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MAIL TRANSPORTATION BY COMMON
CARRIER MOTOR VEHICLES



HEARINGS
BEFORE THE
COMMITTEE ON POSTAL OPERATIONS
OF THE
COMMITTEE ON
POST OFFICE AND CIVIL SERVICE
HOUSE OF REPRESENTATIVES
EIGHTY-NINTH CONGRESS

FIRST SESSION

ON

H.R. 6472

A BILL TO PROVIDE FOR THE TRANSPORTATION OF MAIL BY
MOTOR VEHICLES

MAY 25; JUNE 16, 22, 24, 29, 1965

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MAIL TRANSPORTATION BY COMMON CARRIER MOTOR VEHICLES

TUESDAY, MAY 25, 1965

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON POSTAL OPERATIONS OF THE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 219, Cannon House Office Building, Hon. David N. Henderson (acting chairman of the subcommittee) presiding, for the consideration of H.R. 6472, a bill to provide for the transportation of mail by motor vehicles.

(H.R. 6472 and the report of the Postmaster General thereon follow:)

[H.R. 6472, 89th Cong., 1st sess.]

A BILL To provide for the transportation of mail by motor vehicles

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, in arranging for the transportation of mail, the Postmaster General, consistent with the national transportation policy (49 U.S.C. 1), shall use the services and facilities of all regulated modes of transportation including those of regulated carriers of property by motor vehicle to the maximum extent they are available and adequately meet the needs of the postal service for safe, economical, efficient, and expeditious movement of mail.

SEC. 2. As used in this Act—

(a) "Commission" means the Interstate Commerce Commission of the United States.

(b) "Mail" or "mail matter" means United States mail of any class, and foreign mails in transit across the territory of the United States.

(c) "Mail transportation" includes services and the use of facilities in conjunction with the transportation of mail.

(d) For purposes of this Act, a "regulated carrier" is (a) any person who holds a certificate of public convenience and necessity or certificate registration from the Commission, or from a regulatory body of a State, territory, or possession of the United States, for the transportation of property by motor vehicles in intrastate, interstate or foreign commerce for compensation (except an express company to the extent that it is subject to part I of the Interstate Commerce Act) as a common carrier or, (b) any person who holds a permit from the Commission or from a regulatory body of a State, territory, or possession for the transportation of property in intrastate, interstate, or foreign commerce for compensation as a contract carrier or, (c) any person which is exempt from certain regulation by section 203(b) (8) of the Interstate Commerce Act or under the regulatory law of any State, territory, or possession of the United States.

SEC. 3. For purposes of this Act, mail transportation is declared to be transportation of property in interstate commerce.

SEC. 4. Within ninety days after the effective date of this Act, the Postmaster General shall file with the Commission a statement or statements of services for the utilization of regulated carriers for mail transportation, and may thereafter file such additional statements of services as he may deem necessary or advisable. Each statement of service shall set forth the Postmaster General's requirements for mail transportation by regulated carriers, and the units of service upon which compensation shall be based, and such other information which may be pertinent

and material to such mail transportation and the establishment of rates of compensation therefor.

Sec. 5. (a) The Commission shall promptly give notice to the public of the filing of statements of service, and under such procedures as the Commission shall specify the regulated carriers shall respond. The response of the regulated carriers shall, among other things, include their rates for mail transportation. The Postmaster General shall pay the regulated carriers at their initial rates until such time as other rates are established by the Commission pursuant to this section.

(b) The Commission shall promptly commence an investigation to determine and fix the fair and reasonable rates of compensation for mail transportation by regulated carriers; however, pending the establishment of rates by the Commission, the Commission shall not suspend any initial rates filed by regulated carriers applicable to mail transportation.

(c) In any proceeding under this Act, the Commission shall hold hearings to the same extent and with the same powers and authority as provided by law for other hearings between carriers and shippers.

Sec. 6. At any time after six months from the entry of an order stating the Commission's determination, the Postmaster General, or an interested regulated carrier, or group of such carriers, may apply for a reexamination of the terms of such order, and substantially similar proceedings as have theretofore been had shall be followed with respect to the rates of compensation and services covered by the application. At the conclusion of the hearing, the Commission shall enter an order stating its determination.

Sec. 7. The Postmaster General shall pay the regulated carriers the rates of compensation so determined and fixed at such times as named in the order.

Sec. 8. (a) When requested by the Postmaster General, every regulated carrier, except as provided by subsection (b) of this section, shall perform mail transportation in the manner, under the conditions, and within the services prescribed in accordance with applicable statements of services as approved by the Commission over the route or routes or within the territory for which it has operating authority or if the carrier is exempt under section 203(b)(8) of the Interstate Commerce Act, in the area exempted.

(b) Any regulated carrier may apply to the Postmaster General for relief from the requirements of this section by reason of conditions which impose hardship upon it. The Postmaster General shall grant such application.

Sec. 9. It shall be unlawful for any regulated carrier to fail or refuse to perform the services set forth in the applicable statement of services unless such failure is caused by unavoidable accident, or other circumstances beyond the control of the carrier. For refusal to perform service, the Postmaster General may impose a penalty not in excess of three times the compensation applying to the transportation with respect to which the violation occurred. For all other violations, the Postmaster General may impose a penalty not in excess of the reasonable value of any mail matter lost, destroyed, or damaged. The Postmaster General may remit the whole or any part of any penalty. In case of disagreement with respect to the carrier's liability or amount of liability under this section, either party may file a petition with the Commission requesting it to hold a hearing and the Commission shall issue an order determining the liability or amount of liability of the carrier.

Sec. 10. No specific authority to transport mail shall be required to be obtained by any regulated carrier from the Commission, or from a regulatory body of any State, territory or possession of the United States, and no rate of compensation for such transportation shall be subject to control by any such regulatory body except as herein provided.

Sec. 11. Nothing herein contained shall prevent the Postmaster General from entering into star-route contracts under existing provisions of law nor shall anything herein impair or suspend contracts for the transportation of mail by persons that are now in force and effect.

Sec. 12. Any provision of law inconsistent with the provisions of this Act is hereby repealed.

OFFICE OF THE POSTMASTER GENERAL,
Washington, D.C., May 25, 1965.

Hon. TOM MURRAY,
*Chairman, Committee on Post Office and Civil Service,
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: This is in reply to your request for a report on H.R. 6472, to provide for the transportation of mail by motor vehicles.

The proposed legislation would require that the Postmaster General use the services of all regulated modes of transportation including motor carriers, to the maximum extent they are available and adequately meet the needs of the postal service. Moreover, it would require that in every instance their use be preceded by the filing of a statement by the Postmaster General of the services required of the regulated carriers, and a determination by the Interstate Commerce Commission as to the rates of compensation to be prescribed for this service after investigation and hearing.

The utmost flexibility is required to enable the Department to cope with modern distribution and transportation problems and to implement postal management practices designed for efficient and economical movement of mail. However, we believe that the provisions of H.R. 6472 are restrictive to an extent which would impair the Department's flexibility in this important area of postal operations.

There are about 17,000 regulated carriers throughout the country. For all of these who operate in the areas covered by the statement of services which the Postmaster General must file, the Interstate Commerce Commission must prescribe the fair and reasonable rate of compensation. This rate must be paid and the service stated must stand, unless changed by further similar procedures.

Aside from the prescribed time-consuming procedures, the problem of determining the rates to be paid would be highly complex, since the items to be considered vary widely and would depend on such factors as the services required, the area of operations, the number of eligible carriers, and the competitive rail services. Moreover, any one of a vast number of carriers could institute a rate proceeding.

While it is expected that the rates established will be considerably higher than those procured by competitive contracting, there is no provision to allow contract negotiations by the Department for different rates and conditions of service. In the absence of authority to enter into contracts with regulated carriers by motor vehicle, the Department would be powerless to vary the specific conditions of service set forth in statements filed with the Commission or to vary specific rates prescribed by the Commission. In this respect the Department would be deprived of the discretion and degree of flexibility it possesses in other areas of mail transportation and would be unable to provide for transportation conditions requiring special services and pricing arrangements.

Under H.R. 6472 the Department would lack certainty that it could rely upon the availability of transportation service by any regulated carrier. The obligation placed upon regulated carriers, for instance, to perform mail transportation under section 8 of the bill is rendered meaningless by paragraph (b) of the same section which directs the Postmaster General to grant an application for relief from this requirement. Though it is possible that the drafters had in mind carriers engaged in moving freight in tank vehicles, the section applies to all regulated carriers, and would render mail transportation subject to the whims of the carriers involved.

Again, section 1 of the proposed bill, requiring the Department to use the services and facilities of "regulated" modes of transportation "to the maximum extent they are available and adequately meet the needs of the postal service," would seriously affect discretion under law to utilize transportation services obtained under star route contracts. While section 11 provides that nothing in the bill shall prevent the Postmaster General from entering into star route contracts under existing provisions of law, nor that anything therein shall impair or suspend contracts now in effect, the fact remains that the mandate contained in section 1 of the bill inescapably conflicts with the existing provisions of advertising for bids for star route contracts.

The declaration in section 3 that mail transportation is declared to be transportation of property in interstate commerce is obscure. By possibly subjecting

mail transportation by motor vehicle to significant areas of regulation applicable to common carriers by motor vehicle in relation to the transportation of property, this provision could have the result of further increasing unnecessarily the cost of transporting mail. Traditionally, persons engaged in the transportation of mail have not been considered common carriers of mail. However, section 3 introduces serious questions with respect to the relationship between the Postmaster General and the carriers and the responsibilities intended thereby to be placed upon the regulated carriers.

It is our opinion that while authority to utilize the services of other common carriers by motor vehicle for mail transportation is desirable, the machinery provided by H.R. 6472 is administratively undesirable as a method of providing such authority.

If the purpose of the legislation is to give more flexibility to the Department's operational methods for mail transportation, it is our belief that the flexibility can be better accomplished by an amendment to the existing authority of the Postmaster General as contained in section 6402 of title 39, United States Code. Since the Department may now contract with passenger common carriers by motor vehicle under the conditions specified in this section, it would seem that the Department's objectives and the underlying purpose of H.R. 6472 could both be accomplished through a simple amendment expanding the scope of this statute to embrace all common carriers by motor vehicle.

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 the committee.

Sincerely yours,

JOHN A. GRONOUSKI,
Postmaster General.

Mr. HENDERSON. We are beginning hearings today on H.R. 6472, which was introduced to authorize the Postmaster General to use common carrier truckers for transporting the mail under a procedure similar to the procedure applicable to railroads and airlines.

Mail transportation services are covered by special legislation which may be found in title 39, United States Code, sections 6101 through 6440, and several sections of title 49, United States Code, particularly sections 1371, 1375, and 1376, relating to air carriers. These laws set out in detail the criteria and requirements concerning the means and methods of distribution and of transportation of the mail. They permit the Post Office Department to use the services of railway, air, and water carriers for the transportation of mail on a rate tariff basis or, in some cases, on a contract basis under conditions prescribed by the Postmaster General.

There is similar authority with respect to transportation of mail by motor vehicles only in a very limited area in the case of passenger common carrier motor vehicles (39 U.S.C. 6402a).

The question of transportation of mail by motor vehicle common carriers was considered by the Comptroller General in 1955, and it was held at that time (B-124060, Dec. 15, 1955) that, in view of the pattern prescribed by Congress in obtaining transportation of mail by star route carriers, and considering that such pattern had been in effect over 100 years, the proposal to use motor vehicle common carriers without application of the restrictive provisions applicable to star route contracts requires the consideration of the Congress.

The bill which was sponsored, H.R. 6472, affords Congress such an opportunity. In most cases, 39 U.S.C. 6403 permits transportation of the mail by motor vehicles only when the law does not require railway, air, or water carriers to deliver the mail. Specific provisions (39 U.S.C. 6405) require formal contracts for such transportation by motor vehicles to be for 4-year terms. Other provisions (39 U.S.C. 6412) specify the method of advertising for bids and still other pro-

visions (39 U.S.C. 6420) require the bidder, if an individual, to be a resident of the county in which part of the mail route lies and, if a corporation, to be engaged in business within the county.

H.R. 6472 was introduced to provide additional authorization for the transportation of mail by motor vehicle common carriers under tariffs established by the Interstate Commerce Commission similar to the procedure now followed in the case of railroads and aircrafts.

We have as witnesses this morning representatives of the Post Office Department and the Interstate Commerce Commission.

First we will hear Mr. Frederick E. Batrus, Deputy Assistant Postmaster General, Bureau of Transportation and International Services, and I believe Mr. Doyle and Mr. Meininger are with you, Mr. Batrus.

The Chair will say the staff informs me that Mr. Dulski, the chairman of the Subcommittee on Postal Operations, was unexpectedly called back to his district in Buffalo and cannot be present at the session this morning. I am sure you have all been advised of future hearings, or will be so advised if you will contact the staff.

Mr. Batrus.

**STATEMENT OF FREDERICK E. BATRUS, DEPUTY ASSISTANT
POSTMASTER GENERAL, BUREAU OF TRANSPORTATION AND
INTERNATIONAL SERVICES, POST OFFICE DEPARTMENT, AC-
COMPANIED BY PAUL MEININGER, ASSOCIATE GENERAL
COUNSEL, POST OFFICE DEPARTMENT**

Mr. BATRUS. Thank you very much, Mr. Chairman. Mr. Doyle, who was listed to appear, was unable to attend because of another commitment, but Mr. Meininger, the Associate General Counsel, accompanies me on my statement with respect to this bill.

We appreciate this opportunity, Mr. Chairman. I have a prepared statement which I will read to the committee, with your permission.

Mr. HENDERSON. You may proceed, sir.

Mr. BATRUS. Thank you, sir.

On the basis of our consideration of the legislation proposed in H.R. 6472 to provide for the transportation of mail by motor vehicle, we have been forced to conclude that it would not be administratively desirable for the postal service in its present form.

With the complex demands of modern postal transportation, there is a distinct need for a high degree of flexibility to enable the Department to utilize all available forms of transportation and to employ those methods of transportation which in each instance best serve our goals of economy and efficiency. The continuing need for such flexibility is underscored by new management practices, such as our new system of distribution built around sectional centers which is enabling us to improve our distribution and transportation patterns.

H.R. 6472 contains restrictions and other features which would not provide the flexibility which was perhaps intended. It requires the Postmaster General to make use of the services and facilities of "regulated modes" of transportation to the maximum extent. This mandate, as set forth in section 1 of the bill, would impair the discretion which the Department now possesses to select methods of transportation best suited for its particular mail transportation needs. Under

existing law the Department may arrange for transportation of mail by motor vehicle through a system of competitive bidding, with the contract awarded to the lowest bidder. So-called regulated carriers by motor vehicle, and even railroads, are eligible to submit bids for such highway transportation. While section 11 contains what purports to be a saving clause to permit star route contracts under existing provisions of law, there is a definite and irreconcilable conflict between the mandate of section 1 and this saving clause.

The philosophy of section 1 of H.R. 6472 is inconsistent with the policy set forth in existing postal transportation statutes which have traditionally allowed a broad discretion in the management of mails and post roads. The adoption of a mandate specifying that regulated modes of transportation must be used to the maximum extent they are available is likely to present irreconcilable conflicts and engender continuing controversies concerning the performance of our postal transportation functions.

The machinery provided by H.R. 6472 for obtaining the transportation services of regulated carriers is complex and cumbersome. Mail transportation by such carriers is obtainable only after the Postmaster General shall file with the Interstate Commerce Commission fixed statements of service for their utilization for that purpose. Although there is no direction to any particular regulated carrier to respond to the statements of service so filed, the carriers so responding are directed to include their rates for mail transportation. The Postmaster General is directed to pay these initial rates until the Commission has conducted an investigation and holds a hearing to fix fair and reasonable rates. After 6 months from the entry of a rate order by the Commission any interested carrier may institute a new investigation by a simple application therefor. Considering the vast number of carriers which would be affected by this legislation, the proposed legislation would result in innumerable formal rate proceedings and thereby cause a substantial and continuing increase in the administrative workload of both the Post Office Department and the Commission. The establishment of rates in this manner involves many complex considerations and requires a substantial period of time.

Since the Department's use of regulated carriers for mail transportation would be limited largely to carriers operating regularly scheduled service, we do not believe a valid postal purpose would be served by subjecting all regulated carriers to the rate regulatory jurisdiction of the Commission or to a requirement to transport mail. For example, contract carriers perform specialized services tailored to the requirements of particular commercial shippers. It is probable that most contract carriers, as well as many other types of carriers who hold themselves out to transport particular commodities, perform specialized services incompatible with types of service desired by the Post Office Department. The chief advantage in the use of regulated carriers would be found in mail transport arrangements readily adapted to and consistent with their regular commercial transport operations. Whether a carrier provides services useful to the Department would depend in each case upon the carrier's operating authority and the nature of the services it performs.

In our opinion mail transportation rates established through formal hearing procedures such as those specified in H.R. 6472 would substantially exceed transportation rates obtainable through competitive

bidding or through direct negotiation with the carriers involved. Service and cost advantages obtainable by the use of regulated carriers can best be realized through direct negotiation with the carriers. The type of transport operations offering the greatest advantages to the Department would not fall readily within a rigid pattern of formal service requirements, as contemplated by H.R. 6472, nor would rates fixed by the Commission responsive to such formal requirements be appropriate for the type of operations envisioned by the Department.

In the absence of authority to enter into contracts with regulated carriers, the Department could not vary the specific service standards set forth in its formal statements filed with the Commission and could not vary the rates fixed by the Commission to meet special service conditions. Accordingly, H.R. 6472 would not insure the availability of types of service of special advantage to the Post Office Department.

To illustrate a special transportation arrangement which could be instituted by direct negotiation with a regulated carrier, I would like to assume a theoretical movement of mail in trucks which convey commercial traffic into a large center of population such as New York City. The inbound flow of commercial traffic handled by the carrier would complement the outbound mail flow in the opposite direction and the carrier could in this situation transport mail at rates and charges below those applicable to normal transportation services. Special arrangements similarly could be made to utilize regulated carriers in a situation where heavy mail shipments of large mailers emanate from distribution plants. Because of the irregular nature of such movements, direct negotiation would be more advantageous than advertising for bids. The movement of traffic would be exclusively one way out of the plant with no opportunity for a balanced movement in the return direction.

