

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

U.S. DEPARTMENT OF AGRICULTURE,
Washington, D.C., October 30, 1961.

HON. WARREN G. MAGNUSON,
*Chairman, Committee on Commerce,
 U.S. Senate.*

DEAR SENATOR MAGNUSON: This in reply to your letter dated April 28, 1961, offering us an opportunity to comment on S. 1725, a bill to permit the establishment of through service and joint rates for carriers serving Alaska or Hawaii and the other States and to establish a joint board to review such rates.

We have no objection to passage of this bill. We believe legislation designed to permit the establishment and preservation of through service and just and reasonable joint rates affecting traffic moving between the mainland States, Alaska and Hawaii is desirable.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely yours,

CHARLES S. MURPHY, *Acting Secretary.*

THE GENERAL COUNSEL OF THE TREASURY,
Washington, October 27, 1961.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Commerce,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Reference is made to your request for the views of this Department on S. 1725, to permit the establishment of through service and joint rates for carriers serving Alaska or Hawaii and the other States and to establish a joint board to review such rates.

The bill would authorize air carriers, common carriers, and common carriers by water to establish through service and joint rates and charges in connection with the transportation of property between the States of Alaska and Hawaii and the other States. The bill would also establish a Joint Board composed of one member each from the Civil Aeronautics Board, the Federal Maritime Board, and the Interstate Commerce Commission, which board would review the rates.

The proposed legislation is not of primary interest to this Department and the Department has no comment to make with respect to its general merits.

The Department has been advised by the Bureau of the Budget that there is no objection from the standpoint of the administration's program to the submission of this report to your committee.

Sincerely yours,

ROBERT H. KNIGHT,
General Counsel.

GENERAL SERVICES ADMINISTRATION,
Washington, D.C., October 30, 1961.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Commerce,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Your letter of April 28, 1961, requests comments on S. 1725, a bill to permit the establishment of through service and joint rates for carriers serving Alaska or Hawaii and the other States and to establish a joint board to review such rates.

This legislative proposal would authorize the establishment of through service and joint rates between air carriers and various rail, motor, and water carriers. This would permit shippers to make one contract with originating carriers and to consult a single tariff in ascertaining the rates for through movements. Accordingly, shipping contracts would call for the payment of a single transportation charge. The reduced handling costs incident to through service as contemplated in S. 1725 provide the opportunity for possible reductions in shipping costs. GSA is of the opinion that the Government as a shipper would benefit from the proposal along with all prospective shippers.

Under its statute (63 Stat. 383; 40 U.S.C. 481), GSA is interested in transportation and traffic management on behalf of executive agencies from the viewpoint of a user of transportation services, and in our statutory role of representation before Federal, State, and local regulatory bodies. Accordingly, since the provisions of S. 1725 are generally beneficial to shippers of freight, GSA favors the enactment of this legislative proposal.

The Bureau of the Budget has advised that, from the standpoint of the administration's program, there is no objection to the submission of this report to your committee.

Sincerely yours,

JOHN L. MOORE, Administrator.

S. 1839

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, May 31, 1961.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Commerce,
U.S. Senate.

DEAR MR. CHAIRMAN: We again refer to your letter of May 12, 1961, in which you asked for our comments on S. 1839.

S. 1839, which you introduced at the request of the Interstate Commerce Commission to give effect to its legislative recommendation No. 12 (74th Annual

Report of the Interstate Commerce Commission, p. 191) would amend sections 216(c) and 305(b) of the Interstate Commerce Act, as amended (49 U.S.C. 316(c) and 49 U.S.C. 905(b)), so as to permit the voluntary establishment of through routes and joint rates applicable to interstate traffic between Alaska, Hawaii, and the other States, by motor and water common carriers subject to parts II and III of the Interstate Commerce Act and water common carriers subject to the jurisdiction of the Federal Maritime Board.

We believe that extension of the authority to establish through routes and joint rates is in the public interest, since through rates and through service generally conduce to greater efficiency and speed and to lower transportation costs. The Government, in its capacity as a purchaser of transportation, also benefits from lowered costs and increased efficiency and, as to Alaskan commerce, it is reported that a considerable segment consists of transportation procured by or for the United States. We wish to point out, however, that there is pending before your committee S. 1725, a bill to permit the establishment of through service and joint rates via carriers serving Alaska, Hawaii, and the other States. This authority would also extend to air carriers, which are not included in S. 1839, and the Civil Aeronautics Board, as well as the Interstate Commerce Commission and the Federal Maritime Board, would appoint a representative to the joint board to be created under S. 1725 to review such joint rates. We furnish you our comments on S. 1725 in our letter of today, B-140351, two copies attached.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

S. 1978

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, June 9, 1961.

HON. WARREN G. MAGNUSON,
*Chairman, Committee on Commerce,
U.S. Senate.*

DEAR MR. CHAIRMAN: We refer again to your letter of May 29, 1961, requesting our comments on S. 1978.

S. 1978 proposes to amend section 202(c) of the Interstate Commerce Act, 49 U.S.C. 302(c), in order to extend the exemptions from regulation therein provided to cover terminal area motor carrier operations performed by or for interstate common carriers by water subject to the Shipping Act of 1916 and the intercoastal Shipping Act of 1933. The proposed change deals with regulatory functions under the Interstate Commerce Act and would not affect the functions or operations of our Office. However, since it would promote uniformity in the treatment of interstate common carriers, we believe it to be in the public interest and we have no objection to favorable consideration of S. 1978 by your committee.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

DEPARTMENT OF COMMERCE,
Washington, D.C., July 24, 1961.

HON. WARREN G. MAGNUSON,
*Chairman, Committee on Commerce,
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: This is in reply to your request of May 29, 1961 for the views of this office in regard to S. 1978, a bill to amend section 202(c) of the Interstate Commerce Act to provide for partial exemption from the provisions of part II of such act of terminal area motor carrier operations performed by or for common carriers by water in interstate commerce subject to the Shipping Act, 1916, and the Intercoastal Shipping Act, 1933.

S. 1978 transfers regulation of motor carriers servicing water carriers subject to the Shipping Act of 1916 and the Intercoastal Shipping Act of 1933 from part II of the Interstate Commerce Act to the Federal Maritime Board. The bill would add to section 202(c) an exemption from part II for motor transpor-

tation within terminal areas in the performance of transfer, collection, or delivery services if performed by or for a common carrier by water in interstate commerce subject to the Shipping Act, 1916, and the Intercoastal Shipping Act, 1933.