Under the regulatory scheme provided by H.R. 6472, service requirements of the Postmaster General must be approved by the Commission. This means, of course, that the Commission will have the final say with respect to the nature of the services to be rendered by the regulated carriers. This would create an anomaly in postal transportation history and legislation under which, with respect to only one mode of transportation, management and administrative responsibilities of the Postmaster General would be transferred to the Commission. It is neither practicable nor realistic to place postal functions of this kind in the hands of an agency which has no responsibility for the conduct of day-to-day postal operations.

In still another respect H.R. 6472 would transfer to the Commission administrative responsibilities which properly must be discharged as postal functions. Under section 9, the Commission would be charged with ultimate responsibility for determining the liability of a carrier for a "violation" related to the performance of the service. In all other areas of postal transportation, the Post Office Department administers penalties associated with transportation as an internal postal function and without intervention by other agencies. Also embodied in section 9 is the concept of conducting formal time-consuming hearings before the Commission in the matter of penalties for service delinquencies. This system applies in no other area of postal transportation. In our opinion it is undesirable to substitute for the simple procedures now employed by the Department elaborate hearing procedures to determine the fact of liability or the amount

thereof. This feature would adversely affect the efficiency of the Department's transportation program.

As noted in the Department's report, section 8 of H.R. 6472 purports to place an obligation upon regulated carriers to perform mail transportation under prescribed conditions. However, paragraph (b) of the very same section cancels out and renders this obligation meaningless in that the Postmaster General is directed to grant any application for relief from this requirement. Any carrier alleging hardship could automatically and immediately be relieved of the obligation to transport mail. Provisions of this kind would render mail transportation subject to the whims of the carriers involved. Postal transportation would be subject to disruption without notice upon the mere filing of an application for relief, and the Department could be deprived of an important transportation service without notice.

While the purpose of section 3 is obscure, the Department believes that it is intended to render the transportation of mail by motor vehicle subject to significant areas of regulation to which carriers are subject in relation to the transportation of property. If we are right in this belief, the bill would unduly complicate mail transportation problems and greatly increase the cost of moving mail. If mail were to be regarded as equivalent to the transportation of property, numerous questions would arise as to whether provisions of law applicable to the transportation of property would apply in lieu of existing postal or general statutes. A fundamental question would also be presented as to whether an insurer's liability of a common carrier would apply to mail transportation operations. A person engaged in the transportation of mail is not a common carrier of mail under existing law. However, section 3 is apparently intended to bring about a change in this respect. We do not feel such a far-reaching change is necessary or desirable. Many other serious questions would be presented by section 3, involving the application or nonapplication of many provisions of part II of the Interstate Commerce Act.

In addition to disadvantages which I have previously mentioned, section 9 would not be adequate in other respects. The application of a penalty in section 9 for "refusal" to perform service would be essentially meaningless in the light of the direction in section 8 whereby the Postmaster General must grant an application for relief from a requirement to transport mail whenever hardship is alleged. In the case of a deliberate refusal to perform service, section 9 would base the penalty therefor on the amount of compensation applicable to the transportation. This is not an appropriate standard for the application of a penalty. It is unrealistic to fix penalties for "other violations" on the basis of the reasonable value of mail matter lost, destroyed, or damaged, as provided in section 9. The value of most mail is either incalculable or, at best, extremely difficult to determine. Only by accident could the value of mail, even if determinable, have any conceivable relationship to the gravity or seriousness of a violation. Section 9 contains no provision for "violations" which do not result in loss, destruction, or damage of mail. While the first sentence of section 9 provides that "failure" to perform service is unlawful, no penalty applies to such a violation except that related to the value of mail "lost, destroyed, or damaged." If no

mail were lost, destroyed, or damaged, presumably no penalty would apply at all. It cannot be determined whether the term "violations" as used in section 9 covers only a failure to perform service or whether it is intended to encompass violations of statements of services or other delinquencies.

It is not possible to determine with certainty whether H.R. 6472 purports to grant authority to the Commission to fix rates retroactively for the period prior to the entry of the Commission's initial rate order. The language in section 7 "at such times as named in the order" may have been intended to authorize such action. While the Commission is forbidden from suspending "initial" rates filed by the carriers, it could be contended that the retroactive readjustment of such initial rates, being an entirely different remedy than suspension procedure, is nevertheless authorized. The Department would be reluctant to institute transportation arrangements under conditions where the ultimate charges would not be known with certainty for a long period of time after service is performed.

In the past the Department has favored legislation which would afford increased flexibility to utilize services provided by the common carriers by motor vehicle. Legislation accomplishing in part the Department's objectives was approved December 23, 1963 (Public Law 88-239). As codified in section 6402a of title 39, United States Code, this legislation permits the Postmaster General to enter into agreements, under such terms and conditions as he shall prescribe, without advertising for bids and without bond, for the transportation of mail, in passenger-carrying motor vehicles, by passenger common carriers by motor vehicles over the regular routes on which carriers are permitted by law to transport passengers. Under this legislation, the Department has obtained flexibility to utilize scheduled passenger bus operations whenever that service provides advantages for postal purposes. This has proved to be particularly advantageous in expediting the delivery of preferential mail. If the underlying objective of H.R. 6472 were to provide the same degree of flexibility with respect to the use of carriers engaged in the transportation of property, we believe this objective could be accomplished in one way through a simple amendment expanding the scope of the authorization in section 6402a to include common carriers by motor vehicle which are permitted by law to transport property. The Department continues to favor flexibility to utilize each medium of transportation to best advantage in the movement of mail, and believes that the services provided by common carriers by motor vehicle can be made available under legislation which is not restrictive or burdensome to the postal service.

Mr. Chairman, that concludes the prepared statement. I would like to emphasize the fact that it has been the position of the Department that a change in the law which would increase the flexibility of our management to cope with the complex matters we face today is what we would favor. We felt here, however, the need to point out in detail the objectionable features of this particular bill because in many respects these features would be an administrative burden and would be restrictive of flexibility.

I would be glad to answer any questions.

Mr. HENDERSON. Thank you very much, Mr. Batrus, for your valuable statement. The committee has received the official report

of the Postmaster General this morning. Without objection it will be ordered printed in the record. Perhaps it should precede the statement of the Deputy Assistant Postmaster General.

Do you have any questions, Mr. Nix?

Mr. NIX. I have no questions, Mr. Chairman. I will make a comment that there is no doubt in my mind the witness is opposed to the proposed legislation.

Mr. HENDERSON. Certainly, in its present form.

Mr. Cunningham, perhaps you would like to inquire. I think I would like to know from Mr. Batrus some of the experience they have had under the bill referred to in his statement, a bill introduced by the distinguished gentleman from Nebraska, and I would like to know more about the effect of the enactment of that legislation and any comments you would like to make.

Mr. CUNNINGHAM. I have not had a chance to study the bill. I appreciated the statement.

Mr. Batrus, you say:

The adoption of a mandate specifying that regulated modes of transportation must be used * * *.

Do you mean you would be forced to use every regulated mode of transportation?

Mr. BATRUS. Under the provisions of this bill, Mr. Congressman, it is not quite clear, really, what our obligations would be, but the language of the bill is in terms the Postmaster General shall use to the maximum extent they are available the services of all regulated modes of transportation.

Mr. CUNNINGHAM. What would that mean? Say you are sending the mail from Washington to Chicago and maybe you are sending it now by train, which is also a regulated carrier that makes the same run. Does that mean you would have to distribute that mail so the railroad would get some and the trucks would get some?

Mr. BATRUS. Certainly the railroads are a regulated mode of transportation and it would be complying with the law if we used the railroads. Whether we would have to divide the mail with other regulated modes of transportation, I do not know. I do not see that that is involved. But between Washington and Chicago we would be required to use a regulated carrier, whether it be a regulated carrier by truck or by rail.

Mr. CUNNINGHAM. Is it clear in your mind what this language means?

Mr. BATRUS. It would mean we would make use almost exclusively, in the final analysis, of regulated modes of transportation. Section 11 of the proposed bill states there is to be no conflict, in effect, between this and the provisions of law applicable to star route contracts, but the conflict is inevitable and it would be a very difficult thing to administer. How would we determine when we could advertise for bids from what we know is a star route carrier? We would have to determine there is no regulated carrier available and then determine if we could use the star route.

Mr. CUNNINGHAM. In the star route you have a contract?

Mr. BATRUS. They are advertised for competitive bid in every instance.

Mr. CUNNINGHAM. Would you tell us in your own words what would apply here? Say you wanted to use a motor vehicle, a truck,

to transport some mail. Do I infer that the rates would then be set by the Interstate Commerce Commission?

Mr. BATRUS. Under the provisions of this bill the rates would be fixed by the Interstate Commerce Commission for all regulated modes of transportation by motor vehicle, those who are carriers of property, and they have defined the regulated modes of transportation very broadly. I think there are some 17,000 carriers that are considered as regulated carriers.

Mr. CUNNINGHAM. What other rates involved in postal operations are determined by the Interstate Commerce Commission?

Mr. BATRUS. Rates for the transportation of mail by railroads.

Mr. CUNNINGHAM. What?

Mr. BATRUS. Railway mail rates.

Mr. CUNNINGHAM. How long would it take to have the Interstate Commerce Commission set those rates?

Mr. BATRUS. Mr. Meininger, our Associate General Counsel, has had considerable experience with respect to those proceedings and I would like to have him answer that.

Mr. MEININGER. I could cite a couple of examples that I think would be informative. For example, in the last contested *Eastern Railway Mail Pay* case the application was filed, I believe, in the summer of 1956 and this involved merely one segment, the eastern railroads, and the final decision was rendered in the fall of 1958.

In 1947 a railway mail pay application was filed in February and it was disposed of partly for a retroactive period in 1950, and it was disposed of finally in November 1951. That proceeding lasted almost 5 years.

The Supreme Court, I might say, has held that the problem of fixing railway mail rates is a gigantic and complex matter. It was recognized in the famous *New York Central* case—which determined the right of railroads to retroactive compensation from the moment of the filing of the application—in that particular instance the Supreme Court said that the necessary investigation takes a long time; in fact, it takes years.

Mr. CUNNINGHAM. Say you were going to send some mail by motor vehicle from here to Chicago and you asked the Interstate Commerce Commission to set the rates; is that the way it would go?

Mr. MEININGER. I do not believe the Interstate Commerce Commission has set what you are apparently describing, a point-to-point rate. They have set rates applicable to certain services, such as storage service, and a rate would apply by rail from Washington to Chicago depending on what kind of service it is. I suppose you are speaking of storage mail, and there is a rate established for that service.

Mr. CUNNINGHAM. Suppose you wanted to move it by truck?

Mr. BATRUS. As we visualize it, if this bill were enacted we would have to prepare a complete statement of services that would be required by regulated motor carriers and file this with the Interstate Commerce Commission. This could take any number of forms and it may have to vary according to regions and according to the kind of services we would want performed. It may have to include specific services that would deal only with what we call the line haul; it may have to deal with terminal operations, which would be the loading and unloading and separating of mail and moving the mail

to other forms of transportation. This statement of services filed with the Interstate Commerce Commission would be the basis on which they would determine what the fair and reasonable rate of compensation should be. If there are only a limited number of carriers or a limited number of instances for which we wanted services under this bill if enacted, then we would have to file statements for each and every service we would want.

Mr. CUNNINGHAM. Would you say it would take 5 years?

Mr. BATRUS. It could, depending on how the Interstate Commerce Commission would handle it.

Mr. HENDERSON. Would the gentleman yield for a question at that point?

Mr. CUNNINGHAM. Yes.

Mr. HENDERSON. You do not have to do that for contracts with passenger motor vehicle carriers under the recent act?

Mr. BATRUS. No; because there the law merely provides that we may negotiate directly with the carriers and establish a rate by contract or we may advertise for bids. It did not put the Interstate Commerce Commission into the picture to fix the rates we would pay the passenger motor carriers.

Mr. HENDERSON. How long does that take you to negotiate such a contract?

Mr. BATRUS. It does not take long. It is a matter of covering all the services and discussing with them the type of services and discussing simplification of the rates, and once this contract is entered into it is a binding 4-year contract. It does have special provisions for termination by specific notice, cancellation of the contract, but it is not an involved or complicated procedure.

In the case of railway mail rates we do also have to submit to the Interstate Commerce Commission a statement of the services required. This we have done many times and we have a very comprehensive statement of the services we require of railroads which the Interstate Commerce Commission uses as the basis for fixing railway mail rates. But there, again, while we have the rates fixed by the Interstate Commerce Commission based on our statement of services, the Congress has provided in the law that we may contract individually with the railroads for services that differ from the services covered by the Commission, and at rates which are higher or lower than the rates fixed by the Commission. So we have great latitude there which we would not have under this bill.

Mr. HENDERSON. In the transportation of mail by bus, how extensive is this now since the act was passed?

Mr. BATRUS. In the last 4 or 5 years our use of passenger buses has been increasing. What the law did was to facilitate our ability to arrange for the movements and to arrange for payments. It has been growing steadily. You have made it easier to arrange transportation with the carriers.

Mr. CUNNINGHAM. If the gentleman will yield, you had been using the services but the General Accounting Office felt it was not legal and the purpose of the act was to legalize the practice?

Mr. BATRUS. That is correct.

Mr. HENDERSON. If Congress intended to broaden the authority of the Postmaster General you would recommend the extension of the authority to other modes of transportation?

Mr. BATRUS. That is correct. As a matter of fact, we made that recommendation in the omnibus transportation bill of 1962. However, we do not want to indicate to the committee that we are not in favor of the general principles and purposes of this legislation. It is a very difficult thing to draft the kind of legislation that would have no objectionable features. We thought we would point out to the committee the various objectionable features. If there were another way of carrying out the purposes of the legislation without unduly interfering with the administrative functions of the Department, we would favor it.

Mr. NIX. Mr. Chairman.

Mr. HENDERSON. Mr. Nix.

Mr. NIX. What would be the position of the railroads under the kind of legislation which you would approve?

Mr. BATRUS. I am not certain. I imagine they will testify with respect to this legislation.

Mr. NIX. I mean their position under the law you would approve.

Mr. BATRUS. I imagine they would be in the same position they are today, by and large.

Mr. NIX. What is that?

Mr. BATRUS. We would have no objection to a law that would provide for the Interstate Commerce Commission to fix rates for certain regulated motor carriers, if it were on the same basis as the law applicable to railroad.

Mr. NIX. The railroads have legal obligations not shared by other carriers under the law. Is that correct?

Mr. BATRUS. Under the law, that is correct.

Mr. NIX. Would they be disadvantaged under the kind of legislation you would approve?

Mr. BATRUS. No. I think we would approve legislation that would be equally fair to both, that would put them both on the same basis.

Mr. NIX. That is the assumption all laws carry.

Mr. BATRUS. We would object to a provision that would provide for a legal obligation and a compulsion to carry mail by one regulated mode of transportation under rates fixed by a regulatory commission, if the same obligation would not pertain to the other mode of regulated transportation, or one mode having the benefits without the obligation, let me put it that way.

Mr. CUNNINGHAM. I note your statement says:

Postal transportation would be subject to disruption without notice upon the mere filing of an application for relief.

Do you mean if this bill were enacted motor vehicle carriers carrying mail could simply say they would want relief?

To whom would they direct their requests?

Mr. BATRUS. Under the provision of this bill, they would direct their request for relief to the Postmaster General.

As we read the bill, it is indicated if they claim hardship, automatically they get the relief.

Mr. CUNNINGHAM. You make that point where you say:

* * * whereby the Postmaster General must grant an application for relief from a requirement to transport mail whenever hardship is alleged.

Mr. BATRUS. That is our interpretation. We point this out only because of the importance this may have in our planning. We should know one way or the other—is there an obligation or is there not?

Under contracts of 4 years, there is an obligation for the term of the contract. This may be an extreme interpretation of the bill, but we necessarily wanted to interpret it as broadly as possible to be sure we knew what we were up against.

Mr. GROSS. Mr. Batrus, was the Post Office Department consulted in the drafting of this legislation?

Mr. BATRUS. No, sir; it was not.

Mr. GROSS. At no time?

Mr. BATRUS. Not to my knowledge; no, sir.

There have been discussions, Mr. Gross, in the past—certainly many consultations, or meetings or discussions, with representatives of the industry with respect to legislation, but none of the details of this particular bill at all. The first time we saw this bill was when it was introduced.

Mr. GROSS. Other than the author, you have no knowledge of the origin of this legislation?

Mr. BATRUS. No, sir; we do not.

Mr. GROSS. What would be the effect of this legislation upon star route contract carriers?

Mr. BATRUS. If as we say here—and we think it is so—there is an irreconcilable conflict, and if we were to interpret this as meaning we are to use the regulated modes of transportation at every opportunity and to the maximum extent they are available, it would definitely reduce the number of star route-type contract operations we would have.

Mr. GROSS. It would reduce them?

Mr. BATRUS. Yes; it would.

Mr. GROSS. Can you put a price tag on this bill in any way?

Mr. BATRUS. Not a specific price tag because there are too many assumptions that have to be drawn. The ICC would have to fix the rates.

It is our opinion if the rates were to be fixed by the ICC, and we were to use these services in lieu of the services which we now obtain by competitive bidding, our costs would be increased and possibly substantially increased.

Mr. GROSS. Can you approximate the amount of money now spent for transportation of the mails, other than for rural carriers and other than by the transportation of mail that would not be affected by this legislation?

I am trying to get at the amount of money we are dealing with through the terms of this legislation.

Mr. BATRUS. I would say involved directly or indirectly would be the whole sphere of our domestic transportation, surface transportation service. Our total bill now for that approaches \$500 million a year.

We pay the railroads at this time approximately \$340 to \$350 million a year. Of this amount, about \$250 million is for what we call the regular transportation of mail. The rest is for special services, or for on-route distribution in railway post office cars which would not be affected here. We pay for highway transportation in the area of around \$114 million a year, of which about \$90 million is for what we

designate as the star route services. The rest would be for the local cartage mail messenger-type service.

It is a substantial sum if it is going to affect every segment of this transportation. But the star route service is about \$90 million.

Mr. GROSS. Is there any section or provision of this bill that is acceptable to the Department?

Mr. BATRUS. Actually, Mr. Gross, we have not looked at it as to specific provisions being acceptable. I am sure there would be some that would be acceptable by some modification.

Mr. NIX. Do you feel that legislation on the basic question involved in H.R. 6472 is needed at this time?