Section 202(c) was added to the Interstate Commerce Act by the Transportation Act of 1940 (54 Stat. 898, at 920). This action exempts from certification and rate regulation under part II of that act motor transportation within terminal areas in the performance of transfer, collection, or delivery services, if performed by or for railroads subject to part I, water carriers subject to part III, or freight forwarders subject to part IV. Such terminal area motor transportation which is exempted from part II is regulated as part of the particular line-haul transportation to which it is incidental.

As the law presently stands, section 202(c) does not exempt from part II terminal area motor transportation incidental to water transportation between the mainland and Alaska, Hawaii, Puerto Rico, or Guam. Although Alaska and Hawaii are now States of the United States, section 18(a) of the Hawaiian Statehood Act (73 Stat. 4), and section 27(b) of the Alaskan Statehood Act (72 Stat. 339) both provide that the Federal Maritime Board retain its jurisdiction over water transportation between those States and the mainland.

The Commission has held that motor carriers performing service in the port of Seattle in connection with transportation by water to Alaska were not entitled to the exemption because the line-haul carrier was not subject to the act (Consolidated Freightways, Inc., Extension, Seattle, Wash.; 74 M.C.C. 593, 1958). In its decision the Commission stated that Congress had probably intended to exempt from economic regulation all purely local operations, but stated that the remedy appears to lie in additional legislation rather than a forced construction of the present law. The proposed bill is designed to provide such legislation which would apply the exemption uniformly to all modes of transport.

The proposed amendment to section 202(c) would extend this provision to common carriers by water in interstate commerce who are subject to the Shipping Act of 1916 and the Intercoastal Shipping Act of 1933. These steamship lines operating between the 48 mainland States and Alaska, Hawaii, Puerto Rico, and Guam would be placed in a position to perform their own pickup and delivery services within the port areas that they serve. Thus, an entire rate, including the pickup and delivery service, would be regulated by the Federal Maritime Board. This is a logical sequence in the development of container transportation of water carriers in the offshore domestic trade. Passage of S. 1978, would clearly permit through rates from point of origin within a port area to point of ultimate destination within a port area served by the water carrier, and should facilitate the expansion of these container operations in the offshore domestic trades.

As we interpret the bill, the exemption of "transportation by motor vehicle * * * by a common carrier by water in interstate commerce subject to the Shipping Act, 1916, and the Intercoastal Shipping Act, 1933," subject to the further restrictions of the bill, includes such transportation by common carriers by water who operate between a State of the United States, and a possession of the United States, because of the definition of "common carrier by water in interstate commerce" in the Shipping Act, 1916, includes such carriers, and transportation between a State and possession remains subject to that act and the Intercoastal Shipping Act, 1933. The matter, however, may not be entirely free from doubt, because the bill would amend part II of the Interstate Commerce Act, and the Interstate Commerce Act contains a definition of "interstate commerce" which confines that term to commerce between States or between two places in the same State through another State. To clarify the bill in this respect, the Department recommends that the bill be amended as follows:

(1) By inserting after the word "commerce" on line 7, page 2, the words "as defined in the Shipping Act, 1916, and";

(2) By inserting after the word "carrier" on line 2, page 3, the words "by water";

(3) By inserting after the word "commerce" on line 2, page 3, the words "as defined in the Shipping Act, 1916, and".

With the revisions as suggested above the Department does not oppose the enactment of this bill.

The Bureau of the Budget advises there is no objections to the submission of this report from the standpoint of the administration's program.

Sincerely yours,

EDWARD GUDEMAN,
Acting Secretary of Commerce.

U.S. DEPARTMENT OF JUSTICE,
OFFICE OF THE DEPUTY ATTORNEY GENERAL,
Washington, D.C., July 11, 1961.

Hon. WARREN G. MAGNUSON,
Chairman, Committee on Commerce,
U.S. Senate, Washington, D.C.

DEAR SENATOR: This is in response to your request for the views of the Department of Justice concerning the bill (S. 1978), to amend section 202(c) of the Interstate Commerce Act to provide for partial exemption from the provisions of part II of such act of terminal area motor carrier operations performed by or for common carriers by water in interstate commerce subject to the Shipping Act, 1916, and the Intercoastal Shipping Act, 1933.

This is a bill to amend section 202(c) of the Interstate Commerce Act (49 U.S.C. 302). In substance, this section exempts from the economic regulations of part II of the Interstate Commerce Act (the part which empowers the Interstate Commerce Commission to regulate motor carriers) transfer, collection and delivery transportation within terminal areas by motor vehicles by or for certain water carriers, railroads, and freight forwarders subject to the Interstate Commerce Act.

The bill would extend this terminal exemption to all common carriers by water in interstate commerce subject to the Shipping Act, 1916, and the Intercoastal Shipping Act, 1933. It provides that terminal transportation by motor vehicle by or for such carriers shall be subject not to part II of the Interstate Commerce Act, but to the Shipping Act, 1916, and the Intercoastal Shipping Act, 1933. The bill further provides that the Interstate Commerce Commission shall have exclusive jurisdiction to determine and prescribe the limits of terminal areas.

The Department of Justice has no objection to the enactment of S. 1978.

The Bureau of the Budget has advised that there is no objection to the submission of this report from the standpoint of the administration's program.

Sincerely yours,

BYRON R. WHITE,
Deputy Attorney General.

GENERAL SERVICES ADMINISTRATION,
Washington, D.C., July 11, 1961.

Hon. WARREN G. MAGNUSON,
Chairman, Committee on Interstate and Foreign Commerce,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Your letter of May 29, 1961 requests comments on S. 1978, a bill to amend section 202(c) of the Interstate Commerce Act to provide for partial exemption from the provisions of part II of such act of terminal area motor carrier operations performed by or for common carriers by water in interstate commerce subject to the Shipping Act, 1916, and the Intercoastal Shipping Act, 1933.

Part II of the Interstate Commerce Act covers the regulation of the transportation of passengers or property by motor carriers engaged in interstate or foreign commerce. However, motor transportation within terminal areas of transfer, collection or delivery is, by virtue of the provisions of section 202(c) of part II of the Interstate Commerce Act, exempt from the certification and rate regulation provisions of part II, if performed by or for railroads, water carriers, or freight forwarders subject to parts I, III, and IV of the act. Such terminal area motor transportation is regulated under the statutory provisions applicable to the line-haul transportation of which it is an incidental part.

The exemption provided by section 202(c) of the act does not apply, however, to motor transportation in terminal areas incidental to line-haul water transportation carriers who are regulated by the Federal Maritime Board under the provisions of the Shipping Act, 1916, and the Intercoastal Shipping Act, 1933. The purpose of the proposed amendment is to include in the exemption provided by section 202(c) motor transportation within terminal areas of transfer, collection or delivery incidental to interstate transportation by common carrier by water subject to the Shipping Act, 1916, and the Intercoastal Shipping Act, 1933.

Under its statute (63 Stat. 383; 40 U.S.C. 481), GSA is interested in transportation and traffic management on behalf of executive agencies from the view-

point of a user of transportation services, and in our statutory role of representation before Federal, State, and local regulatory bodies.

This legislative proposal does not directly affect the mission of the General Services Administration. However, its enactment would appear to be consistent with the exemptions provided for other modes of transportation under the Interstate Commerce Act. Accordingly, GSA has no objection to S. 1978.

The Bureau of the Budget has advised that, from the standpoint of the Administration's program, there is no objection to the submission of this report to your committee.

Sincerely yours,

JOHN L. MOORE, *Administrator.*

INTERSTATE COMMERCE COMMISSION,
Washington, D.C., June 26, 1961.

HON. WARREN G. MAGNUSON,
*Chairman, Committee on Commerce,
U.S. Senate, Washington, D.C.*

DEAR CHAIRMAN MAGNUSON: Your letter of May 29, 1961, addressed to the Chairman of the Commission and requesting comments on a bill, S. 1978, introduced by Senator Bartlett, to amend section 202(c) of the Interstate Commerce Act to provide for partial exemption from the provisions of part II of such act of terminal area motor carrier operations performed by or for common carriers by water in interstate commerce subject to the Shipping Act, 1916, and the Intercoastal Shipping Act, 1933, has been referred to our Committee on Legislation. After consideration by that committee, I am authorized to submit the following comments in its behalf:

Section 202(c) of the Interstate Commerce Act, which S. 1978 would amend, now provides a partial exemption from the provisions of part II of the act of terminal area motor carrier operations performed by or for carriers subject to parts I, II, III, and IV thereof. S. 1978 would extend this partial exemption to such motor carrier operations performed by or for common carriers by water in interstate commerce subject to the Shipping Act, 1916, and the Intercoastal Shipping Act, 1933. The bill also provides that, for the purposes of section 202(c), the Interstate Commerce Commission shall have exclusive jurisdiction to determine and prescribe the limits of the terminal areas for the various carriers.

We have no objection to the extension of the exemption as proposed in the bill. With respect to terminal areas, the Commission now has, under existing law, the power to determine the limits of terminal areas of carriers subject to parts I, II, III, and IV of the Interstate Commerce Act. See, for example, *Central Truck Lines, Inc., et al. v. Pan-Atlantic Steamship Corporation*, 82 M.C.C. 395, in which the partial exemption was discussed insofar as it related to a water carrier subject to the Commission's jurisdiction and, in effect, fixed the terminal areas of the defendant carrier at Tampa, Jacksonville, and Miami, Fla. S. 1978 would make it clear that the Commission would also have, for the purposes of section 202(c), jurisdiction to determine the terminal areas of water carriers subject to the Shipping Act and the Intercoastal Shipping Act. Water carriers subject to those acts could not, therefore, without restraint, fix extensive terminal areas of ports within which they could provide motor carrier service free from economic regulation. In the absence of such restraint other carriers could be placed at a distinct competitive disadvantage. Motor carrier terminal services involving a water carrier subject to the shipping acts is the subject of a proceeding now pending before the Commission in docket No. MC-C-3000, *Western Motor Tariff Bureau, Inc. v. Matson Navigation Company*.

The need for the terminal area provision in S. 1978 becomes even more readily apparent in view of the recent holding of the Federal Maritime Board in docket No. 815, *Common Carriers by Water-Status of Express Companies, Truck Lines and Other Non-Vessel Carriers*. In that proceeding the Board found that "any person or business association may be classified as a common carrier by water who holds himself out by the establishment and maintenance of tariffs, by advertisement and solicitation, and otherwise, to provide transportation for hire by water in interstate or foreign commerce as defined in the Shipping Act, 1916; assumes responsibility or has liability imposed by law for the safe transportation of the shipments; and arranges in his own name with underlying water carriers

for the performance of such transportation, whether or not owning or controlling the means by which such transportation is effected, is a common carrier by water as defined in the Shipping Act, 1916."

Since S. 1978 makes clear the Commission's authority to determine, for the purposes of section 202 (c), the terminal area limits of water common carriers subject to the shipping acts, we have no objection to its enactment.

Editorially, it appears that the section reference in line 14, page 3, of the bill should be "202(c)" instead of "202(2)."

Respectfully submitted.

EVERETT HUTCHINSON,
Chairman, Committee on Legislation.
EVERETT HUTCHINSON.
HOWARD G. FREAS.
KENNETH H. TUGGLE.

S. 2413

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, October 5, 1961.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Commerce, U.S. Senate.

DEAR MR. CHAIRMAN: Further reference is made to your letter of August 15, 1961, in which you requested our comments on S. 2413.

The purpose of this bill is to subject the interstate operations of the Alaska Railroad to regulation by the Interstate Commerce Commission, pursuant to part I of the Interstate Commerce Act, as amended, 49 U.S.C. 1-27. In this respect it is identical to S. 1508, 86th Congress, 2d session, on which we furnished you our comments in a letter of April 16, 1959, B-124195, copy enclosed. S. 1508, as amended, was passed by the Congress but was vetoed by President Eisenhower on July 6, 1960, because of its repugnancy to the constitutional separation of powers in subordinating the Executive power of the President under the original act of March 12, 1914, 38 Stat. 305, as amended, 48 U.S.C. 301, to legislative powers delegated to the Interstate Commerce Commission; because part I of the Interstate Commerce Act, designed for application to privately owned and operated railroads, is inappropriate to apply to a Government agency established to effectuate a public purpose; and because it would subject an agency of the Federal Government to State regulation.

S. 2413 does not contain a provision for subjecting the intrastate operations of the Alaska Railroad to regulation by the State of Alaska. However, it fails to meet the other two objections which occasioned the President's veto.