Mr. BATRUS. We have advocated, Mr. Nix, there should be legislation which would increase our flexibility. This basic legislation could be drawn probably in a fashion that would not impair our flexibility and still make available to us the additional services of the regulated motor carriers.

Mr. NIX. So what you are saying is, if legislation were drawn not impairing your flexibility but carrying out the purpose of this legislation, you would favor it?

Mr. BATRUS. We would support it; yes, sir.

Mr. NIX. Thank you.

Mr. GROSS. You asked the question I intended to ask.

Thank you, Mr. Chairman.

Mr. HENDERSON. Are there any further questions of Mr. Batrus? Thank you very much.

We will now hear from Mr. Charles A. Webb, Chairman, Interstate Commerce Commission.

May I welcome you before the subcommittee this morning.

If you have any associates that you would like to have join you at the witness table, you may call them.

STATEMENT OF HON. CHARLES A. WEBB, CHAIRMAN, INTER-STATE COMMERCE COMMISSION; ACCOMPANIED BY COMMISSIONER VIRGINIA MAE BROWN; B. E. STILLWELL, DIRECTOR, BUREAU OF OPERATING RIGHTS; A. L. CORBIN, DIRECTOR, BUREAU OF RATES AND PRACTICES; T. J. DELANEY, BUREAU OF MOTOR CARRIERS; AND J. T. CORCORAN, CONGRESSIONAL LIAISON OFFICER

Mr. WEBB. Mr. Chairman and members of the committee, my name is Charles A. Webb. I am the Chairman of the Interstate Commerce Commission and have served in that capacity since January 1, 1965.

Mr. Chairman, on behalf of the Commission, I want to thank you and the members of the committee for this opportunity to express our views on H.R. 6472, introduced by Congressman Dulski, to provide for the transportation of mail by motor vehicles.

The purpose of this bill is to enable regulated motor carriers to transport mail on the same general basis as rail and air carriers. That objective is consistent with provisions of the national transportation policy (49 U.S.C. 1) calling for fair and impartial regulation of all modes of surface transportation to the end of developing, coordinating,

and preserving a national transportation system adequate to meet the needs of the postal service.

In its 78th annual report to the Congress, the Commission recommended the enactment of legislation to authorize regulated motor carriers to participate in the transportation of mail on the basis of rates and charges approved by the Commission. Thus the Commission favors the basic objectives of the proposed legislation.

When the Motor Carrier Act was passed in 1935, no provision was made for the transportation of mail by motor carriers of property subject to economic regulation. The transportation of mail under contract with the Post Office Department, or as a subcontractor with the approval of that Department, does not require authority from, and is not regulated by, the Commission. Postal statutes do not permit motor carriers of property to transport mail on the same basis as railroads, airlines, or even buslines. All such transportation must be advertised, piece by piece, and awarded to the lowest responsible bidder. As a result, regulated motor carriers of property do not participate in mail traffic to any substantial extent.

Since these statutes were enacted, however, there has been a continuing evolution in all modes of transportation. Air carriers, once an insignificant factor in the movement of U.S. mail, are now vital to the Nation's mail service.

Railroads, which provided 10,000 mail trains (passenger) in 1930, now provide about 12 percent of that number. In the meantime, motor common carriers of property have more than quadrupled their revenues and have created a nationwide system of transportation providing virtually all cities and towns with less-than-truckload freight service.

Finally, the completion of the new Interstate Highway System will provide a new system of highway routes which will enable motor carriers to operate more economically and efficiently than ever before.

The President's transportation message of April 1962 urged the Congress to enact legislation permitting the Post Office Department to obtain "greater flexibility" in the transportation of mail by motor common carriers. At hearings on this matter, the Post Office Department sought only an amendment of the Transportation Act of 1940, which would authorize it to negotiate with regulated motor carriers without regard to the advertising-bidding procedure.

Later, on December 23, 1963, the Postmaster General was authorized by Public Law 88-239 to negotiate contracts with motor carriers of passengers for the transportation of mail.

The present situation is plainly unfair to those motor carriers of property who are able to handle the U.S. mail as economically and as efficiently as railroads, airlines, and motorbus operators. A considerable amount of rail passenger service is being discontinued, and schedules are being curtailed. Mail is fully adaptable to truck transportation and motor carrier service is available for the economical, expeditious, and reliable movement of mail.

If the Post Office Department is not required to use the motor service offered by the regulated highway carriers under published rates, and if the Department retains the right to award mail contracts by the presently authorized competitive bidding procedures, the Department's freedom of choice would be enlarged by the proposed legislation

that would make the motor common carrier system readily available to it for the transportation of mail.

As a matter of fact, intercity highway transportation of mail has grown even under statutes which were not designed to encourage it.

Railroads, for example, are permitted to substitute highway service for rail service pursuant to contracts negotiated with the Post Office Department (39 U.S.C. 6213).

Railroad revenues derived from the transportation of mail by highway have trebled over the past 10 years. In addition, the conventional star route service has been expanded in recent years to include over-the-road mail transportation services between large population centers.

For example, the number of short-haul truck services authorized under the star route advertising-bidding procedures increased from 33 at the end of fiscal year 1951 to 712 at the end of fiscal year 1961. Accordingly, there is every reason to believe that if the technological and economic developments of the past three decades were reflected in postal transportation legislation, an increasing volume of mail would be transported over the Nation's highways to the benefit of the general public.

Although the Commission favors the basic objectives of H.R. 6472, the bill, in its present form, is neither fair nor workable. In our opinion, the principal defect in H.R. 6472 is its inclusion of all motor common and contract carriers of property licensed by the Federal or State Governments, or potentially subject to economic regulation under so-called commercial zone exemption in section 203(b)(8) of the Interstate Commerce Act and comparable State legislation. (H.R. 6472, sec. 2(d)). There are approximately 15,000 motor carriers of property who hold certificates or permits issued by the Commission.

We do not know how many carriers operate under the section 203(b)(8) exemption, but 80,000 would be a fairly conservative estimate. Because of safety checks and investigations of allegedly unlawful operations, the Commission knows some of the carriers operating under the section 203(b)(8) exemption. However, we do not maintain records of such carriers. Carriers may begin or stop operating under the exemption without permission from or notice to the Commission. Many of these carriers are small, operating only one or two trucks.

Finally, we do not know how many intrastate motor carriers of property would be embraced by the terms of the bill, but 50,000 is a reasonable estimate.

Although section 2(d) clearly provides that the only interstate exempt carriers included are those operating under the commercial zone exemption, it is not clear whether only this type of exempt intrastate carrier is included. If the intent is to include only intrastate carriers, operating locally within commercial zones, we suggest that the word "under" in line 22 on page 2 of the bill be deleted and the words "by a similar provision in" be substituted in lieu thereof.

In this connection, it should be noted that the mandatory provisions of section 8(a) of the bill fail to include carriers operating under a State exemption.

Assuming that the section 2(d) definition of "regulated carrier" includes approximately 145,000 carriers, literally thousands of carriers

would be required under the provisions of section 5 of the bill to respond to a Post Office Department statement of service involving the points and areas where such carriers operate. These carriers would be required to file rates for the transportation of mail even though unwilling or unable to perform such transportation.

The Commission, with its limited enforcement staff, would not be able to compel the numerous motor carriers involved to comply with the rate-filing requirements of section 5(a) of the bill. Nor do we believe that it is possible for the Commission to determine fair and reasonable rates for mail transportation, as required by section 5(b) when a large majority of the rate-filing carriers would not be engaged in motor carrier operations readily adaptable to the transportation of mail.

Moreover, the sheer number of carriers involved in the section 5 investigations would require a large increase in the number of Commission tariff examiners, attorneys, and accountants. By contrast, in determining fair and reasonable compensation for railway mail transportation, the Commission is concerned with only 75 railroads whose operations and costs are substantially similar.

H.R. 6472 attempts to treat all regulated motor carriers of property alike. However, any effort to give virtually all segments of the motor carrier industry an opportunity to carry mail necessarily will result in a bill that is unrealistic and unworkable. Tank truck carriers, heavy haulers, dump truck carriers, oilfield haulers, automobile carriers, mobile home haulers, and other specialized carriers are not equipped to handle mail. Carriers who specialize in the transportation of race horses, homing pigeons, household goods, explosives, frozen foods, fertilizer, and gold and silver bullion are not likely to be interested in assuming the obligations expected of a carrier of mail. They should not be burdened with any ratefiling requirement, and the Commission should not be required to determine what it would cost them to carry mail if they revamped their method of operation.

And finally, there are literally thousands of irregular route carriers who operate suitable equipment but who do not operate on any regular schedule, who serve points within their authorized territory infrequently, and who do not have terminal and other facilities required for the economical and efficient handling of mail in less-than-truckload quantities.

Even if the scope of H.R. 6472 were limited to the 15,000 authorized interstate motor carriers of property, only about 2,000 of those carriers are now able to render a daily, dependable, and expeditious service in transporting the various quantities of mail that might be tendered. Presumably, a majority of the other 13,000 carriers, if requested by the Postmaster General under section 8(a) of the bill to perform mail transportation, would exercise the right provided in section 8(b) to be excused.

We see no reason why the Post Office Department should be burdened with processing thousands of applications for mandatory relief filed by carriers who nominally hold themselves out to transport mail at published rates.

More importantly, section 8(b) completely nullifies the obligation imposed by section 8(a). This is the second major defect of H.R. 6472. In making the obligation to transport mail wholly discre-

tionary for all motor carriers, the bill creates a glaring inequality as between rail and motor carriers.

A third major deficiency in H.R. 6472 is found in section 6. That section of the bill, like the Transportation of Mail by Railroad Act (39 U.S.C. 6209), provides that:

At any time after six months from the entry of an order stating the Commission's determination (of mail rates), the Postmaster General, or an interested regulated carrier, or group of such carriers, may apply for a reexamination of the terms of such order, and substantially similar proceedings as have theretofore been had shall be followed with respect to the rates. * * *

Although section 6 is taken from the railroad statute, the equality of treatment is more apparent than real. Although only about 75 railroads transport mail, any one of thousands of motor carriers would be permitted under the terms of the bill to upset a Commission order by applying for reexamination, which the Commission would be required to grant, no matter how unjustified.

In the interest of terminating litigation, the Commission should be given discretion in granting or denying petitions for reconsideration of mail pay orders. Otherwise, section 6 of the bill would result in continuous and endless proceedings on mail rates for motor carriers.

Section 3 of the bill provides:

For the purposes of this Act, mail transportation is declared to be transportation of property in interstate commerce.

We question whether the Congress can convert a movement between two points in a single State into an operation in interstate commerce simply by legislative declaration. Because of the nature of mail itself, it would seem that almost all shipments would contain mail moving across State lines as well as mail moving within a single State.

Moreover, since mail service is so clearly within the province of the Federal Government, there would appear to be no question that Congress has the power to regulate mail transportation without recourse to the commerce clause of the Constitution.

In addition, we are opposed to section 9 of the bill under which the Commission would be required to resolve disputes between the Postmaster General and motor carriers respecting carrier liability for failure or refusal to perform service and liability for mail matter that is lost, damaged, or destroyed. The Commission has no precedents and no expertise in this field. Even with regard to the regulation of motor transportation of other property, the Commission has not been given jurisdiction to determine liability for loss or damage.

The Congress, wisely in our opinion, has permitted the courts to resolve such matters as these. Accordingly, we recommend that section 9 be amended to conform, as nearly as practicable, to the corresponding section of the Transportation of Mail by Railroad Act (39 U.S.C., 6207). Unlike the railroad statute, section 9 of H.R. 6472 would authorize the Postmaster General to remit all or part of any penalty.

Section 11 of the bill would expressly confirm the authority of the Postmaster General under existing law to enter into star route contracts for the transportation of mail. We have no objection to this provision of the bill. To the best of our knowledge, it will continue to be necessary to use star route carriers in performing collection and delivery services and for relatively short-haul trucking services for which there is no readily available for-hire service.

However, to the extent that intercity mail transportation is performed by motor common carriers of property at published rate, it would appear to be necessary, either by statute or administratively, to exclude such service from the star route contract procedures. That may well be the purpose of section 1 of the bill.

Obviously, it would be unfair to require regulated carriers, restricted as to routes and bound by prescribed rates, to compete for traffic against carriers not so restricted. On the other hand, we do not believe that regulated carriers should be permitted to undercut their own rates approved by the Commission by entering into star route contracts for the same service.

We recognize that the problem of delineating the sphere of regulated motor transportation of mail and that of star route transportation would concern the Post Office Department primarily.

In our opinion, no satisfactory legislation on this subject can be written unless it is recognized that only one group of motor carriers of property possesses the equipment, authority, experience, facilities, and operational arrangements required for the performance of economical and efficient transportation of mail over the public highways. Legislation to open the door to the transportation of mail by all regulated motor carriers is likely to create gross inequalities as between rail and motor carriers and an administrative nightmare for the Government agencies concerned.

Accordingly, we believe that any legislation on this subject should be confined to motor carriers of property who operate generally over regular routes, operate on definite schedules, have formal interline arrangements with connecting carriers for through-trailer service, are authorized to transport general commodities with the usual exceptions, conduct most of their operations with conventional equipment, and operate terminal facilities for the handling of less-than-truckload freight. This group of motor carriers probably includes less than 2,000 carriers interested in the transportation of mail.

However, this group of carriers is commonly regarded as the backbone of the trucking industry. This group of motor carriers is able to assume, and so far as we know willing to assume, all obligations connected with the transportation of mail that are presently assumed by the railroads.

If legislation on this subject were limited to motor carriers having above-described characteristics, it could be made quite simply in nature and easy to administer. It would be necessary, of course, to define generally the motor carriers permitted to transport mail at published rates. The Commission would have little difficulty in determining which carriers met the statutory criteria. To the extent that these carriers were unable or unwilling to make firm commitments for transportation of mail on conditions similar to those applicable to railroads, existing star route contract procedures would be available to meet any unsatisfied need for highway transportation. One great advantage of this approach is that it would make available for the transportation of mail existing motor carrier plant and facilities without encouraging the acquisition of unnecessary transportation facilities.

In conclusion, we favor the basic objectives of H.R. 6472 but, for the reasons stated above, we oppose the enactment of the bill in its present form.

Mr. HENDERSON. One question, Mr. Webb.

What number of trucks, or what percentage of the total number of trucks would be operated by these 2,000 carriers that you have referred to?

Mr. WEBB. That would be out of a total of 15,000 authorized interstate motor carriers of property, those who hold certificates or permits from the Commission.

Mr. HENDERSON. Can you give us what percentage of the total number of trucks operated by the 15,000 are operated by the 2,000?

Mr. WEBB. I would be glad to supply that figure to you.

(The information referred to was not received at the time of printing, but when available will be retained in the subcommittee files.)

Mr. NIX. Mr. Webb, even in a statement as lucid as yours, there are statements that are beyond me. You say:

The Congress, wisely in our opinion, has permitted the courts to resolve such matters as these.

Mr. WEBB. Yes.

Mr. NIX. The reason I mention that is this: Ever since I have been here I have heard repeated complaints that we have not permitted the courts to do anything, yet they have done it here.

Now, going to the last part of your statement, or near the last part, you say:

No satisfactory legislation on this subject can be written unless it is recognized that only one group of motor carriers—

And you go on to explain the group of which you speak.

Mr. WEBB. Yes.

Mr. NIX. I do not see that you mention the railroads at all. They are not included, are they?

Mr. WEBB. We assume the railroads would continue to carry mail under existing legislation.

Mr. NIX. They are legally bound to do so, are they not?

Mr. WEBB. Yes; that is correct.

Mr. NIX. So when they were deleted, that was done so because it was not necessary to include them because they were legally included?

Mr. WEBB. What I have said is not intended at all to exclude transportation of mail by railroads.

Mr. NIX. And yet the description of the type of carrier you would approve does not include the railroad?

Mr. WEBB. No. I am describing only a particular type of motor carrier.

Mr. NIX. That is inconsistent with the type of service that could be and is being rendered by the railroads, is it not?

Mr. WEBB. Well, the railroad is a different form of transportation.

Mr. NIX. I am not talking about the difference in form, I am talking about the service, in view of the type of service rendered by each. You have described the type of service you would approve. That type of service could not be rendered by the railroads, could it?

Mr. WEBB. The railroads could, and they presently do, perform some highway transportation under existing law, and to the extent they do, I believe their motor carrier operations would possess the characteristics of the service I have described.

Mr. NIX. What you really mean is, if all the improvements now contemplated by many people for the railroads were put into effect,

then they might measure up to the standard you have set for your carrier. That is really what you mean, is it not?

Mr. WEBB. Yes. I have simply described certain standards of motor carrier service, and to the extent that the railroads are engaged in motor carrier operations, so far as I know, their services have the same characteristics.

Mr. NIX. Mr. Webb, the point I make—and I do not want to take too much time—is the common carriers you have mentioned now perform those services; they have the facilities; they are operative whereas the railroads do not have the facilities and are not operating to the standard you set.

Mr. WEBB. That is generally correct, Mr. Nix. They are operating a different type of service.

Mr. NIX. In your statement you say:

Even if the scope of H. R. 6472 were limited to the 15,000 authorized interstate motor carriers of property, only about 2,000 of those carriers are now available.

Where do you get the figure?

Mr. WEBB. We estimate that there are about 2,000 motor carriers of the type I have described.

Mr. NIX. What is the estimate based on?

Mr. WEBB. Simply our general knowledge of the industry and the information and the records we have which indicate numbers of carriers authorized to perform particular services.

Mr. NIX. There is one last thing. You say:

Carriers who specialize in the transportation of race horses, homing pigeons, household goods, explosives, frozen foods, fertilizer, and gold and silver bullion are not likely to be interested in assuming the obligations expected of a carrier of mail.

Has any investigation been made into that?

Mr. WEBB. No; there has been no investigation of that.

Mr. NIX. That is an embellishment of the argument?

Mr. WEBB. That is my speculation on that matter.

Mr. NIX. Thank you, Mr. Chairman.

Mr. CUNNINGHAM. Mr. Webb, in your statement you say:

Railroads, which provided 10,000 mail trains (passenger) in 1930, now provide about 12 percent of that number.

To what do you attribute that?

Mr. WEBB. That has been due to the continuing decline in the railroad passenger service. Mail, as you know, is carried generally on passenger trains.

Mr. CUNNINGHAM. We are talking about passenger trains declining to 12 percent of what there were in 1930. Is that due to competition?

Mr. WEBB. Yes; mainly the private automobile.

Mr. CUNNINGHAM. In the past 8 or so years, the Post Office Department's policy has been to discontinue RPO cars. They plan to discontinue them now in various parts of the country.

Is it your experience that many passenger mail trains are losing money on their regular business and a small margin of profit is coming from the RPO operation?

Mr. WEBB. Yes. That has been disclosed in some of our discontinuance cases under section 13.

Mr. CUNNINGHAM. You speak about the President's transportation message of 1962 and I perhaps get the inference you are leaning on

that as something you support. Having been a member of the ICC, it is my recollection we never did pass that bill because there was so much fuss about it. Also, there were some objections by the ICC.

Mr. WEBB. Your recollection is correct. We mention that merely by way of background.

Mr. CUNNINGHAM. I might say to members of the committee, whenever you get into a question of transportation by the various modes, you are into something.

In several places you mention mail is fully adaptable to truck transportation and motor carrier service is available for the economic, expeditious, and reliable movement of mail.

In several other places you make mention of the "reliability." What happens if a big blizzard ties up trucks. Are trucks a reliable service then in the transportation of mail?

Mr. WEBB. We do have those problems of nature. Even the railroads have that problem.

Mr. CUNNINGHAM. You would not say the railroads would be tied up to the same degree in a situation like that as trucks?

Mr. WEBB. I would agree with you. They are not affected quite as seriously during severe storms as the motor carrier industry.

Mr. CUNNINGHAM. You mention various additional personnel you would need.

First of all, you would have to have additional personnel to determine what these rates would be. Under this bill you would have to have personnel to see these people comply with their rate-filing requirements. You would have to have safety inspectors, would you not?

Mr. WEBB. No; I do not anticipate we would require any more safety inspectors than we now have.

Mr. CUNNINGHAM. You do not think so?

Mr. WEBB. No, sir.

Mr. CUNNINGHAM. I do not suppose, because of the many fine points you have brought out here, you could estimate approximately how much money this would cost the ICC if it were given this job?

Mr. WEBB. No. I have not attempted to reduce this to any dollar amount. If we are required to deal with possibly 145,000 carriers, it would require a very substantial increase in our staff to handle this work.

Mr. CUNNINGHAM. How many members do you have on your staff?

Mr. WEBB. We have a total employment now of 2,474.

Mr. CUNNINGHAM. Would it take 10 percent more, 15 percent more, or what? Could you attempt to make a guess?

If you do not feel you can make that judgment, do not do it. You are the Chairman of the Commission. I thought perhaps you might make a guess.

Mr. WEBB. I would estimate just roughly, subject to verification, it would take at least 150 additional employees just for this one program if we are to deal with 145,000 motor carriers.

Mr. CUNNINGHAM. Thank you.

Mr. HENDERSON. Mr. Webb, the Post Office Department testified section 1 would be in their opinion something of a mandate. I believe they used that word. We assume that the passage of this bill would require that all of the mail be transported by the common carriers in the truck field.

From your experience on the Commission, what would happen to the passenger service of the Nation?

What would be their ability to carry on passenger service as it now exists?

Mr. WEBB. To the extent that mail traffic was diverted from the railroads?

Mr. HENDERSON. I am assuming all of it on the railroads was diverted.

Mr. WEBB. If all of it were diverted, that would make it necessary, I feel quite sure, for them to apply for the discontinuance of passenger trains that might otherwise be continued for a time.

Mr. HENDERSON. Would it be possible for them to increase their passenger rates and still maintain the number of passenger trains they have?

Mr. WEBB. No, sir; not in my opinion.

I think the passenger rates are generally at a level where they cannot now be increased without further losing traffic.

Mr. HENDERSON. Following my assumption one more step, suppose we diverted one-half of the mail from the rails to the trucks. Would one-half of the passenger trains go off?

Mr. WEBB. I would be unable to say what percentage might be affected. Certainly some passenger train service would be affected.

Mr. HENDERSON. Would you think that a greater percentage than one-half would go off if one-half the mail were diverted?

Mr. WEBB. I am not sure about that.

Mr. HENDERSON. You know there is a breaking point if you take it all away from them, do you not?

Mr. WEBB. Yes. It is perfectly clear that some passenger trains would become the subject of discontinuance applications.

Mr. HENDERSON. What would be the position of the Commission—and I realize you perhaps cannot speak until you see the legislation—but from what you have heard this morning with regard to the recommendation of the Post Office Department, what would be the recommendation of the ICC with regard to the legislation they said they would like to see enacted here?

Would you have anything to do with it if we enacted the legislation the Post Office Department recommended?

Mr. WEBB. I was not too clear about what the witness for the Post Office Department said in that regard.

Mr. HENDERSON. Do you have anything to do with the mail that goes by bus?

Mr. WEBB. We have nothing to do with that. The Postmaster General did receive authority to negotiate contracts with the bus companies for the transportation of mail. So far as we know, that has been helpful to them and to the bus companies.

Mr. HENDERSON. If Congress were to extend just that authority to the non-passenger-carrying motor carriers, the ICC would have no authority in the matter, would it?

Mr. WEBB. We would have no authority in the matter, and I am sure we would have no objection whatever to such legislation.

Mr. GROSS. I would like to make just a brief observation concerning the opening statement of my friend across the way from Pennsylvania, Mr. Nix.

If Congress has restricted the courts making decisions, I can think of one that certainly got away, and that was the Supreme Court decision on reapportionment. I would hope my friend from Pennsylvania would step down to the desk in the House Chamber and sign that discharge petition.

Mr. Webb, Mr. Batrus made this statement, and you have in one way or the other come close to answering it. He said:

It is neither practical, nor realistic, to place postal functions of this kind in the hands of an agency which has no responsibility for the conduct of day-to-day postal operations.

I wonder if we could have a specific and precise answer from you regarding that.

Mr. WEBB. I do not believe, Mr. Gross, that the bill goes quite as far as that.

We would favor legislation which would provide for a particular group of motor carriers the right to transport mail at published rates under legislation which would be substantially the same as the legislation now in effect regarding the railroads.

Mr. GROSS. You do not want, or do you, a substantial part in the day-to-day operations of the Post Office Department?

Mr. WEBB. We want no part of that whatsoever.

Mr. GROSS. That is the answer I am trying to get from you.

Mr. WEBB. That is right.

Mr. GROSS. I might ask you the same question that I asked Mr. Batrus: Was the ICC consulted with respect to this bill, the drafting of this bill?

Mr. WEBB. No, sir; we were not.

Mr. GROSS. In your statement you say that this group of motor carriers is able to assume, and as far as we know are willing to assume, all obligations with respect to the transportation of mail that are presently assumed by the railroads.

Is it not true that the railroads are required today to provide standby equipment, and do you think these motor carriers would be willing to meet this requirement of providing standby equipment for the transportation of mail?

Mr. WEBB. Yes. So far as I know, this particular group would be willing. But we have not consulted with the industry on this point.

Mr. GROSS. I believe that is all.

Mr. HENDERSON. For the benefit of the record, Mr. Webb, I would like to congratulate you for your presentation. I think all witnesses we have had this morning have been most helpful and very fair in their presentation. We appreciate your appearance very much.

The subcommittee will stand adjourned subject to the call of the Chair.

(Whereupon, the committee adjourned, subject to the call of the Chair.)

MAIL TRANSPORTATION BY COMMON CARRIER MOTOR VEHICLES

WEDNESDAY, JUNE 16, 1965

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON POSTAL OPERATIONS OF THE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., room 219, Cannon House Office Building, Hon. Thaddeus J. Dulski (chairman of the subcommittee) presiding.

Mr. DULSKI. The subcommittee will come to order.

We are continuing hearings today on H.R. 6472, to provide for the transportation of mail by motor vehicles.

At the last hearing we heard representatives of the Post Office Department and Mr. Webb, Chairman of the Interstate Commerce Commission.

Our first witness today is Mr. Ernst of the National Star Route Mail Carriers Association.

Mr. Ernst?

STATEMENT OF L. E. ERNST, GENERAL MANAGER, NATIONAL STAR ROUTE MAIL CARRIERS ASSOCIATION

Mr. ERNST. Thank you, Mr. Chairman.

Distinguished Chairman and members of the committee, I am Lawrence E. Ernst, general manager, National Star Route Mail Carriers Association, with headquarters at 301 East Capitol Street, Washington, D.C.

First, I wish to thank you for giving me this opportunity to appear before your committee to express the views of the National Star Route Mail Carriers Association, with respect to enactment of a new law that, in arranging for the transportation of mail, the Postmaster General, consistent with the National Transportation Policy (49 U.S.C. 1) shall use the services and facilities of all regulated modes of transportation, including those of regulated carriers of property by motor vehicle, and so forth.

This proposed legislation was introduced under date of March 18, 1965, as bill H.R. 6472, and apparently proposes to provide for strengthening and improving the national transportation system. The National Star Route Mail Carriers Association opposes enactment of this law, and we submit the following to justify our position.

I have been employed in my present position some 10 years, and prior to that was under civil service in the Bureau of Transportation, Post Office Department, for more than 37 years. While in the Bureau

of Transportation, Post Office Department, I served as a clerk, chief clerk, and division superintendent, responsible for transportation of mail by all available means, and highway transportation was one of those used. Prior to my retirement, I was Director, Railway Transportation, Post Office Department, here in Washington, D.C. I believe that my 47 years of experience in postal transportation qualifies me as an expert in this field of service and my statements are being made in the interest of all concerned.

The motor common carrier will tell you that the Post Office Department transportation policies and practices have discouraged, if not actually prevented, the movement of mail by motor common carrier of general commodities. Following introduction of bill H.R. 6472, we mailed a questionnaire to the 10,000 star route contractors and to date replies received indicate approximately 9 percent of these are certificated common carriers. Let the record show that common carriers are now awarded star route contracts, if the price is right, and enactment of this proposed law is not needed, unless the Post Office Department desires to cast aside one of its policies that has been strictly adhered to in the past, and that is economy, without impairment of service, or discrimination.

Present policies and practices being followed by the Post Office Department have never been discriminatory, and the best possible mail service is now being provided under the competitive bidding system.

Please note enactment of this new law states and I quote "The Postmaster General, consistent with the national transportation policy (49 U.S.C. 1) shall use the services and facilities of all regulated modes of transportation, including those of regulated carriers of property by motor vehicle, etc." We interpret this to mean that only certificated carriers are to be employed to transport mail, over the highway. Such a law would be in keeping with the recommendation of the Interstate Commerce Commission contained in their 78th Annual Report 1964, reading as follows:

In furtherance of the national transportation policy, we recommend that the Congress give consideration to amending the Interstate Commerce Act and related statutes so as to provide for greater flexibility in the transportation of mail by authorizing more efficient use of regulated motor common carriers and the Interstate Highway System.

The new Interstate Highway System, which is moving rapidly toward completion, places this Nation's transportation system on the threshold of a new area of safe, expeditious, and economical transportation over a vast network of limited access, multilane highways, linking major population centers of the country. This Commission has embarked upon major investigations, noted elsewhere in this report, to study the impact of the new highway network upon the Nation's transportation economy and the manner in which it can be more effectively utilized in the public interest for the movement of passengers and property.

Present statutes, however, do not permit regulated motor common carriers to transport mail on a basis similar to which railroads and airlines and motorbuses are handling it so as to fully utilize these new superhighways. Highway transportation of mail by truck must be awarded to the lowest responsible bidder. This practice does not necessarily produce the best possible mail transportation service. There is a substantial likelihood that the services of the regulated motor common carrier system are not being utilized to the same extent as those of railroads, airlines, and buses, so as to preserve the inherent advantages of highway transportation as the national transportation policy directs.

The proposed amendment to the act would be in furtherance of the objective of the national transportation policy of developing, coordinating, and preserving a national transportation system (by highway) adequate to meet the needs of the postal service.

Heretofore the Interstate Commerce Commission has disclaimed any responsibility in the transportation of mail, and to my knowledge, mail has never been classified as property. However, section 3 of the proposed law states "For purposes of this act, mail transportation is declared to be transportation of property in interstate commerce."

Should mail be declared property in interstate commerce, then only certificated operators could be employed to transport mail over any highway where a regulated carrier is authorized to operate, and the transportation of mail would be limited to carriers holding such authority, regardless of the inadequacy of the carrier to provide the required service. Private contractors cannot transport property over a highway over which a certificated carrier is authorized to operate at the present time.

At a previous hearing held for this type of legislation a representative of the motor common carriers stated the present method of calling for sealed bids, when motor-common service is needed, is very cumbersome and does not make it possible for motor common carriers to commingle mail with other traffic in their regular operations.

The Post Office Department does not move the bulk of the mail on an if, as, and when needed basis, as might be implied from the previous statement made by the representative of the trucking industry. Instead very definite schedules are established and contractors are required to operate the route according to the schedule and serve all post offices stipulated in the contract, otherwise a fine is imposed if the carrier operates as much as 30 minutes late. Most schedules are so tight that many contractors are required to exceed the posted speed limit on the highways, and through villages, in order to operate on time.

Actually there is no such thing as movement of mail on an if, as, and when needed basis, except from the large publishing plants, and mail-order houses. The motor common carriers are now being employed for this type of operation, and the proposed law would not improve this service, except the carrier would negotiate with the Post Office Department for a rate instead of submitting a bid as is now required by law. The present law certainly is in the interest of economy for the Post Office Department, and in keeping with the President's policy, to reduce Government expenses, and eliminate favoritism.

It has never been stated in previous hearings on such legislation as to why the trucking industry is so concerned in helping the Post Office Department to improve the mail service. Isn't the real reason behind this legislation intended to have the U.S. Government subsidize the trucking industry in order that they may show an even greater earnings on their investment, than is now being reported in their financial statements?

The motor common carriers have pointed out that the drastic curtailment in rail service, now available for the transportation of mail, has caused the Post Office Department to continually expand the use of highway transportation of mail. This is true and such expansion has been made through the use of star route service, by awarding star route contracts under the competitive bidding system, to the lowest responsible bidder, as it should be.

It appears to our association that the trucking industry has eyes on the some \$350 million approved by Congress for the transportation

of mail via railroads, and they have visions of seeing most of this traffic being diverted from rail to highway under the proposed law. They have stated such diversion would save the Post Office Department some \$95 million. This statement is questioned based on bids that have been filed by many of the so-called big operators, under the competitive bidding system. Also may I point out that while passenger train service is fast disappearing, the Post Office Department may use freight train service for the transportation of mail, if the schedule meets the needs of the service.

The regular common carrier conference committee will tell you that a large number of motor common carriers are willing to transport mail over their common carrier routes. Also that a national postal transportation plan, fully utilizing the transportation resources of the regulated motor-common carrier would provide the Post Office Department with a more flexible, expeditious, and economical movement of surface mail. Bids submitted on advertised routes will not support this statement.

The bill proposes that the Postmaster General shall set forth the requirements for mail transportation by regulated carriers, and the units of service upon which compensation shall be based, and so forth.

This would, in my opinion, result in discrimination since it affords the Postmaster General, or his duly appointed agents, the right to spend public funds without any control and would nullify section 3709 of the revised statutes as amended (41 U.S.C. 5) which reads:

All purchases and contracts for supplies or service, in any of the departments of Government, except for personal services, shall be made by advertising a sufficient time previously for proposals respecting the same, when the public exigencies do not require the immediate delivery of the articles, or performance of the service. When immediate delivery or performance is required by the public exigency, the articles or service required may be secured by open purchase or contract, at the places and in the manner in which such articles are usually bought and sold, or such services engaged, between individuals.

There are some 12,000 star route contracts throughout the country, representing some 10,000 contractors. These contractors are now traveling some 450 million miles per annum, providing the required service for the Post Office Department.

The star route law was enacted in 1845 and since that time the needed service has been provided by contractors through competitive bidding. Contractors have pioneered and developed the service since its conception, using beast of burden, and in many cases walking the route, due to lack of roadways, and so forth. Contractors have developed and expanded with the improvements made in highways and motor equipment, and today they can meet any challenge regardless of size or type of equipment required.

Some 27,000 of the 34,000 post offices are now solely dependent upon highway transportation, and most of the remaining post offices have truck service as well as railroad service. Schedules of all star route contracts are established, and controlled by the Post Office Department, which in itself should confirm the excellent service the private contractor is providing.

Now that the highways have been improved, and the motor common carrier is certificated to operate over the highways between certain points, they will tell you that they can do a better job than the private carrier, even though the same type and kind of equipment is used by both operators. Does a certificate of public convenience and necessity

from the ICC or State regulatory body, guarantee the motor common carrier as being able to do a better job? The record of performance will not bear out this statement.

Despite the inference of the Interstate Commerce Commission and the trucking industry, that only certificated carriers can operate over the Interstate Highway System, it must be understood that all roads are post roads, and any or all may be used by the Post Office Department to transport mail, wherever and whenever needed. Taxes paid by private contractors are also used in the Federal highway program and they should have the same privileges of operating over the Interstate Highway System as a motor common carrier.

Present laws require all routes to be advertised and that the contract must be awarded to the lowest responsible bidder. This would not be true if the proposed change is enacted into law, and it certainly would create a monopoly, which in itself is unconstitutional. If this proposed change becomes law it will result in a closed shop, so to speak, insofar as the motor common carrier is concerned. Surely no one wants this to happen.

Furthermore, it appears that the proposed legislation would permit the Postmaster General to purchase transportation for movement of mail completely free of control. There would be no guard against monopolistic tendencies, and certainly would not be in keeping with statement contained in President Kennedy's letter of March 5, 1961, to the President of the Senate and the Speaker of the House, reading as follows:

In my message to the Congress last year, I pointed out that the basic objective of our transportation system must be to assure the availability of fast, safe, and economical transportation services needed in the growing and changing economy to move people and goods, without waste or discrimination, in response to private and public demands, at the lowest cost consistent with health, convenience, and national security.

Congress has determined, beyond a doubt, that the Post Office Department is obligated to provide service to the people of this great country of ours. Such service must be provided in an efficient and economical manner and by whatever means the Postmaster General considers to be in the public interest.

This is being done at the present time under existing star route laws, that has enabled the Post Office Department to provide good and sufficient service to all of the post offices throughout the country for more than 100 years. Officials of the Post Office Department cannot point out a single instance where the individual contractor has not been able to provide the required services, and under conditions outlined by postal officials.