From our standpoint this legislative proposal is objectionable because of the potential adverse effect it would have on the functions and operations devolving upon our Office under the Accounting and Auditing Act of 1950. The Alaska Railroad, wholly owned by the Federal Government, is presently a bureau of the Department of the Interior, reporting directly to the Assistant Secretary—Public Land Management. Its current accounting system was devised jointly by representatives of the railroad, the Department of the Interior, and our Office, and was approved by us on September 25, 1957. This system was designed to include, as one of its integral parts, the accounting, financial reporting, and budgetary needs of the Secretary of the Treasury and the Director of the Bureau of the Budget required by 31 U.S.C. 66(a). The Interstate Commerce Commission was established to regulate privately owned common carriers and the discharge of its duties under section 20 of the Interstate Commerce Act has involved the formulation of broad general principles of accounting and financial reporting for privately owned, operated, and financed carriers; seemingly the Commission lacks the experience with, and the technical knowledge and appreciation of, the specialized requirements of the accounting, auditing, and financial reporting systems necessary to maintain adequate controls over Federal funds used to finance federally owned and operated entities. Although S. 2413 requires the Commission, in the exercise of its responsibilities under section 20, to "consider" our needs and those of other interested agencies, we do not think this requirement is a clear mandate which would compel the Commission to familiarize itself with those needs and to require that they be met. Neither does S. 2413 expressly pro-

vide for the relief of our Office from its responsibilities under the Budget and Accounting Act of 1921, as amended, and the Accounting and Auditing Act of 1950, as amended, relative to the Alaska Railroad.

Accordingly, we do not recommend favorable consideration of S. 2413 in its present form.

Sincerely yours,

FRANK H. WEITZEL,
Assistant Comptroller General of the United States.

GENERAL SERVICES ADMINISTRATION,
Washington, D.C., October 26, 1961.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Commerce,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Your letter of August 15, 1961, requests comments on S. 2413, a bill to provide for economic regulation of the Alaska Railroad under the Interstate Commerce Act, and for other purposes.

This bill would place the regulation of the Government-owned Alaska Railroad, now operated by the Secretary of the Interior on behalf of the President, under regulation by the Interstate Commerce Commission in the same manner as if it were privately owned and operated.

Under its statute (63 Stat. 383; 40 U.S.C. 481), GSA is interested in transportation and traffic management as a user of transportation services and in representing executive agencies in proceedings before State and Federal regulatory bodies. As a user of transportation services, GSA considers that the proposed regulation by the Interstate Commerce Commission would not affect its usage of rail facilities of the Alaska Railroad. The mission of GSA, however, is not sufficiently affected to warrant an expression of opinion on the merits of this bill.

The Bureau of the Budget has advised that, from the standpoint of the Administration's program, there is no objection to the submission of this report to your committee.

Sincerely yours,

JOHN L. MOORE, *Administrator.*

THE GENERAL COUNSEL OF THE TREASURY,
Washington, September 18, 1961.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Interstate and Foreign Commerce,
U.S. Senate, Washington, D.C.

MY DEAR MR. CHAIRMAN: Reference is made to your request for the views of this Department on S. 2413, to provide for economic regulation of the Alaska Railroad under the Interstate Commerce Act, and for other purposes.

The proposed legislation would amend the act of March 12, 1914, as amended (48 U.S.C. 301), to place the Alaska Railroad under the jurisdiction of the Interstate Commerce Commission in the same manner and to the same extent as if such was privately owned and operated.

The primary interest of the Treasury Department is limited to the effect the proposed legislation, if enacted, would have on the responsibility of the Secretary of the Treasury for accounting and financial reporting as set forth under the Budget and Accounting Procedures Act of 1950 (31 U.S.C. 66b). Section 20 of the Interstate Commerce Act, as amended (49 U.S.C. 20(1)-(7)), gives authority to the Interstate Commerce Commission to prescribe and regulate the accounting and financial reporting systems of rail common carriers, and while S. 2413 would provide that the Interstate Commerce Commission would consider the needs of the Comptroller General of the United States, the Secretary of the Treasury, the Director of the Bureau of the Budget, and the Secretary of the Interior with respect to the Alaska Railroad's accounting, auditing, financial reporting and budgetary requirements, the Department feels that there would be created a conflicting situation with respect to this area of jurisdiction.

Accordingly, the Treasury Department would be opposed to enactment of S. 2413 in its present form.

The Department has been advised by the Bureau of the Budget that there is no objection from the standpoint of the administration's program to the submission of this report to your committee.

Sincerely yours,

ROBERT H. KNIGHT,
General Counsel.

INTERSTATE COMMERCE COMMISSION,
Washington, D.C., September 25, 1961.

HON. WARREN G. MAGNUSON,
*Chairman, Committee on Commerce,
U.S. Senate, Washington, D.C.*

DEAR CHAIRMAN MAGNUSON: Your letter of August 15, 1961, addressed to the Chairman of the Commission and requesting comments on a bill, S. 2413 introduced by Senator Bartlett, "to provide for economic regulation of the Alaska Railroad under the Interstate Commerce Act, and for other purposes, has been referred to our Committee on Legislation. After consideration by that committee, I am authorized to submit the following comments in its behalf:

By virtue of statehood, all forms of surface transportation operating in interstate or foreign commerce to, from, and within Alaska, except for the Government owned and operated Alaska Railroad and such water transportation as was excluded by section 27 (b) of the Statehood Act, became subject to regulation under the Interstate Commerce Act, and related acts, to the same extent that similar transportation within and between all of the other contiguous States is subject to regulation. The Government-owned and operated Alaska Railroad, the principal transportation facility in Alaska, was not prior to statehood subject to regulation by any regulatory agency, nor did it become subject to the Commission's jurisdiction upon the admission of Alaska as a State.

With the competitive struggle between the Alaska Railroad and the motor carriers for the limited amount of traffic moving in Alaska, the Commission is firmly of the view that there can be no effective or equitable regulation of surface transportation in interstate commerce within that State as long as one of the major competitive modes is subject to a full measure of regulation while its chief competitor remains completely free from regulatory control. In this connection, your committee stated in its report dated July 25, 1956 (S. Rept. 2802, 84th Cong., 2d sess.):

"The committee realizes that Alaska is beset by a number of chronic transportation problems that will require the attention of Congress and of the people of Alaska for many years if solutions are to be achieved. There is likewise an acute transportation problem which needs immediate attention and action: That of regulation of competition among carriers serving Alaska. According to the testimony, this situation is particularly unhealthy as between motor carriers on one hand and the Alaska Railroad on the other. At the present time, this competition is unrestricted by regulatory statute; consequently, there is neither restriction of discrimination against shippers and communities, nor provisions of law forbidding unfair diminution of carrier revenues. Such a state of affairs mitigates against the orderly economic development of Alaska.

"The committee believes that transportation within Alaska and between Alaska and the United States should be subjected in the public interest to a reasonable measure of clearly drawn regulations which will allow carriers a fair return for their efforts and insure the shippers and communities in Alaska reasonable and nondiscriminatory rates."