Mail transportation over the highway is now being handled on a fixed schedule set by the Post Office Department. The common carrier controls and sets the schedules of their vehicles. Therefore, the Post Office Department would place itself in the position of dispatching mail over an undesirable schedule of the common carrier, or paying a premium for the service on a schedule of their choosing. This could mean the stockpiling of mail to be carried as top loading shipments of freight, and so forth. Furthermore, there would be need for additional time in the schedule, since the common carrier would need time to exchange his freight, in addition to the mail, and this would result in delay to the mail.

I do not see how such a law could be properly administered, without favoritism being shown. There are some 30 to 35 certificated carriers operating between Washington, D.C., and New York City. Which one will be selected to do the mail job, and on what basis will he be chosen. Would this not establish a private system of government, within the agency, beholden to no one.

Again, it must be pointed out that the Interstate Commerce Commission has disclaimed jurisdiction, under the Motor Carrier Act, of employees engaged in the transportation of mail under contract with the Post Office Department in vehicles used for that purpose.

Such a ruling has enabled the Postmaster General to route mail without restriction, and in any manner he thought to be in the public interest. This is the way it should be, and the future policy should be as at present: (1) service, (2) economy, and (3) competition.

The volume of mail fluctuates very substantially from day to day, and that differs somewhat from the movement of freight or other traffic. However, if the Post Office Department could guarantee full loads, no doubt the common carrier would gladly furnish a schedule satisfactory to the Postmaster General. Yet, as I understand it, most of the common carriers have a certificate to operate over certain routes and between certain points. This, in my opinion, further justifies the need of continuing our present system of competitive bidding. Exclusive mail routes may operate over any highway and between any points authorized by the Postmaster General. Many common carriers are now contractors on mail routes, and members of the association, and we are not opposing the motor common carrier as such, but we do oppose any law that would give them exclusive rights without competitive bidding.

The new crash program launched by the Post Office Department, known as the sectional center concept and ZIP code, does not, in our opinion, blend itself into the network of the motor common carrier operation.

The Post Office Department now has a fixed rule that a star route contractor cannot cross a sectional center line, from one section into another, except a limited number of the so-called supply routes. It is my understanding that the large supply routes would not follow the line of travel or any one particular certificated operator, but could operate over routes of several motor common carriers. This would certainly create friction among the motor common carriers, since each would oppose any encroachment on his rights to transport property over his certificated route.

Of course this would not be true if mail was moved, from one sectional center to another, in truckload lots, but such movement cannot be guaranteed. The trucking industry would, in our opinion, insist on commingling freight with mail and this could result in interruption of the expeditious handling of the mail, especially if more than one post office or city was served.

The motor common carrier, as a rule, has not been able to compete with the private carrier, through competitive bidding. Any service the motor common carrier can provide can be provided by a private contractor, and again it must be stated that the Post Office Department cannot cite a single case that would refute this statement.

Furthermore, enactment of this bill can, and no doubt will, result in empire building, thereby eliminating local employment. Also

there would no longer be the local supervision and interest given to contract service as is now required by the Post Office Department. A star route carrier, if an individual, must be a legal resident of the county in which part of the star routes operates, or of an adjoining county. This guarantees local employment and should be considered very important in our country's economy program.

Present star route laws provide for equality, whereas the proposed legislation, could and no doubt would, create a monopoly for motor common carriers. The motor common carriers have previously criticized the Post Office Department for permitting the bulk of the mail to be moved across country by railroads, and now they seek to establish a duplicate service for their own industry.

Officials of the Post Office Department have stated many times that mail contractors are small businessmen, and we agree. The present administration is pledged to protect and assist the small businessmen in every way possible, yet we have a proposed law that could, and no doubt would, put him out of business, and in many cases result in bankruptcy for the individual.

We do not want to oppose any legislation that may be in the interest of the public, but we most certainly want to oppose any legislation that proposes to establish a giveaway program, and especially when the prize is the taxpayers' money.

The motor common carrier came into being to supplement or replace railroad service, and their being is of their own free will, and their schedules are regulated to suit their operation. Mail contracts are authorized to meet the needs of the postal service and operate on a schedule fixed by the Post Office Department, and up to this time the Department has been very exacting in the operation of such routes.

All the Post Office Department needs to do to obtain over-the-highway service required is to follow present laws and advertise for bids. There are always several interested and competent parties who will submit a bid to provide the required service, and at a reasonable price.

In order to protect the Post Office Department and guarantee prompt handling of the mail, star route contractors are now required to furnish bond, either a surety bond or personal bondsmen. The proposed law would not require bond, and any time the common carrier wanted to give up his contract, he could do so, without penalty, forcing the Post Office Department to employ a substitute carrier. This could result in delay to the mail and embarrassment to the Department.

The Post Office Department always publishes the schedule on which mail is to be transported, approximate volume to be handled, and size and type of equipment required to do the job. These requirements are always met, and what further improvement can there be in the handling of mail by the common carrier over the private contractor? Please do not overlook the fact that the private carrier is providing the required service, on a schedule authorized by the Post Office Department, and at a reduced cost to the Department.

To single out the motor common carrier, exclusively, to do the job, as this bill apparently intends to do, will be discriminatory in every respect. Our present laws permit the jobs, for handling of mail over the highways, to be distributed throughout the areas where the service is needed. Furthermore, our present laws permit the Postmaster

General to seek the man for the job, rather than building a job for the man.

The proposed legislation would give the Postmaster General, in my opinion, complete control of moving the mail over the highways between all important points throughout the country, at a price he deems fair and reasonable, and to an operator of his own choosing. The private carrier, would not have an opportunity to transport mail, even though he might do a better job and do the job for less money, unless no certificated carrier was available, especially since the proposed law would classify mail as property.

If this session of Congress deems such a law is needed in the interest of improved postal service, then the association wishes to recommend that consideration be given to granting present star route contractors a certificate of public convenience and necessity from the Interstate Commerce Commission or State regulatory body. This would permit the star route carrier to transport general commodities by motor vehicle on public highways in intrastate, interstate, or foreign commerce for compensation over regular routes, now in effect as authorized by the Post Office Department.

Such action would be in the interest of protecting present contractors now engaged in the transportation of U.S. mail over the highways, and who have been so engaged for many years. They have considerable money invested in equipment for the sole purpose of providing the Post Office Department with required postal service. This would protect all present contractors, and should insure their continued employment.

Many of our contractors have reached the age where it would be almost impossible for them to get employment in industry, and to have their contracts discontinued, as no doubt this proposed change would do, would certainly impose a very serious physical and financial hardship on many of them.

This proposed change could destroy the entire star route mail carrier system, which has provided the Post Office Department the means of excellent mail service for many, many years. Procurement through advertising and competitive bidding is the time honored method employed by the Government and why should the transportation of mail over the highway be the exception?

Rates for transporting mail via railroads and airlines are fixed by a regulatory body, thereby eliminating the competing aspect of the service performed by these carriers. The Post Office Department will contend that this authority is needed to place it in the same position in highway transportation as it is in other modes of transportation. We submit that the situation prevailing in highway transportation is entirely different and cannot be equitably administered in any way other than by competitive bidding as now required by existing laws.

There is an old saying that we cannot mix oil and water, and in my opinion, we cannot mix mail with freight and express for handling over the highway if the best possible service is desired, and that is as it should be.

The private carrier has provided all needed service in the past and will continue to do so in the future if permitted. The private carrier has been called upon many times to take over the handling of the mail in emergencies. They have always met the challenge and will

continue to do so when needed. Enactment of this law would limit such transportation to motor common carriers and could result in delay of the mail due to their scope of operation as regulated by the Interstate Commerce Commission.

Our postal budget is in serious trouble at the present time. Certainly we would not want to add additional costs to the Post Office Department that are not necessary as, in my opinion, the provisions of the bill will do, without improvement of the postal service. Deputy Assistant Postmaster General, Mr. Batrus, supports this opinion as reflected in his statement before this committee on May 25, 1965, reading as follows:

It is our opinion if the rates were to be fixed by the ICC, and we were to use these services in lieu of the services which we now obtain by competitive bidding, our costs would be increased and possibly substantially increased.

Competition has been responsible for building our country and mail transportation is no exception. The mere statement that the Postmaster General needs the authority this legislation proposes to give to strengthen his position, should not be accepted as factual but he should be required to submit conclusive evidence to establish the need for such authority. All mails are now being dispatched on a schedule authorized by the Department and if a change is needed, all that is required is merely for his administrative officials to write a letter and make the change. It is just that simple.

Again I want to point out that present laws are adequate to provide any type of mail service the Postmaster General may need over the highways. The motor common carrier, as well as the private operator, is privileged to compete for the business, the way it should be. The motor common carrier does not need a law to establish him in the mail-hauling business over the highway. All he needs to do at the present time is meet the competition of the private operator. Present laws permit the common carrier to bid on mail routes at any time they are advertised for bid and they are not bound by the residential requirement imposed on the private contractor.

For some unknown reason the motor common carrier apparently feels that tractor trailers should be confined solely for their use and seems to resent the fact that the private contractor is required to furnish tractor-trailer equipment as being conventional highway equipment of regulated common carriers, and apparently they feel that the private carrier is infringing on their rights. We know of no law that precludes the private contractor from using any type of equipment required to do the job. Apparently the common carrier feels that a star route carrier should restrict his operation to the conventional pickup or station wagon-type delivery truck.

There isn't anything the common carrier truck lines can do, under the provisions of this bill, that they cannot do under the star route laws. So, why are they so enthusiastic about this? They can handle mail today under the star route laws, but why they have not been successful under these laws is because their price for the service sought by the bids is too high. Now they appear here and ask you to subsidize them by putting them in business at a higher price than can be obtained under the star route laws, with a directive that the Postmaster General shall use them. Furthermore, they propose that Congress classify mail as property, thereby limiting the movement

of mail over the highway to a motor common carrier, regulated by the Interstate Commerce Commission.

Instead of expanding the authority of the Postmaster General and giving him more flexibility in the movement of mail, they propose to restrict the operation to the motor common carrier, thereby taking away from the Post Office Department authority they now have. Present laws have permitted the Postmaster General to provide all types of service, at reduced cost, and enactment of the proposed law would restrict, rather than improve the postal service.

Mr. Chairman, I am happy to have been privileged to appear before you and your committee and present the views of the National Star Route Mail Carriers Association, and we are indeed grateful for the many courtesies extended to the association during the past years.

Also, I wish to assure this committee, and officials of the Post Office Department, that we want to work with you and that we are always interested in legislation that will improve the position of contractors and benefit the postal service.

We respectfully urge this committee not to report favorably on this bill. We feel this bill is discriminatory against star route contractors and is proposed in total disregard of their best interests and the best interests of the public.

SUMMATION OF PRESENT AND PROPOSED STAR ROUTE LAWS

1. Present application of star route laws does not restrict the motor common carrier from bidding on star routes and being awarded contracts, if the price is right.

2. Present star route laws are not discriminatory in any way, and the motor common carrier may compete for the business the same as private carriers. Proposed law precludes private carriers for transporting mail over the highways where motor common carriers operate.

3. The private carrier pays taxes the same as the motor common carrier to help support the National Highway System.

4. To classify mail as property would of necessity restrict the Post Office Department in transportation of mail over the highways to a motor common carrier, unless there was no certificated carrier operating over the proposed route.

5. The Post Office Department moves all classes of mail over most routes on an expedited schedule, allowing no time to commingle mail with freight and express, as apparently the motor common carrier will want to do.

6. Present star route laws provide for transportation of mail at the lowest possible price.

7. Awarding of contracts to lowest responsible bidder is being followed in other Government agencies, and why should the Post Office Department be required to operate differently?

8. The Post Office Department now secures all highway transportation needed under existing laws, without restrictions.

9. To designate the Interstate Commerce Commission to regulate rates for transportation of mail over the highway would certainly increase the cost of such service.

10. Interstate Commerce Commission regulation of rates would not be compatible with present star route laws and there could be a conflict of interest.

11. Rate fixing by the Interstate Commerce Commission would result in prolonged hearings at considerable expense to the Government.

12. Awarding of contracts under the competitive bidding system is not nearly as cumbersome as petitioning the Interstate Commerce Commission for rate fixing. The lowest responsible bidder now fixes the rate, under present star route laws, the way it should be.

13. Present star route laws precludes any favoritism, as well as empire building, for the large motor common carriers.

14. There would be no guard against monopolistic tendencies. Would not this law establish a private system of government, within the agency, beholden to no one?

15. There would no longer be the local supervision and interest given to contract service, as is now required by the Post Office Department. A star route carrier, if an individual, must be a legal resident of the county in which part of the star route operates, or an adjoining county. This guarantees local employment and should be considered as being very important in our country's economy program.

16. Mail contractors have been considered as small businessmen, and we agree, and their interest should be protected.

17. Should mail be classified as property, the Postmaster General would have no alternative other than to utilize the services of all motor common carriers regardless of schedule, or their ability to provide the required service.

18. Present star route laws enables the Postmaster General to provide mail service to all of the 34,000 post offices, and star routes now provide exclusive mail service to some 27,000 of these post offices, on a schedule fixed by the Post Office Department. How can you improve on that kind of service?

Thank you.

Mr. DULSKI. Thank you, Mr. Ernst, for the statement.

In your statement you say that the real reason behind this legislation is to have the U.S. Government subsidize the trucking industry.

How can the Postmaster General allow spending of the taxpayers' money in subsidizing the trucking industry?

Mr. ERNST. This statement, Congressman, is based on the fact that the Interstate Commerce Commission requires property to be handled by the regulated carriers and that would preclude the Postmaster General from continuing to contract service as is now done.

Mr. DULSKI. Where does the subsidy come in?

Mr. ERNST. The additional compensation that would be paid to the trucking industry.

Mr. DULSKI. You feel that this money would be subsidizing the other property that they are transporting?

Mr. ERNST. I would feel that the difference in the present costs of operation and the amount that would be required by the motor common carrier would be subsidy.

Mr. DULSKI. In your statement you say something about transportation of mail by railroads.

Do you feel that the Government is subsidizing the railroads by giving them these contracts?

Mr. ERNST. No. The Government is not giving the railroads contracts at the present time. They are permitting the railroads to continue to handle the traffic that they have handled for many years.

Mr. DULSKI. Why has there been a decrease in the number of trains from 10,000 to 1,000?

Mr. ERNST. The decrease in the number of trains is no doubt due to withdrawal of passenger service from the railroads, leaving only mail and express to pay the operating costs. It is my opinion that the railroads could not continue to operate the trains exclusively for what we might call head-in traffic.

Mr. DULSKI. You make another statement that the Post Office Department may use freight train service. They would be very happy to do that. You know when the railroads operate for a profit they must have a certain amount of cars before that train pulls out. Let us say they have 18 cars and it is a 20-car train. How long do you think you would have to wait for those two cars until that mail would move? Do you not think this is one of the problems confronting the Post Office?

Mr. ERNST. I understand, Congressman, the railroads now have daily local service performed by freight trains on a schedule. That was the type of service that I had reference to here.

Mr. DULSKI. Not the full load service?

Mr. ERNST. Not the full freight trains as we see them going down the railway with 100 or 150 cars behind 2 or 3 diesel engines.

Mr. DULSKI. Does every star route carrier have a bond?

Mr. ERNST. Yes, sir.

Mr. DULSKI. Do you not think that before the ICC certifies a carrier as a common carrier, they are investigated in the same manner they would be under a bond?

Mr. ERNST. I am sure that they are thoroughly investigated before they are awarded a certificate of authority. I do not understand that that would make them financially responsible to the Post Office Department as the bond does when contractors furnish such bond for transportation of mail.

Mr. DULSKI. In your organization, Mr. Ernst, do you have carriers who are corporations that compete for bids as star route contractors?

Mr. ERNST. Yes; they do.

Mr. DULSKI. Would they not be in a position to be permitted to transport this mail, also? Some of the people in your organization?

Mr. ERNST. Yes; maybe I did not understand your question, Congressman. We do have firms and companies and corporations who submit bids but they are required to furnish a surety bond with the bid. The fact that they are companies or hold a certificate of authority does not preclude them from furnishing a surety bond.

Mr. DULSKI. As the sponsor of the legislation, I assure you that I am not here to hurt the star routes.

Mr. ERNST. I appreciate that.

Mr. DULSKI. It is my grave concern and I imagine of the entire committee that before this legislation is enacted many adjustments will be needed in the bill. I think the things you brought out here were very informative and I appreciate your statement.

Mr. Gross?

Mr. GROSS. Mr. Ernst, first of all if you will help me understand the difference between a common carrier and a certificated carrier?

Mr. ERNST. No difference.

Mr. GROSS. You have used both terms. I just wondered if there is a difference.

Mr. ERNST. Not to my knowledge. No, sir.

Mr. GROSS. In your statement, you state, "Please note enactment of this new law states," and so forth. Then you say, "We interpret this to mean that only certificated carriers are to be employed to transport mail over the highways."

Are you relying on the language which you quoted relating to 49 U.S.C. 1, or are you relying on the language of section 3 of the proposed law to which you referred to to substantiate this statement?

Mr. ERNST. Congressman, I was relying on the text of the bill that said the Postmaster General, consistent with the national transportation policy, shall use the services. As I interpret that, that would be mandatory.

Mr. GROSS. Then you rely on the language relating to 49 U.S.C. 1; is that correct?

Mr. ERNST. Yes, sir.

Mr. GROSS. The word "property" in that language is the meaningful word?

Mr. ERNST. As I understand the authority granted by the Interstate Commerce Commission, no one can transport property over the highway if there is a motor common carrier operating over that highway, except the certificated operator himself. In other words, a private contractor could not transport freight over the highway.

Mr. GROSS. In your statement you say, "* * * except the carrier would negotiate with the Post Office Department for a rate instead of submitting a bid." Are you saying that with the enactment of this bill all contracts would be on a negotiated basis with respect to common carriers or certificated carriers?

Mr. ERNST. They would need to be on a negotiated basis when the service was authorized. That is, the rate would be negotiated between the Postmaster General and the motor common carrier. If the rate was not satisfactory to either, then they would petition the Interstate Commerce Commission and schedule lengthy hearings to determine a fair rate that should be employed on this particular operation.

Mr. GROSS. You said in your statement, "* * * that only certificated carriers can operate over the interstate highway system." This was news to me.