The State of Alaska also recognized this problem in a memorial, House Joint Memorial No. 13, in which it urged the Congress to give due and immediate consideration to proper amendments to laws governing interstate commerce affecting broad problems of transportation to, from, and within Alaska. The memorial reads in pertinent parts as follows:

"Whereas, certain of the transportation facilities are now operating under the Federal statutes regulating transportation and subject to the jurisdiction of the Interstate Commerce Commission; and

"Whereas the Interstate Commerce Commission in its report to the Senate of the United States has recommended that the Alaska Railroad, a Government corporation, should be subject to the rate and service regulations of the Commission; and

"Whereas other transportation facilities in Alaska are not now subject to the same or similar regulatory procedures and control; and

"Whereas this lack of uniformity of regulation has permitted inequitable and discriminatory rate practices to the detriment of the shippers and receivers of freight in Alaska and such inequities and lack of uniformity will continue to exist until proper amendments to the Interstate Commerce Act have been promulgated by Congress: Now, therefore, be it

"Resolved, * * *."

S. 2413 would go a long way toward remedying this situation by amending the Alaska Railroad Act to provide that, with certain exceptions, the provisions of part I of the Interstate Commerce Act, shall be applicable to the Alaska Railroad. The excepted provisions include those relating to the abandonment or extension of lines, discontinuance of service, issuance of securities, safety of operations and equipment, and penalties and forfeitures. In lieu of its present provisions relating to the issuance of free passes, the organic act would also be amended to incorporate, by reference, the provisions of part I of the Interstate Commerce Act (secs. 1(17) and 22) respecting the furnishing of transportation free or at reduced rates.

S. 2413 also directs the Commission in carrying out its duties under section 20 of the Interstate Commerce Act to consider the needs of the Comptroller General, the Secretary of the Treasury, the Bureau of the Budget, and the Secretary of the Interior pursuant to law respecting the accounting, auditing, financial reporting, and budgetary requirements of the Alaska Railroad. While the needs of these departments and agencies in this respect could, in our opinion, be accommodated, under the present provisions of the Interstate Commerce Act, we have no objection to this provision of the bill. Even in the absence of such a statutory admonition, the Commission would, of course, stand ready to cooperate to the fullest extent in this area with the other departments and agencies concerned.

S. 2413 further provides that in passing on the lawfulness of rates or charges of the Alaska Railroad, the Commission shall give due consideration, among other things, to the carrier's national defense and developmental purposes, and to the extent warranted by the facts, recognize for valuation and cost-finding purposes, a segregation of both capital investment and operating expenses found to be solely attributable to such national purposes as distinguished from normal railroad common carrier investment and operating expenses. It also provides that such rates and charges shall not be deemed to be unlawful solely because they fail to yield sufficient revenues to provide a return on capital investment or to cover taxes not actually required by law to be paid. The Alaska Railroad is not now required to show a return on investment, and it is our understanding that it pays no property or income taxes.

These provisions are apparently intended to clarify the question of whether the Commission, if it is to regulate the Alaska Railroad as a privately owned carrier, would have no alternative but to require its rates, if challenged to be increased to a level sufficiently high to provide a return on its entire capital investment, notwithstanding the fact that a very large part thereof was occasioned by national defense and developmental considerations.

Under the Interstate Commerce Act, carriers historically initiate their own rates. In determining the justness and reasonableness of any challenged rate or rates of the Alaska Railroad, the Commission, even in the absence of these provisions, would be required to observe the customary rule of ratemaking in the light of the national transportation policy, including national defense considerations as set forth therein, and the provisions of the Alaska Railroad Act relating to the carrier's development and defense purposes, which would remain unchanged. In the usual competitive situations, a reasonable rate should be compensatory, i.e., it should at least cover direct costs and make some contribution to depreciation, return, and taxes. The Alaska Railroad, however, pays no property or income taxes and there is no present requirement, nor is there any requirement in the bill, that it show a return on investment. While we are of the view that these provisions are unnecessary, we have no objection to their inclusion in the bill.

S. 2413 would also specifically repeal the act of April 10, 1926, which added certain free pass provisions to the Alaska Railroad Act. While enactment of this bill without these provisions would probably have the effect of repealing the 1926 act, specific repeal seems desirable since it would preclude the possibility of any confusion arising between the 1926 act and the proposed incorporation by refer-

ence in the Alaska Railroad Act of the free or reduced rate provisions of part I of the Interstate Commerce Act.

The bulk of freight traffic moving to and from Alaska is shipped by water. For a considerable number of years the Alaska Railroad maintained with water carriers joint rates between interior points in Alaska and Pacific coast ports. Such rates are of vital importance to shippers. However, the filing and maintaining of such rates with a regulatory agency is not authorized by statute. S. 2413 would resolve this problem by making the provisions of section 1(1) (a) of the Interstate Commerce Act applicable to the Alaska Railroad. Under this section joint rates are authorized between rail carriers subject to the Commission's jurisdiction and all water carriers engaged in interstate commerce, whether or not such water carriers are subject to the Commission's jurisdiction. Moreover, section 305(b) of the act not only authorizes, but gives the Commission the power to direct the establishment of joint rates with water carriers subject to its jurisdiction. Under section 261(c), motor carriers could also enter into through route and joint rate arrangements with the Alaska Railroad. Thus, S. 2413 would not only provide more uniform and equitable regulation of the different modes of transportation serving Alaska, but would also encourage the establishment of fair and reasonable through routes and joint rates between Alaska and the other States.

Enactment of S. 2413 is, in our opinion, most desirable, and we therefore urge that it be given your early and favorable consideration.

Respectfully submitted.

EVERETT HUTCHINSON,
Chairman, Committee on Legislation.
EVERETT HUTCHINSON.
HOWARD G. FREAS.
KENNETH H. TUGGLE.

FEDERAL COMMUNICATIONS COMMISSION,
Washington, D.C., August 23, 1961.

Hon. WARREN G. MAGNUSON,
Chairman, Committee on Commerce,
U.S. Senate, Washington, D.C.

DEAR SENATOR MAGNUSON: This will acknowledge receipt of S. 2413, 87th Congress, a bill to provide for economic regulation of the Alaska Railroad under the Interstate Commerce Act, and for other purposes.

The Commission has examined the enclosed bill. We have no comments with respect to S. 2413, since it does not appear that this bill would involve our functions.

Sincerely yours,

ROBERT T. BARTLEY,
Acting Chairman.

S. 2484

DEPARTMENT OF AGRICULTURE,
Washington, D.C., January 22, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Committee on Interstate and Foreign Commerce,
U.S. Senate

DEAR SENATOR MAGNUSON: This is in response to your request for the Department's comments on S. 2484, a bill to provide for establishing and operating a foreign trade zone, a Hall of States, and an international reception and information center at the Anchorage International Airport, Anchorage, Alaska, and for other purposes. This bill would, under the Foreign Trade Zone Act of 1934, provide for the appropriation of Federal funds for the establishment of an international reception and information center at the Anchorage International Airport, Anchorage, Alaska and for the exhibition and retail sale of both domestic and foreign merchandise to foreign travelers.

Section 15(d) of the Foreign Trade Zone Act of 1934 states that no retail trade shall be conducted within the zone except under permits issued by the grantee and approved by a board composed of the Secretaries of Commerce, Treasury, and Army. In addition, under these permits, permittees shall sell no goods except such domestic or duty paid, or duty free goods as are brought into the zone from customs territory.

Under sections of the Internal Revenue Code, domestic articles transported into a foreign trade zone are considered to be in a stage of exportation and are therefore not subject to manufacturers excise taxes. Such products could, under the revenue code, be resold in the zone to travelers on international flights with destinations other than the United States. On the other hand, products of foreign manufacture would be subject to regular customs duties and could be resold in the zone only after such duty has been paid. This regulation in essence might nullify any competitive advantage that some of these products might have in a market of this nature. However, this stipulation does not apply to articles imported into a bonded warehouse for future exportation. Therefore a bonded warehouse could conceivably be established at the airport and certain products imported and resold for export without being subjected to customs duties.

The responsibility, however, for determining the feasibility of establishing such a zone as proposed in S. 2484 in light of the volume of air traffic, rests with the Departments of Commerce, Treasury, and Army. Therefore, the Department of Agriculture defers final judgment on this legislation to those departments with primary responsibility in such matters.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely yours,

ORVILLE FREEMAN, *Secretary.*

DEPARTMENT OF THE AIR FORCE,
Washington, D.C., January 31, 1962.

HON. WARREN G. MAGNUSON,
*Chairman, Committee on Commerce,
U.S. Senate*

DEAR MR. CHAIRMAN: Reference is made to your request to the Secretary of Defense for the reviews of the Department of Defense with respect to S. 2484, 87th Congress, a bill to provide for establishing and operating a foreign-trade zone, a Hall of States, and an international reception and information center at the Anchorage International Airport, Anchorage, Alaska, and for other purposes. The Secretary of Defense has delegated to the Department of the Air Force the responsibility for expressing the views of the Department of Defense.

The general purpose of this legislation is to create for foreign visitors a climate for better understanding the United States and its ideals and to encourage foreign commerce.

The bill would authorize the U.S. Information Agency to establish an international reception and information center at the Anchorage International Airport, Anchorage, Alaska, and at the same time provide a facility for the operation of a foreign-trade zone and a Hall of States.

The Department of Defense has no direct interest in the proposed legislation and, therefore, the Department of the Air Force, on behalf of the Department of Defense, defers to the views of the U.S. Information Agency and the Department of Commerce concerning this subject.

This report has been coordinated within the Department of Defense in accordance with procedures prescribed by the Secretary of Defense.

The Bureau of the Budget advises that, from the standpoint of the administration's program, there is no objection to the presentation of this report for the consideration of the committee.

Sincerely,

JOSEPH S. IMIRIE,
Assistant Secretary of the Air Force.

CIVIL AERONAUTICS BOARD,
Washington, D.C., September 12, 1961.

HON. WARREN G. MAGNUSON,
*Chairman, Committee on Commerce
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: This will acknowledge your letter of September 1, 1961, with which you enclosed a copy of S. 2484, a bill to provide for establishing and operating a foreign-trade zone, a Hall of States, and an international reception and information center at the Anchorage International Airport, Anchorage, Alaska, and for other purposes.

The proposed legislation relates to matters outside the jurisdiction of the Civil Aeronautics Board, and we have no comment to make on it.

Sincerely yours,

ALAN J. BOYD,
Chairman.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, September 12, 1961.

HON. WARREN G. MAGNUSON,
*Chairman, Committee on Commerce,
U.S. Senate*

DEAR MR. CHAIRMAN: Your letter of September 1, 1961, acknowledged September 5, requests our comments on S. 2484, a bill to provide for establishing and operating a foreign-trade zone, a Hall of States, and an international reception and information center at the Anchorage International Airport.

We have no particular information concerning the subject matter of the proposed legislation and therefore we have no recommendation to offer.

Sincerely yours,

FRANK H. WEITZEL,
Assistant Comptroller General of the United States.

DEPARTMENT OF COMMERCE,
Washington, D.C., February 9, 1962.

HON. WARREN G. MAGNUSON,
*Chairman, Committee on Commerce,
U.S. Senate,
Washington, D.C.*

DEAR MR. CHAIRMAN: This is in further reply to your request for the views of this Department with respect to S. 2484, a bill to provide for establishing and operating a foreign-trade zone, a Hall of States, and an international reception and information center at the Anchorage International Airport, Anchorage, Alaska, and for other purposes.

This bill would authorize the U.S. Information Agency, acting in cooperation with State and local officials of the State of Alaska, and with agencies of the Federal Government concerned with foreign policy and other international objectives of the United States, to establish an international reception and information center at the Anchorage International Airport. USIA would be empowered to prepare plans and specifications for the construction of a suitable building; to accept a lease or conveyance from the State of Alaska of the necessary land; and, in return for such lease or conveyance, to make available to Alaska or the city of Anchorage sufficient space in the center so that the State or city could then establish, operate, and maintain certain facilities. These facilities would include (a) a Hall of States wherein each State could display information concerning its traditions and sell at retail merchandise it produces; (b) a foreign-trade zone in which foreign and domestic commodities might also be sold at retail; and (c) lounges and concessions for the comfort of foreign visitors. The Foreign-Trade Zones Act (19 U.S.C. Secs. 81a-81u) would govern sales in both the proposed Hall of States and the other parts of the center.

Having in mind the steadily increasing importance of Anchorage as the major stop in the United States for foreign travelers flying the trans-polar route between Europe and the Far East, this Department is in accord with what we understand to be the main purpose of S. 2484. As stated by Senator Gruening, a sponsor of the bill, this objective is to show to the many foreign visitors who pass through the Anchorage International Airport "by word and picture democracy's ideals and to wind them over to the side of freedom. In the great world struggle for the minds of men in which we are now engaged it is certainly a wasted opportunity not to welcome to our shores these thousands of foreign visitors and seek, in the brief space of time available, to give them something of the flavor of the United States and of the democratic principles under which we live." (Congressional Record, August 30, 1961, pp. 16338-16339.)