Mr. ERNST. Congressman, that was the inference I got from the recommendation submitted by the Interstate Commerce Commission.

Mr. GROSS. I do not mean to put words in your mouth. You did use the word inference. In stating the question I want to retract my statement to that extent. I do not mean to put words in your mouth.

Mr. ERNST. Thank you.

Mr. GROSS. Is the inference that only the certificated carriers can use the Interstate Highway System?

Mr. ERNST. To transport property because the certificated operators—at the present time the mail has never been classified and if we classify mail as property then we do restrict its movement to the motor common carrier operation.

Mr. GROSS. Do you or do you not know whether a truck operated by a farmer hauling livestock to market is a certificated carrier?

Mr. ERNST. I understand that he has special concessions that have been extended to the movement of farm products.

Mr. GROSS. He could use the Interstate Highway System?

Mr. ERNST. That is my understanding; yes, sir.

Mr. GROSS. I am very much interested in hearing some further witnesses on the use of the interstate highways. I had not known until this day that by inference or otherwise anyone was precluded from using the Interstate Highway System so long as they met certain regulations. This not being one of them. You do not place very much reliance on section 11, page 6 of the bill, do you? Section 11 says that—

Nothing herein contained shall prevent the Postmaster General from entering into star route contracts under existing provisions of law nor shall anything herein impair or suspend contracts for the transportation of mail by persons that are now in force and effect.

You do not place much reliance on that, do you?

Mr. ERNST. We have conflicting interests, Mr. Congressman. In other words, property must be transported by a motor common carrier and in the beginning, in the introduction of the bill, it says that mail shall be classified as property and if it is so classified then we run into interference from the Interstate Commerce Commission when the private carrier attempts to transport mail over a certificated route.

Mr. GROSS. Mr. Ernst, I want to thank you for your statement and say that so far as I am concerned I do not care who carries the mail. I want them to use interstate highways and any highways or mode of transportation, avenue of transportation, that is available. I want this mail carried in the most expeditious and economical manner that it is possible to do it. I do not care who carries it.

I am not going to set aside one group that can perform the service in favor of a monopoly or anything of the kind. I want it carried efficiently and expeditiously. I thank you.

Thank you, Mr. Chairman.

Mr. DULSKI. Mr. Ernst, do you not think that section (d), page 2, line 8 of H.R. 6472 amplies very clearly what is a regulated carrier using the highways?

Mr. ERNST. I am sorry. I did not bring a copy of the bill with me this morning and do not have it for reference.

Mr. DULSKI. Page 2, line 8.

Mr. ERNST. Would you ask the question again, sir?

Mr. DULSKI. On page 2, line 8, when you reach section (d) you said who will be allowed to use the highways.

"For the purpose of the Act, a regulated carrier"—and it then describes the common carrier.

Then on page 6, line 9, section 11, "there is nothing which shall prevent the Postmaster General," and so on.

Mr. ERNST. Congressman, as I previously said, it is my interpretation that if we classify mail as property, and to be handled by a certificated or regulated carrier, then I do not see how the Postmaster General could negotiate a contract with a private carrier to operate over a route which has been established for use, or where authority has been granted by the Interstate Commerce for the exclusive use of a particular carrier to transport property between certain points over that highway. That is my interpretation.

Mr. DULSKI. Thank you very much.

Mr. Daniels?

Mr. DANIELS. Mr. Ernst, thank you for your very detailed statement with respect to the proposed legislation.

Under this law, persons engaged in interstate transportation are required to obtain from the Interstate Commerce Commission a certificate authorizing them to engage in that business. That is what you mean by a certificated carrier, a common carrier?

Mr. ERNST. Yes, sir.

Mr. DANIELS. If the proposed legislation were enacted would it not disqualify many of the present star route carriers from participating in the transportation of the mail?

Mr. ERNST. That is my interpretation, sir. The minute we classify mail as property then the private individual would be prohibited from transporting mail over any route now carrying or permitting motor common carriers to operate.

Mr. DANIELS. Would you be satisfied with an amendment to the proposed legislation incorporating all the present star route carriers to be certificated?

Mr. ERNST. Yes, sir.

Mr. DANIELS. Would that overcome your objection?

Mr. ERNST. That would keep our present group on the job, and that is my concern.

Mr. DANIELS. You commented to the effect that if this bill were enacted it would be creating a subsidy, and at other points in your testimony you made mention of the word "monopoly," also. Would you clarify that statement?

Mr. ERNST. I believe I stated a while ago it is my interpretation that any money paid between the difference now spent for competitive bidding to the motor common carrier would be considered a subsidy to the motor common carrier, as he would be paid a greater fee than the service can now be procured for.

Mr. DANIELS. Is it your opinion that if we move the mail by certificated common carrier that unquestionably it would result in increased costs for the U.S. Government?

Mr. ERNST. It is my honest opinion; yes, sir.

Mr. DANIELS. Upon what do you predicate that?

Mr. ERNST. From bids which have been submitted from time to time over the years on routes which have been advertised where the motor common carrier was interested and he submitted a bid compared to the bids which were submitted by private carriers.

Mr. DANIELS. Are you completely satisfied with the existing law?

Mr. ERNST. Yes, sir.

Mr. DANIELS. Is there any reason why certificated common carriers, as referred to in this bill, cannot bid on contracts of the Postmaster General for the carrying of mail?

Mr. ERNST. They can bid now under the present laws and many of them do bid, and we have several certificated operators who are now star route contractors.

Mr. DANIELS. What do you think is the purpose of the proposed legislation?

Mr. ERNST. To exclude, or to prohibit, a private carrier from transporting mail.

Mr. DANIELS. In other words, to produce more business for the certificated common carriers?

Mr. ERNST. That is right.

Mr. DANIELS. And under this legislation the carrier of the mail, regulated by the Interstate Commerce Commission, would not be obliged to give the Postmaster General a bond of performance as the star route carriers do today?

Mr. ERNST. That is the way I interpret it.

Mr. DANIELS. That would be lessening the responsibility of the carrier to the Government, then?

Mr. ERNST. Yes, sir.

Mr. DANIELS. Does the fact that the star route carriers today do furnish the Postmaster General with a bond guaranteeing the prompt carriage of the mail result in any greater cost?

Mr. ERNST. No, sir; it does not.

Mr. DANIELS. You think despite the fact they furnish a bond, if we enact this legislation it would result in greater cost to the Government?

Mr. ERNST. Yes, sir.

Mr. DANIELS. Thank you.

Mr. DULSKI. Regarding the word "subsidy," to my knowledge a subsidy is something in addition. Would you say that the Government would be increasing their profits rather than subsidizing?

Mr. ERNST. Perhaps I used the wrong word, Congressman, but it is my opinion that the increase in cost of transporting mail over the highway would be considerably over what it is today. That is the area which I refer to as subsidy.

Mr. DULSKI. You mean through the increase, the common carriers' profit would increase?

Mr. ERNST. Perhaps it would have been much better had I used the word "premium." They would pay a premium for such service instead of subsidizing the trucking industry.

Mr. DULSKI. I wanted to make the record clear that you are not talking of a subsidy.

Mr. ERNST. Perhaps I used the wrong word in my statement.

Mr. DULSKI. The gentleman from Pennsylvania, Mr. Nix?

Mr. NIX. Thank you, Mr. Chairman.

Mr. ERNST. I think you presented a very informative and lucid statement.

I gather from reading your statement and reading your testimony first of all that you are satisfied with the present law?

Mr. ERNST. Yes, sir.

Mr. NIX. And your objections would be met, as you said:

If this session of Congress deems such a law is needed in the interest of improved postal service, then the association wishes to recommend that consideration be given to granting present star route contractors a certificate of public convenience and necessity from the Interstate Commerce Commission or State regulatory body.

Mr. ERNST. Yes, sir.

Mr. NIX. That would solve the problem?

Mr. ERNST. That would keep our present force on the job, more or less guaranteeing their permanent employment. As I see it that is the only means whereby they could continue to provide service for the Post Office Department should this bill be enacted.

Mr. NIX. If the bill were enacted, do you see any improvement resulting in the postal service?

Mr. ERNST. No, sir; because all mail now is moving on a schedule that is fixed by the Post Office Department.

Mr. NIX. If the bill were approved, there is no question but that inequities would be visited upon certain people?

Mr. ERNST. Yes, sir.

Mr. NIX. There is no question about that?

Mr. ERNST. That is my opinion, sir.

Mr. NIX. Section 11 of H.R. 6472 was mentioned. As I read it if the proposed legislation were approved this section could not help you in any possible way because it states that nothing herein contained shall prevent the Postmaster General from entering into any star route contracts under existing provisions of law.

Mr. ERNST. That is right.

Mr. NIX. The existing provisions of law then would be the legislation that is now proposed?

Mr. ERNST. That is right, sir.

Mr. NIX. And that would preclude him from doing anything for the star route carriers. Is that right, sir?

Mr. ERNST. That is my understanding. If I might inject just one thought there, no doubt the present contracts would continue to operate until the end of their contract term, but then they would not be renewed as is the policy at the present time.

Mr. NIX. It would have to continue because the law would not cover them.

Mr. ERNST. Yes, sir.

Mr. NIX. And that is obvious. I see no provision here, I see nothing here which would enable him to renew, because existing law would prohibit the renewal.

Mr. ERNST. That would be my interpretation.

Mr. NIX. Thank you.

Thank you, Mr. Chairman.

Mr. DULSKI. You made a statement that the mail is moving on schedule. However, we as members of the Post Office and Civil Service Committee are getting the many complaints. The mail is not moving as it should. That is the reason the Postmaster General is seeking other means of moving the mail.

Mr. ERNST. Sir, might I make a statement there? The reason the mail is not moving is not because of lack of adequate schedules but it is the fact that the post offices themselves do not distribute and dispatch the mail over the most expeditious routes which would get mail at its destination for handling and delivery in record time. That is no fault of the present star route laws.

Mr. DULSKI. I stand to be corrected.

Mr. ERNST. Thank you.

Mr. NIX. Even if the mail were not moved adequately, everyone would desire that it be moved expeditiously, only, however, if it is done without visiting inequities on such organizations as this, or on any other organization that is in business. That is your position?

Mr. ERNST. Thank you, sir; it is.

Mr. GROSS. In response to a question asked by Mr. Daniels, you said that you were interested in keeping our present group on the job. You were not limiting that to the present star route carriers. You certainly are looking beyond the present star route carriers and into the future, are you not, for a continuation of the star route contract system?

Mr. ERNST. Yes, sir. It was my hope that there would be no change in our present law. However, should this law be enacted, then to protect our present contractors they should be given blanket authority. Then future transportation of mail would have to be handled by motor common carrier.

Mr. GROSS. You want to protect the contracts already in existence. We would have an obligation to do that. Either this proposed law is good or bad. I would want to go beyond the present group in consideration of this. I am not sitting here thinking in terms of those who presently hold contracts. I am thinking in terms of the future with respect to the transportation of mail by use of star route carriers. I want to go beyond the present carriers. I think you do, too.

Mr. ERNST. Yes, sir; I do.

Mr. DULSKI. Thank you very much, Mr. Ernst.

Mr. ERNST. Thank you, Mr. Chairman, and I thank the committee.

Mr. DULSKI. Our next witness will be Mr. James F. Fort, counsel, public affairs, American Trucking Association.

STATEMENT OF JAMES F. FORT, COUNSEL, PUBLIC AFFAIRS, AMERICAN TRUCKING ASSOCIATIONS, INC.; ACCOMPANIED BY ORRIN H. FRALEY, VICE PRESIDENT, CONSOLIDATED FREIGHTWAYS, INC., MENLO PARK, CALIF.

Mr. FORT. Since this is the opening of the case for the trucking industry I felt it would be appropriate to say just a few words as to who the trucking association is, what we are, and if I may do that I will take about 2 minutes and then we can go to Mr. Fraley.

First of all, since ATA rarely appears before this subcommittee, you should know that ATA is a national trade association of the trucking industry representing all forms of trucking in the United States, private and for hire.

I had intended to outline for you briefly the testimony which will be presented by our witnesses. They are Mr. Orrin Fraley, Mr. W. W. Callan, of Texas, and three additional ones who are on the list before you.

Before going to Mr. Fraley it would be appropriate to give you just the barest of outlines of the structure of H.R. 6472.

Going over, if you will, to my prepared statement that is before you, let me just run through very briefly the sections of the bill and what they are intended to do.

Section 1 is a section of policy which states that the Postmaster General shall use the services of regulated carriers of property to the maximum extent they are available and adequately meet the needs of the postal service for safe, economical, efficient, and expeditious movement of mail.

We do not view this as an absolute mandate as some testimony seems to have indicated. It is just what it appears to be, a statement of congressional intent that the Post Office Department should use

regulated motor carriers in the same manner that it today uses rail and air carriers.

The second section is the section containing definitions. I will skip over that to section 3. Mail transportation is transportation of property in interstate commerce. The intent of this section in our view is to make it clear that mail is an interstate commodity even though it might be moving entirely within the confines of a State.

We had no intent in drafting that language to make mail property in the sense that Mr. Ernst viewed it this morning.

Sections 4, 5, 6, and 7 establish the procedures under which the Postmaster General is to spell out his needs for truck transportation and under which the ICC is to prescribe rates for this transportation.

Section 9 of the bill provides for penalties for failure, or refusal to perform service. That is a section similar to the one in the Mail Railway Pay Act.

Section 11 preserves existing laws relating to star route contracts thus giving the Postmaster General his choice of the use of regulated carriers.

It was not our intention in drafting that, Mr. Nix, to repeal existing star route laws.

Winding up with my prepared statement, I have asked the chairman's permission to submit a survey conducted by the Film Carriers Conference of ATA, for inclusion in the record after my remarks.

Mr. DANIELS (acting chairman). Without objection, it is so ordered. (The survey referred to follows:)

FILM CARRIER CONFERENCE, AMERICAN TRUCKING ASSOCIATIONS, INC.

RESULTS OF SURVEY OF CONFERENCE MEMBERS AVAILABLE AND WILLING TO TRANSPORT U.S. MAIL

Extent of survey

The entire membership of this conference was polled and a clear majority of the carriers are ready and available to enter into the transportation of U.S. mail on a fixed and regular basis. The data presented below is a compilation of the answers to the survey form, copy of which is attached to this report. Information contained in this report represents approximately three-fourths of the scheduled motor transportation that might be available to the U.S. post office through the medium of film carriers serving some 40 or more States.

Miles operated in intercity service

Miles of schedules operated 7 days per week.....	427, 758
Miles of schedules operated 6 days per week.....	257, 316
Miles of schedules operated 5 days per week.....	136, 605

Vehicles operated in intercity service

Diesel tractors.....	52
Gasoline tractors.....	56
18-foot or longer van trucks.....	102
16-foot van trucks.....	123
14-foot van trucks.....	128
12-foot or shorter van trucks.....	182
Trailers, 35 feet or more.....	76
Trailers, 20 to 34 feet.....	88

Cities served on a regular basis classified by population and number of days per week served

Population of cities	Days served per week		
	7	6	5
0 to 3,000.....	792	1,840	532
3,001 to 5,000.....	845	255	70
5,001 to 10,000.....	280	170	46
10,001 to 15,000.....	101	102	15
15,001 to 20,000.....	60	32	1
20,001 to 30,000.....	59	32	5
30,001 to 40,000.....	38	19	2
40,001 to 50,000.....	32	10	3
50,001 and above.....	59	41	7
Total.....	2,266	2,501	681

Members of this conference serve 5 days a week or more, 5,438 cities.

Estimated available cargo space on schedules now being operated

(a) Estimated percent of time each week equipment is operated at less than full capacity on scheduled runs: 74 percent.

(b) Estimated available (empty) capacity of equipment operated on scheduled runs: 52 percent.

(c) Estimated cubic feet of available cargo capacity per week: 878,375 cubic feet.

Experience of film carriers transporting mail

Thirty-five contracts are now held by film carriers to transport U.S. mail.

Sixty-eight contracts have been held in the past by film carriers.

Film carriers exhibited an interest in transporting the U.S. mail either with cargo now being transported on their schedules or in operating separate schedules to meet requirements of the Post Office Department.

Comment of one carrier

"Theatre Service Co., could give very good service on handling the mail, as we have terminals located in the following places: Chattanooga, Knoxville, and Nashville, Tenn.; Atlanta and Albany, Ga.; Birmingham, Montgomery, and Dolphin, Ala. Company has routes operating from these different locations to a number of towns and cities both large and small serving many communities that do not have sufficient population to support a motion picture theater."

Observation

Members of this conference could supplement the services of the regular route motor freight common carriers, by providing scheduled service on a regular basis on small volume mail shipments to those points now served on a daily basis by carriers who, because of the low freight tonnage, cannot schedule daily delivery service.

Mr. FORT. That is in brief a summary of my testimony. and with that I would like to turn the chair to Mr. Fraley.

(Mr. Fort's prepared statement follows:)

PREPARED STATEMENT OF JAMES F. FORT, COUNSEL, PUBLIC AFFAIRS, AMERICAN TRUCKING ASSOCIATIONS, INC.

My name is James F. Fort. I am counsel, public affairs of American Trucking Associations with offices at 1616 P Street NW., Washington, D.C.

Inasmuch as the American Trucking Associations has not often appeared before this committee I should like to take a moment to outline for you our organization. The American Trucking Associations, Inc., is the national trade association for the trucking industry. We represent all forms of trucking in the United States. By this I mean both private carriers and all of the various segments of the for-hire trucking industry. These carriers are both interstate and intrastate transporters of freight. We have affiliated associations in 49 States and the District of Columbia. In addition we have 13 conferences which repre-

sent the various specialized segments of the industry such as common carriers, household goods movers, contract carriers, tank-truck carriers, steel haulers, etc.

I am pleased to open the presentation in behalf of the trucking industry on H.R. 6472. The industry is strongly in support of the bill.

As the opening witness let me outline briefly the testimony which will be offered by the remaining trucking industry witnesses. Our second witness will be Mr. Orrin Fraley, vice president, Consolidated Freightways, California, who will cover a number of points. Mr. Fraley has had years of experience as an executive of a large common carrier which has done a large mail carrying business in addition to its regular freight business. In part, Mr. Fraley will devote himself to the question of whether the proposed new law should provide for contracting authority between the Post Office Department and the motor carriers or whether the rates should be set by the Interstate Commerce Commission as they are for the railroad industry.