In keeping with this goal our U.S. Travel Service would be glad to furnish to an international reception and information center at the Anchorage International Airport appropriate informational materials designed to encourage these

foreign travelers to return for a longer stay in the United States. We are sure that other Federal Government agencies would likewise wish to help provide these foreign visitors a full and true understanding of our country. The contemplated state activities in the proposed Hall of States would, of course, contribute greatly to the accomplishment of this important objective.

The further aim of S. 2484, to provide for the comfort and pleasure of these foreign visitors passing through Anchorage, is certainly also desirable. As we understand it, there would be lounges and concessions at which foreign and domestic merchandise could be sold, while the products of our States would be especially available for sale in the Hall of States. As Senator Gruening has indicated, what is contemplated is a retail sales operation like that at the Shannon, Ireland, international airport (Congressional Record, p. 16339). The key to successful operation of a business of this kind would appear to be the ability to sell domestic and foreign merchandise to departing travelers on a tax-free and duty free basis. Evidently for the purpose of achieving this freedom from U.S. taxes and duties on merchandise sold, the bill proposes that retail sales activities at the center be carried on through the mechanism of a foreign-trade zone established under the Foreign-Trade Zones Act.

Although we favor these basic purposes of S. 2484, there are, in our opinion, two features of the bill that present substantial problems. These pertain to (1) the proposal to establish a foreign-trade zone, and (2) the question of Federal payment of the cost of building and operating the proposed center. We comment on these subjects, not in criticism of the objectives of the bill, but in keeping with the expressed desire of Senator Gruening "to stimulate thinking and discussion on this proposal and to receive suggestions for the improvement and refinement of this idea." (Congressional Record, p. 16339).

(1) As one of the Federal Departments charged with responsibility to oversee the establishment and conduct of foreign-trade zones in the United States, we must point out that, in our opinion, a zone operation would not especially facilitate, and to some extent might limit, retail sales at the proposed center. The Foreign-Trade Zones Act is basically designed to provide zoned areas in or near U.S. ports of entry wherein foreign-origin goods may be manipulated and manufactured, with or without an admixture of domestic goods, and then shipped out of the United States, without payment of import duty on the foreign goods brought into the zones. Only if the resultant goods are instead bought into the commerce of the United States is duty payable, and then only on the actual quantity of the foreign material incorporated in the goods brought from the zone into the commerce of the United States. Although a zone operation, accordingly, affords great benefits for many kinds of manufacturing and wholesale activities related to our export-import trade, it is not particularly suitable for a Shannon-type retail sales activity. Section 15 of the act (19 U.S.C., sec. 810(d)) expressly restricts retail trade in a zone to such "domestic or duty-paid or duty-free goods as are brought into the zone from customs territory." Under this provision the only kinds of foreign goods that may be sold at retail in a zone, along with domestic goods, are those on which duty has been paid and those importable into the United States free of duty. However, dutiable kinds of foreign goods (like watches) are saleable at retail in a zone only if duty has been paid on them, and no foreign goods of any kind may be brought directly into a zone for retail export sales. Furthermore, it is our understanding that, although domestic goods may be brought into a zone for export purposes, free of internal revenue taxes, a zone operation is not essential to obtain that benefit.

This Department is, of course, not in a position to recommend an alternative procedure which would permit all kinds of domestic and foreign goods to be sold at retail at the Anchorage International Airport. We understand, however, that the Treasury Department has been asked to comment on this bill and we believe that their comments may suggest other avenues for the solution of this problem more simply and comprehensively, and less expensively, than the proposed foreign-trade zone approach.

(2) Our last comment on S. 2484 relates to the question of payment of the cost of construction and operation of the proposed international reception and information center and Hall of States. Section 3 provides that USIA shall prepare plans and specifications for the construction of a suitable building with requisite equipment, approaches, architectural landscape treatment of the grounds, and connections with public utilities; and that the same agency shall staff and operate the center. Section 6 authorizes appropriation of funds necessary to carry out the provisions of the bill. A resolution adopted by the Anchorage Chamber of Commerce, reprinted at page 16339 of the Congressional Record,

asks, in effect, that the Federal Government pay for construction of the necessary building and related facilities.

It is our opinion that the above-described nationwide benefits of the proposed center may be appropriately compensated by the Federal Government on a space rental basis. We believe, however, that the main cost of a center of this kind, with its proposed retail sales facilities, should be locally sponsored and paid for. Whatever arguments might be made for Federal construction of this center, because of the present unique character of the Anchorage air route and its foreign air travelers, would not, in our judgment, be sufficient justification for the large Federal expenditure that would probably be involved, especially as it might turn out to be a precedent for efforts to establish similar facilities at other U.S. ports.

The Bureau of the Budget advised there would be no objection to the submission of this report from the standpoint of the administration's program.

Sincerely yours,

EDWARD GUDEMAN,
Under Secretary of Commerce.

GENERAL SERVICES ADMINISTRATION,
Washington, D.C., January 19, 1962.

HON. WARREN G. MAGNUSON,
*Chairman, Committee on Commerce,
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: Your letter of September 1, 1961, requested the views of the General Services Administration on S. 2484, 87th Congress, a bill to provide for establishing and operating a foreign-trade zone, a Hall of States, and an international reception and information center at the Anchorage International Airport, Anchorage, Alaska, and for other purposes.

This bill would authorize the U.S. Information Agency to accept from the State of Alaska a site at or adjacent to the Anchorage International Airport, and to prepare plans and specifications for the construction thereon of a suitable building within which space would be provided for the purposes specified above.

The proposed legislation would affect the responsibilities of the General Services Administration to the extent that the bill provides that the preparation of drawings and specifications and all work incidental thereto shall be under the supervision of the Administrator of the General Services Administration in accordance with the provisions of the Public Buildings Act of May 25, 1926, as amended. Since the said act of May 25, 1926, as amended (except for secs. 3 and 8 which are not applicable to the subject of the proposed bill), has been repealed by section 17(19) of the Public Buildings Act of 1959, the following change is suggested on page 3, lines 4, 5, 6, and 7 of the bill: "shall be under the supervision of the Administrator of General Services."

With respect to the merits of S. 2484 the General Services Administration defers to the views of those agencies which are more directly concerned with the trade and foreign objectives of the bill.

If the funds which would be authorized by this bill are appropriated to the U.S. Information Agency, its enactment would not affect the budgetary requirements of GSA.

The Bureau of the Budget has advised that, from the standpoint of the administration's program, there is no objection to the submission of this report to your committee.

Sincerely yours,

BERNARD L. BOUTIN, *Administrator.*

DEPARTMENT OF STATE,
Washington, D.C., January 26, 1962.