Following Mr. Fraley will be Mr. W. W. Callan, Central Freight Lines, Texas. Like Mr. Fraley, Mr. Callan is a motor common carrier executive whose company has had considerable experience in moving mail. He will be followed by Mr. Delbert M. Steiner, a transportation consultant of Silver Spring, Md. Our next witness will be Mr. William Patterson, manager of the Local & Short Haul Carriers National Conference and Henry A. H. van Daalen, executive director, Common Carrier Conference, Irregular Route. Both of these two final witnesses are staff executives of conferences for specialized segments of American Trucking Associations. They are to give brief examples of their particular segments and the service they could render to the Post Office Department if H.R. 6472 is enacted.

We anticipate that our testimony will take approximately 2 hours.

As for myself, my testimony will be brief for I only intend to make a few points.

H.R. 6472 is designed to offer the trucking industry to the Post Office Department for the transportation of U.S. mail. It is intended to afford our industry a measure of equality with the other regulated modes of transportation.

In 1935 the trucking industry came under the Interstate Commerce Act and thus under the regulatory supervision of the Interstate Commerce Commission. The scope of our regulation under the 1935 act did not extend to the transportation of mail and this fact, coupled with the absence of statutory authority in the postal laws has denied us an opportunity to make our services available to the Post Office Department.

The overriding purpose of regulation of our industry has always been the protection of the public's vast interest in transportation. This is regulation's only justification. Because of the industry's essential "public" role, regulation has been, and remains, justified. Probably the greatest single public benefit of regulation has been the concept of fair and equal rates for everyone. This has meant that small shipper and small town are treated equitably. Regulation has also created a strong and healthy trucking industry in the process. The trucking industry has grown in the 30 years since it came under regulation to become a major segment of the transportation picture of the United States. It now has a greater revenue from the transportation of freight than the railroads. Certainly in the movement of commodities of a less truckload nature, there can be no question that the truck is the vastly predominant mode of transport.

The industry which would be subject to this bill has thousands of trucks ranging in size from the smallest to the largest. It has terminals in every medium and large city in the United States and it offers service in every town, village and community in this country. Our services are rendered at rates open to all of the shipping public and subject to the scrutiny of the Interstate Commerce Commission.

The service we offer is the principal reason for our growth. The truck has brought flexibility, speed, and dependability to transportation in a manner never before seen in this industry. Truck service has changed the face of America. No longer must plants be on rail sidings. No longer must stores maintain vast stocks of goods when they can get overnight truck delivery from hundreds of miles away.

This is what we are offering to the Post Office Department. This is the service utilized by all other departments of the Federal Government.

One statistic would be informative here: As an example of the Government's use of trucks, the Department of Defense spent \$102,900,000 on bulk shipments by rail in 1964 and \$80,900,000 by truck. However, on small shipments (and this is where mail would fall) rails received only \$2,200,000 to \$39,100,000 for motor carriers.

This is what the Post Office Department does not now use. This they cannot now use because of the statutory situation.

In general terms we feel that passage of H. R. 6472 will have mutual benefits to three groups. Our testimony today is intended to bring out for you (1) savings of dollars to the Post Office Department, (2) improved service to the public and, hopefully, (3) profits for the trucking industry.

Before turning to the next witnesses to enlarge on these themes let me outline for you the intent and purpose of various sections of H. R. 6472 and give you some reactions to some of the criticisms that have been leveled at the bill by previous witnesses.

Section 1 is, in effect, a statement of congressional policy and it states that "the Postmaster General * * * shall use the services * * * of regulated carriers of property to the maximum extent they are available and adequately meet the needs of the postal service for safe, economical, efficient, and expeditious movement of mail."

This section is not an absolute mandate as some testimony seems to have indicated. It is just what it appears to be—a statement of congressional intent that the Post Office Department should use regulated motor carriers in the same manner that it today uses rail and air carriers.

Section 2 contains definitions of terms which are used in the bill. The term "regulated carrier" which is used throughout the bill is defined to mean a common carrier certificated by the Interstate Commerce Commission or a State, a contract carrier franchised by a State or the Interstate Commerce Commission, or a local exempt carrier. Criticisms were leveled at this section as covering too many carriers. The intent of the motor carrier industry in supporting this legislation is to offer a new, flexible, and complete truck service to the Department. We do not feel that arbitrary limitations on which carriers may provide this new service would give to the Department the flexibility which it wants. However, a suggestion I shall make in connection with another section, would, we feel, reduce the number of carriers within the general scope of the bill.

Section 3 merely declares mail transportation to be "transportation of property in interstate commerce." The intent of the section is to make it clear that mail is an interstate commodity even though it might be moving entirely within the confines of a State.

Sections 4, 5, 6, and 7 establish the procedures under which the Postmaster General is to spell out his needs for truck transportation and under which the Interstate Commerce Commission is to prescribe rates for this transportation.

Specifically, section 4 directs the Postmaster General to file with the Interstate Commerce Commission a "statement of service" which is, in effect, a statement of what service he wants—where, when, how, etc.—from the trucking industry. It must also contain his proposals as to "units of service upon which compensation is to be based."

Section 5 next follows with directions to the Interstate Commerce Commission to publish the "statement of service" and a directive to the regulated carriers to respond to this publication with, among other things, their proposed rates. It is not our intent that the Commission would regulate, control or modify the "statements of service." It is merely a necessary document on which to base a decision on rates. Then the section directs the Commission to begin the process of fixing fair and reasonable rates for mail transportation. As is customary in transportation legislation, the bill provides that pending the completion of the investigation the Postmaster General shall pay the rates proposed by the carriers.

Section 6 provides a procedure for reopening ICC rate cases upon application within 6 months. The Commission and the Department in their testimony stated that (particularly in view of the large number of carriers to be covered) this provision would mean that the Commission and the Department would be constantly involved in rate cases. The Commission suggested as a cure that they be given the right to deny petitions to reopen mail rate cases. This seems to us to be meritorious and we suggest that the bill be so changed.

Section 7, apparently a necessary addition, directs the Postmaster General to pay the rates established by the Commission.

Section 8 requires the transportation of mail by the carriers when it is tendered to them. The carriers are limited to the territory served by their authority from the regulatory agency or within the scope of their exemptions.

The bill says, in effect, all carriers covered by the bill must carry mail unless they apply to the Postmaster General for relief and if they do apply, then the Postmaster General shall excuse them. Both Government agencies in their testimony point out that many, many motor carriers will not want to carry

mail (just as many railroads do not) and it seems a vast administrative burden to require all these to make application to be excused. Rather it would seem appropriate to put the mandatory feature only on those who make application instead of putting the obligation on all unless excused. The Department also pointed out that any carrier could, under this section, stop service at any time thus depriving the Department. Certainly, this was not contemplated. However, the possibility would be eliminated if the section was changed as suggested. This possible change of approach would have the immediate effect of drastically reducing the carriers subject to the bill. Obviously many carriers do not want to (nor are they equipped to) carry the mail and they would not make application.

Section 9 of the bill provides for penalties for failure or refusal to perform service. The Department was critical of the measure of damages provided in the bill. Their objection seems valid and some improvement would seem in order here. Another provision of this section provides for an appeal to the Interstate Commerce Commission from any penalty imposed by the Postmaster General. Both the Department and the Commission were critical of this idea. The Department, without elaboration, calmly states: "This feature would adversely affect the efficiency of the Department's transportation program." More convincingly, the Commission would obviously not relish playing referee between the Department and the trucking industry. The industry would see no objection to striking this feature of the bill.

Section 11 preserves existing laws relating to star route contracts thus giving the Postmaster General his choice of the use of regulated carriers or retaining the historical star route procedures.

The Department's witness, in comparing this section with section 1, termed the two as an "irreconcilable conflict." We do not agree. We have already stated that section 1 is a general statement of congressional intent while section 11 is specifically worded to give the Postmaster General a means to obtain necessary highway services which cannot be supplied by the highway transport industry.

Our fervent hope is that the Post Office Department under this bill would finally come to realize that the flexibility which it purports to seek is in fact to be found in the regulated industry rather than with the carriers secured in the past under the bid procedure.

Mr. Chairman, one segment of our industry which has participated extensively in mail transportation is the film carrier group. This conference of ATA has conducted a survey of its members on a number of highly pertinent questions. In order that the committee have the benefit of this valuable information I respectfully request that this survey be placed in the record following my statement.

Mr. Chairman, that concludes my opening remarks. Our next witness will be Mr. Orrin Fraley, of California.

Mr. DANIELS. Mr. Fraley, you have quite a long statement. In view of the fact time is limited today I might suggest you submit the statement for the record and briefly summarize the statement so as to afford members of the committee time to ask questions.

Mr. FRALEY. I shall submit my statement for the record.

(Mr. Fraley's prepared statement follows:)

PREPARED STATEMENT OF ORRIN H. FRALEY, VICE PRESIDENT, CONSOLIDATED FREIGHTWAYS, INC., MENLO PARK, CALIF.

Mr. Chairman and members of the Postal Operations Subcommittee, my name is Orrin H. Fraley, and I appear in support of the principles of H.R. 6472, the bill introduced by Chairman Dulski of this committee. For several years I have been, and am now, chairman of the Government Traffic and Defense Liaison Committee of the Regular Common Carrier Conference. In this capacity I represent a major segment of the organized trucking industry. We estimate that regular route motor carriers will receive well over \$5 billion in freight revenues this year.

I am also vice president of Consolidated Freightways, of Menlo Park, Calif. Our company pioneered the first contract mailtruck routes from Seattle to Fairbanks and Anchorage, Alaska. We do not operate these routes today, although we operated them to the satisfaction of the Department and postal patrons for several years. For 14 years, Consolidated Freightways has operated a mail route which transports all classes of mail matter moving between Seattle and Portland.

As a company, we have perhaps as much mail transport experience as any regulated motor carrier. Hence, our company has an understanding of the requirements of the Post Office Department, of the needs of mail users, and of the great mail potential of the motor common carrier industry.

In 1964 Consolidated Freightways enjoyed sales of well over \$135 million in its carrier operations; these are the largest and most diversified motor carrier operations on the continent. Starting in 1929 in the Pacific Northwest, Consolidated Freightways has grown until it now offers shippers some 72,000 miles of authorized routes in the United States and Canada. These routes serve 9 of the 10 largest U.S. cities and 43 of the top 50 industrial counties, and the 2 largest cities in Alaska. About 40 percent of our traffic is interlined with other carriers, and we maintain "open gateways" at numerous points. Through an originating Consolidated Freightways shipment, any shipper can easily reach any point in the United States.

Mr. Chairman, I mention this information about Consolidated Freightway primarily to illustrate, early in this testimony, the central fact which our industry wishes to emphasize to you and to the Congress. It is this: That the regular route system of carriers, operating over the Nation's highways, now provides shippers a nationwide, reliable, and complete transportation service reaching every locality and populated place, large and small alike. And by "regular route" we mean operation over designated highways between named service points.

The Post Office Department does not have the use of this great national system of transport. We think that it should. We are also convinced that the mailing public wants, and should have, much improved transportation. The broad purpose of H.R. 6472 is to place this vast and capable system of public carriers at the disposal of the Post Office Department.

Gentlemen, we have carefully studied the testimony of the Post Office Department and the Interstate Commerce Commission before the subcommittee on May 25. We have noted some 34 separate objections of the Post Office Department to H.R. 6472 in its present form. On the other hand, the witness, Mr. Fred Batrus, Deputy Assistant Postmaster General for Transportation, and one long acquainted with the problems facing the Department, said that the Post Office Department—

"* * * has favored legislation which would afford increased flexibility to utilize services provided by common carriers by motor vehicle."

Mr. Batrus then called for an amendment of the authorization in section 6402(a) of title 39, United States Code, to include common carriers by motor vehicle, so as to bring them into the transportation of mail. I will return to this point in a moment.

Chairman Webb of the Interstate Commerce Commission testified in favor of the basic objectives of H.R. 6472, but he opposed enactment of the bill in its present form. Chairman Webb was very specific as to how motor carrier mail legislation can be accomplished. Speaking for the Commission, and recognizing its obligation under the national transportation policy, Chairman Webb said in part:

"* * * we believe that any legislation on this subject should be confined to motor carriers of property who operate generally over regular routes, operate on definite schedules, have formal interline arrangements with connecting carriers for through-trailer service, are authorized to transport general commodities with the usual exceptions, conduct most of their operations with conventional equipment, and operate terminal facilities for the handling of less-truckload freight. This group of motor carriers probably includes less than 2,000 carriers interested in the transportation of mail. However, this group of carriers is commonly regarded as the backbone of the trucking industry. This group of carriers is able to assume, and as far as we know willing to assume, all obligations connected with the transportation of mail that are presently assumed by the railroads."

Chairman Webb also said, "If legislation on this subject were limited to motor carriers having the above-described characteristics, it could be made quite simple in nature and easy to administer."

On one important point, therefore, there is agreement between the Post Office Department, the Interstate Commerce Commission, and the trucking industry. All agree that there is a need for legislation which will make available, on a suitable basis, the service to be provided by regulated motortrucks. The Commission, as you know, has made a separate legislative recommendation on this subject to the Congress in its 78th annual report.¹ The Post Office Department in 1958 supported legislation which would have given the Postmaster General authority

¹ 78th Annual Report, ICC to Congress, Legislation Recommendation No. 3, pp. 61-62. A copy is attached to this testimony.

to tender mails to regulated carriers under an ICC-established rate, but then in 1962 and again in 1963 the Department has favored a different approach. The Department now wants to enter into "negotiated contracts" with motor common carriers. Such contracts would be for a period of 4 years and would be similar to the contract authority granted the Department under Public Law 88-239. This measure grants the Post Office authority to enter into agreements, without advertising for bids and without bond, for the transportation of mail in passenger-carrying motorbuses.

Clearly, the Post Office Department now chooses to make mail contracting the heart of the issue. We do not believe that this is the real issue, but will have to deal with it until we have convinced this committee, and the Congress, otherwise. The real issue, we submit, is how to improve the postal transportation service. This can be done not by contracting for bits and pieces of transportation, but by making the regulated motor carrier system of service as readily available to the Post Office Department as to any other shipper.

There is also an issue of the obligation upon agencies of the Government, including the Post Office Department, to make practical use of authorized commercial transport facilities. President Kennedy expressed this clearly in his message on transportation to Congress on the 75th anniversary of the Act to Regulate Commerce, April 5, 1962. This obligation cannot be met by the creation of a private contract operation of nationwide scope, but can be discharged only by dealing with the regulated carriers on fair terms.

Our industry's conclusions result from study of the development of postal transportation and our own experience. We have no desire to burden this record, however, since the matter of contracting has assumed such importance, we believe it our plain duty to explain in some detail why we are convinced that the approach sought by the Post Office Department would fail to produce the service which we now offer the shipping public. We expect to provide service to the Post Office Department over many decades, and therefore the service must be entered into with complete understanding on all sides.

Mail contracting predates the present methods of tendering mail to the regulated carriers by rail and air. The Act to Regulate Commerce of 1887 applied only to the railroads; and it did not embrace mail transportation which remained under a contract arrangement between the railroad and the Postmaster General.

The period from 1873 to 1916—43 years—was one of railroad supremacy in passengers and freight. During these years, however, the railroads became disillusioned with the mail traffic and they finally sought relief from Congress. After extensive hearings and years of effort, Congress agreed that the Interstate Commerce Commission should have the same jurisdiction over the mail traffic as it had over all other traffic of the railroads. The long dissatisfaction of the railroads over mail contracts is set forth in detail in the congressional hearings which preceded enactment of the Railway Mail Pay Act of 1916. The railway mail pay committee, composed of the top officers of railroads and representing 90 percent of the entire mileage of the country, concluded in 1915, among other things, " * * * to ask Congress to enact a law that will give the Interstate Commerce Commission the same jurisdiction over the mail traffic that it now has over all other traffic of the railroads."

Obviously, the railroads had not found their relations with the Post Office Department over the years entirely satisfactory, or they would not have sought to change them. Mail had moved for many years on a weight basis; four Government Commissions since 1873 had investigated the subject of railway mail pay; none had ever found the railroads were being paid too much.

A long list of railroad complaints appeared with the enactment of the Parcel Post Act of 1912. At this point both the railroads and the Post Office apparently realized that mail traffic would never again be the same. They saw that the volume of parcel post would be mountainous, more than anyone could imagine, and each sought to adjust to the new situation. New post offices and new mail handling facilities would be needed.

At this point the Department sought to write into the annual appropriation for mail transportation a new method of payment called the "space basis" to replace the weight basis which paid upon average route miles of service. The railroads had found the weight basis unsatisfactory, but they feared that a "space basis" might be ruinous. They determined that the only way for them to achieve fair treatment at the hands of the Post Office was to turn to the Interstate Commerce Commission as the rate umpire.

No person knowledgeable in transportation can doubt that the fears of the railroads were well founded in those years. Here was the situation. The Nation was growing and postal volume rising rapidly. The Parcel Post Act² changed the Post Office overnight from a shipper or forwarder into a competitor in the realm of small package freight. At that time, the railroads provided the only means of small package movement through their express service. At first, the limits were 11 pounds and 7 $\frac{1}{2}$ inches in girth for parcel post; within 1 year, the weight limit was increased to 50 pounds. An avalanche of parcel post overwhelmed the postal service, and as mail, was given the railroads for transportation. The total weight of parcels mailed the first year was nearly 729 million pounds, and 2 years later the weight was up 123 percent.³

The railroad witnesses before Congress saw the Department's proposed new basis of payment, coupled with the burgeoning parcel post traffic, as an opportunity for the Post Office Department "to invade the freight traffic of the carriers." The statement of Congressman Madden on the House floor⁴ gave point to their fears.

"There have been cases of great injustice done, however, in the Western States, where whole carloads of coal have been shipped in 48-pound packages; whole carloads of ore, carloads of potatoes, carloads of cement, carloads of brick, sand, and all kinds of things put in the 48-pound packages. Now, that never was the intention."

The Post Office Department, the railroads believed, would be in position to offer some shippers four distinct advantages over those given by the carriers themselves, as follows:

1. With a lading of 10 tons, the rate per ton-mile would be materially lower than the rates fixed by the freight tariffs of the carriers themselves;
2. The shipper will have the opportunity to ship freight in mail cars without classification;
3. Shipments will be moved by passenger train service instead of freight train service; and
4. Shipments will receive free delivery service at destination.