HON. WARREN G. MAGNUSON,
*Chairman, Committee on Commerce,
U.S. Senate.*

DEAR MR. CHAIRMAN: Your letter of September 1, 1961, submitted to us for comment a copy of S. 2484, a bill to provide for establishing and operating a foreign-trade zone, a Hall of States, and an international reception and information center at the Anchorage International Airport, Anchorage, Alaska, and for other purposes.

This Department has been corresponding with the mayor of Anchorage regarding the establishment at the Anchorage Airport of some means of providing information about the United States to international travelers whose planes stop at Anchorage for refueling in the course of northern circle flights between Europe and the Far East. In this correspondence the mayor has used the term "reception center" to describe what he has in mind.

The Department of State, with financial support from the Agency for International Development, maintains reception centers in New York, Miami, New Orleans, San Francisco, Seattle, and Honolulu. They occupy small offices in the business districts of these six cities. Their staffs have two main functions. First, they meet foreign visitors (not including students) who come to the United States as recipients of travel and study grants given them by the Department of State or AID, and assist them with entry formalities, hotel accommodations, and onward travel. They give similar help to departing grantees. Second, when such foreign visitors come to these cities in the course of their travel within the United States, the staffs of the reception centers arrange local appointments and hospitality for them.

These are not the kinds of services which would be required of the proposed International Reception and Information Center at the Anchorage Airport. There the primary need, as we understand it, is to provide intransit foreign travelers with information about American institutions and ideals during brief stopovers of an hour or two. This is a worthwhile objective, and the Department of State believes that it is a proper concern of the Federal Government.

A Hall of States, which the bill provides, would be arranged by the State of Alaska or the city of Anchorage, would be a significant addition to the facilities of the proposed information center.

With respect to the bill's provision that a foreign trade zone be established at the Anchorage Airport, we defer to the judgment of the Department of Commerce and the Department of the Treasury.

The Department has been advised by the Bureau of the Budget that, from the standpoint of the administration's program, there is no objection to the submission of this report.

Sincerely yours,

FREDERICK G. DUTTON,
Assistant Secretary
(For the Secretary of State).

THE GENERAL COUNSEL OF THE TREASURY,
Washington, February 5, 1962.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Interstate and Foreign Commerce,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Your letter of September 1, 1961, requests the views and recommendations of this Department on S. 2484, introduced by Mr. Gruening (for himself and Mr. Bartlett), to provide for establishing and operating a foreign trade zone, a Hall of States, and an international reception and information center at the Anchorage International Airport, Anchorage, Alaska, and for other purposes.

The bill would allow the sale to foreign visitors of foreign and domestic merchandise under the provisions of the Foreign Trade Zones Act of June 18, 1934, as amended, in a foreign trade zone and the Hall of States located at an international reception and information center to be established at the international airport at Anchorage, Alaska.

We understand that it was the intent of the sponsors of the bill that sales be made on a retail basis in the foreign trade zone, without the payment of taxes or duties, to passengers waiting to board foreign-bound aircraft. The Foreign Trade Zones Act (19 U.S.C. 810(d)) forbids retail trade in a zone except under permits issued by the Foreign Trade Zones Board and limits the permissible trade to sales of such domestic or duty-paid or duty-free goods as are brought into the zone from customs territory. We understand that the report of the Department of Commerce will cover that aspect of the bill.

We wish, moreover, to direct attention to the provisions of sections 311, 555, 557, and 562 of the Tariff Act of 1930, as amended (19 U.S.C. 1311, 1555, 1557, and 1562), and the customs regulations issued with respect thereto which are set forth in part 19 of title 19 of the Code of Federal Regulations. These stat-

utes and regulations authorize the establishment and operation of bonded warehouses for customs purposes. It is suggested that the proponents of the project consult with the collector of customs for the district of Alaska to ascertain whether it is possible, as it appears to be under existing law, to work out procedures satisfactory to the proponents, whereby sales of merchandise under customs bond for exportation, without imposition of duties and import taxes, may be accomplished without need for further legislation.

The Department has been advised by the Bureau of the Budget that there is no objection from the standpoint of the administration's program to the submission of this report to your committee.

Sincerely yours,

ROBERT H. KNIGHT, *General Counsel.*

U.S. INFORMATION AGENCY,
Washington, February 7, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Committee on Interstate and Foreign Commerce,
U.S. Senate.

DEAR MR. CHAIRMAN: Your communication of September 18, 1961, requests Agency comments on S. 2484, a bill to provide for establishing and operating a foreign trade zone, a Hall of States, and an international reception and information center at the Anchorage International Airport, Anchorage, Alaska, and for other purposes.

The Agency has no objection to the establishment of an international reception and information center at the Anchorage International Airport, Anchorage, Alaska, as proposed in S. 2484. We do not believe, however, that it would be appropriate for the Agency to be responsible for the planning and construction of the center, or for the maintenance and operation of the foreign trade zone.

As you know, the Agency functions exclusively abroad and has no operational responsibilities in the United States. Furthermore, the Agency utilizes, to a large extent, the facilities of the Department of State for the management of its oversea operations, including such activities as the construction, acquisition, and maintenance of its buildings abroad. Thus, the Agency has neither experienced personnel nor the facilities required for the planning, construction, and maintenance of the center.

Should the center be established, we believe that the Agency's role should be limited to the provision of publications, exhibits, and other materials to the extent appropriations may be available therefor.

Sincerely,

EDWARD R. MURROW, *Director.*

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and certain other authorities the general plan and operation of bonded ware-
houses for the purpose. It is suggested that the provisions of the present
act with the collection of charges for the storage of goods in bonded ware-
houses. It is suggested that it appears to be more desirable that a ware-
house authority to the provisions of the present act should be established and
that bond for exportation, without the collection of duties and export taxes, and
taxes should be provided for the bonded warehouse.

The Department has been advised by the Board of the United States that
it is possible, in the statement of the authorities, to provide for the storage
of all the goods in the warehouse.

Robert H. Manning, Director

U. S. Department of Commerce
Washington, D. C.

Dear Sir: Your communication of September 12, 1921, regarding
the proposed bill to provide for an additional and operating a
bonded warehouse at the Alaska International Airport, Anchorage, Alaska, and
for other purposes.

The proposed bill is in relation to the establishment of an international ware-
house at the Alaska International Airport, Anchorage, Alaska, and for other
purposes. It is suggested that the provisions of the present act should be
amended to provide for the collection of duties and export taxes, and
taxes should be provided for the bonded warehouse.

The Department has been advised by the Board of the United States that
it is possible, in the statement of the authorities, to provide for the storage
of all the goods in the warehouse.

Very respectfully,
Robert H. Manning, Director