Some fears of the railroads at that time may have been unjustified, but they were nevertheless real, and they represented the best judgment of railroad management. The unmistakable point for us in this hearing is to recognize that the contract relationship between the railroads and the Post Office Department, although used in one form or another since 1838, was completely rejected nearly half a century ago.

The chief railroad witness before the Senate Committee on Post Offices and Post Roads made the point that the carriers should be paid on a fair basis and at a fair rate for what they do and nothing more.

Congress accepted the carriers' plea that it place U.S. mail traffic under rate regulation by the Interstate Commerce Commission. This method of arranging for transportation by rail has been in effect for the past 49 years. We are not aware of any desire on the part of the railroads to go back to the former conditions of contracting, much less extending the "negotiated contract" provisions to them.

Next, I should like to review briefly the experience of the air transport industry with the Post Office Department, paying special attention to contract rates.

The Post Office Department, aided by certain farsighted Members of Congress, literally created the infant air transport industry in the period immediately after the First World War. Air mail was visualized by the Department as the greatest possible advance to the commercial interests of the Nation. During the early twenties, the Department attracted numerous energetic officials and employees who engaged the most formidable opposition in order to build an airmail service. There were no air passengers in those early days, hence dollars from the Post Office became the sole support of the first contract air operations. This was the modest beginning of air transportation in the United States.

The situation of the "air carriers"—(they were not "airlines" until the advent of passenger traffic)—and the Post Office Department was completely different from the one described above in which the powerful railroads and the Post Office were long contending. The air carrier was almost totally controlled by the Department. When night flying was introduced in 1923, the air navigation system itself was operated by the Post Office. In the late twenties, mail contracts were the usual if not the only way to get into the airline business. There was no

² Aug. 24, 1912, effective Jan. 1, 1913, 37 Stat. 556.

³ See p. 4243, Congressional Record, 1914.

⁴ P. 3649, Congressional Record, Feb. 26, 1916.

certification of carriers for the public convenience and necessity, and the airline operator could get any charge he thought a shipper or a passenger would pay. In this dependent position, the airline operators generally took what the Post Office Department offered. The Department was capable of making or breaking the carriers without consideration of their just needs for revenues, or for that matter, without consideration of any public service factors whatever. That this was an unhealthy situation for the young airline industry has been instructively documented before Congress itself. Many leading figures in the airline industry of today were participants in these events; hence, the facts of life of this period can easily be verified. And if personal testimony were not sufficient to illustrate the complete impracticability of the contract method as applied to the airlines, one need only recall the air mail contract cancellations of 1934. At that time, President Roosevelt directed the Army pilots to fly the mails for a temporary period while more businesslike and permanent arrangements could be worked out for the movement of air mail by the airlines. A full-scale investigation by Congress was required to determine what had happened, and to write laws to prevent a recurrence.

The airmail scandals precipitated Congress to investigate and finally to enact legislation which would correct the evils of airmail contracting. In this instance, Congress and the airline industry agreed that the contract basis was impractical and a new one essential. The resulting Civil Aeronautics Act of 1938 placed the ratemaking power within a coordinate branch of the Federal Government and provided for fair and equitable rates. This approach has proved satisfactory to the scheduled airline industry down to the present. We know of no spokesman for the industry who favors a return to the old methods of mail contracting. (It is true that under present statutes, the Post Office Department is permitted to make special contracts with airlines, under certain conditions, but even this authority is subject to review of the CAB, as a necessary protection to the carriers.)

There is clear indication, however, that the Post Office Department would again like to have the ability to contract for mail services with airlines. In the 86th Congress, the Post Office expressed the need for "greater flexibility" in arranging for air transportation and sought new contract authority to deal with airlines in S. 2402.

"We ask in this legislation (S. 2402) merely that contract authority be authorized so that the Post Office Department and the air carriers may be free to act promptly, when and where necessary, to arrange for different rates under different conditions of service."⁵

The bill S. 2402 is appropriate to this hearing because it sought, among other aims, to put the Post Office Department back into its former position of making "negotiated contracts" with the airlines, which was forbidden under the provisions of the 1938 legislation. In short, the Post Office was here seeking exactly the same authority that it would now like to have in its original dealings with the regulated motor carriers. The parallel is striking, and it has caused us to review the record of the 1959 hearings with great care.

And in reading we find that considerable apprehension was expressed over the grant of contract authority to the Postmaster General without proper safeguards. The Honorable Chan Gurney, Vice Chairman of the Civil Aeronautics Board, summarized these misgivings, speaking for the Board:

"S. 2402,⁶ as presently drafted, is inconsistent with the basic regulatory concept which Congress so carefully laid down in the Civil Aeronautics Act of 1938. Instead of having one agency responsible for the establishment of mail rates, this authority would be divided between two agencies, and neither the Post Office Department nor the Board could provide adequate regulatory control." (S. Rept. No. 805, Transportation of Mail, to accompany S. 2402, 86th Cong., 1st sess., p. 11.)

The reaction of the airline industry was expressed by the president of the Air Transport Association, Mr. Stuart G. Tipton. "I think our feeling on the contract system (speaking to Senator Carlson's question) is based on a long and very bitter experience with contracts and quite a good experience generally with the

⁵ Hearings, "Air Transportation for Other Than Mail," S. 2402, 86th Cong., 1st sess., pp. 28-29.

⁶ S. 2402 would (1) authorize the Postmaster General to transport all classes of mail by air carrier if he finds it would be in the public interest, because of the nature of the terrain, or the impracticability or inadequacy of surface transportation, and when the cost thereof is reasonably compatible with the service to be provided; (2) require air carriers to provide such transportation under rates and conditions provided by the CAB; and (3) authorize the Postmaster General and any air carrier to contract for such transportation at other than CAB prescribed rates.

system of having rates fixed by the CAB. It prevents all manner of discrimination, it maintains a rate structure which is by definition a fair and reasonable one to the carriers and to the Postmaster General, and it eliminates the necessary discrimination as between shippers which comes from a contract by the Postmaster General, because, as I have said, no other shipper gets that opportunity of going to a carrier and offering him a very substantial volume of traffic if he will just break his rates 5 cents a ton-mile.

"No other shipper can do that, and with the very substantial volumes that the Postmaster General controls, I think it would inevitably bring in discriminations of the worst sort, and that is our feeling about it, because we do not believe that there is anything in the present system of fixing rates by the CAB that need impair the Postmaster General's development of this program * * *." (Hearings, "Air Transportation for Other Than Air Mail," S. 2402, 86th Cong., 1st sess., pp. 77 and 78.)

Members of the House and Senate were in favor of some features of this bill which primarily was concerned with authorizing the Postmaster General to transport all classes of mail by air when surface means were considered inadequate. The proposal to arrange for the needed services by contract authority did not pass. The airline witness pointed out that rate procedures presently available to the airlines through the Civil Aeronautics Board were quite sufficient to allow for any needed new services desired by the shipper (Post Office Department).

In summary, there was no need to go outside the framework of the rate regulatory process and to permit the Post Office again to begin dealing with the air carriers from the dominating position of a shipper controlling huge volumes of air traffic.

Mr. Chairman and members of the committee, the entire purpose of reviewing these facts concerning the railroad and airline industries, in their dealings with the Post Office Department, is to explain why "contracting" is the wrong way for regulated carriers to get into the mail business. Based upon the obvious lessons of the past, our industry is convinced that "negotiated contracts" or whatever name is given this "private arrangement" outside the regulatory framework, would be injurious to the carriers whom we represent. Further, it is not necessary to the Post Office Department. The clear lesson of the past is that in dealing with the Post Office Department "contracting is no way to run a railroad, or an airline." We are convinced that it is no way to run mail over a common carrier truckline. Neither do we consider the advertising bidding procedure an effective means of dealing with the Post Office Department. Such procedures do not produce the systemwide and nationwide common carrier services which we would provide the Post Office Department.

If contracting is not the way, then what is the way? It is simply for the Post Office Department to deal with motor common carriers as common carriers of mail. These carriers transport every other commodity or item of commerce under the sun as common carriers. This is their reason for existence. They should transport mail as an ordinary feature of their everyday business.

As Chairman Webb said before your committee, this can be done with considerable simplicity. Rates of compensation which will be fair to the Post Office Department and to the carriers can be established by the Interstate Commerce Commission. Only in this manner, it seems to us, can the interests of all parties be fairly weighed in the balance of an impartial body. The Commission has wide knowledge of the regulated carrier industry, both rail and motor, and it is an arm of the Congress capable of dealing with the Post Office Department as equals.

Mr. Chairman, we agree that H.R. 6472 in its present form may be unworkable in some details. We support its main purpose which is sound. The bill proposes to place the Post Office Department in a position to make use of the nationwide system of regulated motor common carriers. It would require the Post Office Department to use these carriers under the same, or similar, statutory basis that it is required to use railroad and airline common carriers.

On two previous occasions, in 1958 before a committee of Congress, and again in 1960, the Post Office Department sought an approach to highway transportation of mail very similar to the one now being advocated—and always advocated—by the trucking industry. While we still favor H.R. 6472 in broad outline, as common carriers, we would favor the more practical approach outlined by Chairman Webb in his testimony before this committee. He made it clear that the drafting of suitable legislation "could be made quite simple in nature and easy to administer." It would be necessary, he said, to define generally the motor carriers authorized to transport mail at published rates. The Commission would

have little difficulty in determining which carriers met the statutory criteria. He said also that "to the extent that these (regulated motor carriers) carriers were unable or unwilling to make firm commitments for transportation of mail on conditions similar to those applicable to railroads, existing star route contract procedures would be available to meet any unsatisfied need for highway transportation."

One of the greatest advantages of this approach is that it would make immediately available for mail transportation the existing, modern motor carrier plant and facilities. The Post Office Department has no motor transportation needs that we cannot meet. No expenditure of Post Office dollars is required. The commercial shippers of the Nation have built the motor carrier industry; it can be placed at the service of the Government without developmental cost.

This committee is invited to think realistically beyond the needs of today. To consider the 41,000 mile Interstate and Defense Highway System, now more than half completed, and its great unused potential to the postal system. Now as in the past, the most advanced means of transport should be opened up to the Post Office Department.

In today's fast-stepping economy, there is a premium upon rapid movement, flexibility, and service direct to the door. We are a Nation doing much of our work by means of rubber tires—highway oriented. New opportunities for improvement of the postal service are opened up by the improved Federal-State road systems, better State highways, and the traffic engineered expressways and throughways in and around metropolitan areas. These opportunities should be made available to the Post Office Department.

Furthermore, we assert to this committee that it is sound public policy for the Federal Government to employ the regulated carrier systems, motor as well as rail and air. The Government which regulates us for the protection of shippers needs to look to itself as a shipper of mail.

Gentlemen, I thank you for the opportunity to appear here, and will be pleased to submit to your questions.

ICC LEGISLATIVE RECOMMENDATION No. 3 INVOLVING MOTOR CARRIER TRANSPORTATION OF MAIL AS CONTAINED IN THE 78TH ANNUAL REPORT OF THE COMMISSION (1964)

In furtherance of the national transportation policy, we recommend that the Congress give consideration to amending the Interstate Commerce Act and related statutes so as to provide for greater flexibility in the transportation of mail by authorizing more efficient use of regulated motor common carriers and the new Interstate Highway System.

The new Interstate Highway System, which is moving rapidly toward completion, places this Nation's transportation system on the threshold of a new era of safe, expeditious, and economical transportation over a vast network of limited access, multilane highways, linking major population centers of the country. This Commission has embarked upon major investigations, noted elsewhere in this report, to study the impact of the new highway network upon the Nation's transportation economy and the manner in which it can be most effectively utilized in the public interest for the movement of passengers and property.

Present statutes, however, do not permit regulated motor common carriers to transport mail on a basis similar to which railroads and airlines and motorbuses are handling it so as to fully utilize these new superhighways. Highway transportation of mail by truck must be awarded to the lowest responsible bidder. This practice does not necessarily produce the best possible mail transportation service. There is a substantial likelihood that the services of the regulated motor common carrier system are not being utilized to the same extent as those of railroads, airlines, and buses so as to preserve the inherent advantages of highway transportation as the national transportation policy directs.

The proposed amendment to the act would be in furtherance of the objective of the national transportation policy of developing, coordinating, and preserving a national transportation system (by highway) adequate to meet the needs of the postal service.

Mr. FRALEY. I would like to turn to the section of my statement that deals with the reason the railroads found that the contracting arrangements were not satisfactory. The Interstate Commerce Commission agreed with them and established the present system of

Interstate Commerce Commission-approved rates, which is the system we are proposing for the motor common carrier.

I have reviewed the history of transportation of mail by air and the unhappy experiences that the air carriers had with the contracting arrangements. These experiences led eventually to the establishment of a similar arrangement whereby the CAB approved the rates of the air carriers.

Quoting the representative of the air industry, he said:

I think our feeling on the contract system (speaking to Senator Carlson's question) is based on a long and very bitter experience with contracts and quite a good experience generally with the system of having rates fixed by the CAB.

In summary, both air and rail carriers found that there was no need to go outside the framework of the rate regulatory process and to permit the Post Office to deal with carriers from the dominating position of a shipper controlling huge volumes of traffic.

My purpose in reviewing this history is to explain why we feel negotiated contracts is the wrong way to provide for the transportation of mail by rail, by air, or by motor common carrier when we do receive the authority to transport mail.

The motor common carriers, we feel, should be put in the position to transport mail as an ordinary feature of their everyday business.

Mr. Webb said before your committee that this could be done with considerable simplicity. Rates of compensation which will be fair to the Post Office Department and to the carriers can be established by the Interstate Commerce Commission. Only in this manner, it seems to us, can the interest of all parties be fairly weighed.

The Commission has wide knowledge of the regulated carrier industry, both rail and motor, and it is an arm of Congress capable of dealing with Post Office Department as equals.

We support the main purpose of H.R. 6472, although it may be necessary that some features of the bill be changed.

This bill would require the Post Office Department to use the motor common carriers under the same or similar statutory basis that it is required to use railroad and airline common carriers.

We favor Mr. Webb's approach to the problem. He made it clear that the drafting of suitable legislation could be made quite simple in nature and easy to administer.

It would be necessary, he said, to define generally the motor carriers authorized to transport mail at published rates. The Commission would have little difficulty in determining which carriers met the statutory criteria.

He said, also, that:

To the extent that these regulated motor carriers were unable or unwilling to make firm commitments for transportation of mail on conditions similar to those applicable to the railroads, existing star route contract procedures would be available to meet any unsatisfied need for highway transportation.

One of the greatest advantages of this approach is that it would make immediately available for mail transportation the existing, modern motor carrier plant and facilities. The Post Office Department has no motor transportation needs that we cannot meet. No expenditure of Post Office dollars is required. The commercial shippers of the Nation have built the motor carrier industry, and it can be placed at the service of the Government without developmental cost.

This committee is invited to think realistically beyond the needs of today. The most advanced means of transport should be opened up to the Post Office Department.

Furthermore, we assert to this committee that it is sound public policy for the Federal Government to employ the regulated carrier systems, motor as well as rail and air. The Government which regulates us for the protection of shippers needs to look to itself as a shipper of mail.

Gentlemen, I have hurried over this and I appreciate your indulgence in allowing me to make this presentation.

Mr. DANIELS. You indicated that the proposed legislation may require amendment.

Do you desire to point out to the committee the amendments you have in mind?

Mr. FRALEY. I think Mr. Fort has some specific recommendations to make in that connection, Mr. Daniels, and he would be much more qualified to answer that question than I.

Mr. DANIELS. Mr. Fraley, under existing law is there any reason why motor common carriers cannot participate in the program?

Mr. FRALEY. We do participate in the program to a very limited degree. Motor carriers do, on occasion, bid on certain mail runs.

Mr. DANIELS. Why to a limited degree? Why not participate in its entirety?

Mr. FRALEY. The way the bids are set up is not conducive to participation.

Mr. DANIELS. What is objectionable about the existing law?

Mr. FRALEY. Bids are submitted on a bits and pieces basis.

Mr. DANIELS. Is not competition the spice of life?

Mr. FRALEY. If so we have lots of spice in our business. We have lots of competition.

Mr. DANIELS. The American Association of Manufacturers, the U.S. Chamber of Commerce continuously advocates the free enterprise system. They believe in competition.

Now if the Postmaster General advertises for bids and asks all people engaged in the transportation business, whether they be certificated common carriers or private carriers, would this not be exactly what these organizations and what industry craves for in the United States?

Mr. FRALEY. If I understand your question my answer is "No."

Mr. DANIELS. Are you a member of the U.S. Chamber of Commerce?

Mr. FRALEY. Yes, sir.

Mr. DANIELS. Are you a member of the American Association of Manufacturers?

Mr. FRALEY. No, sir.

Mr. DANIELS. You do not agree with the president of the U.S. Chamber of Commerce?

Mr. FRALEY. Yes, we do.

Mr. DANIELS. Then tell me why the present law is inadequate.

Mr. FRALEY. The present law, the practices under the present law, under which the Post Office Department invites bids is on the basis of exclusive use of equipment devoting the equipment to the exclusive transportation of mail, regardless of the fact that in many cases there is not a full load of mail moving between point A and point B, or between B and C, or C and D at any given time.

We think it would be more economical for the Post Office Department, and would result in better service, if the mail could be moved the same as other traffic is moved and mingled with other traffic so that the Post Office Department would not be paying for the movement of a piece of equipment that is only half full, or a fourth full, but would be paying only for the weight of the mail being transported at any given time.

Mr. DANIELS. You use the word "traffic." What you mean is that the mail would be commingled with freight and that freight and mail would be carried in the same vehicle?

Mr. FRALEY. That is correct; yes, sir.

Mr. DANIELS. The previous witness testified that if the proposed legislation were adopted it would result in higher costs. Do you agree or disagree with that?

Mr. FRALEY. I disagree with that. As I just said, I feel very strongly that if the Post Office Department were able to move the mail on a weight basis, or perhaps a per piece basis, and pay only for the mail it was moving at a particular time instead of paying for the support of one schedule or two schedules or a half dozen schedules a day to move mail, regardless of whether those schedules were full or not, the cost would be much less than that they are now paying.

Mr. DANIELS. You do not think under H.R. 6472 it would result in less cost to the Government for the transportation of mail?

Mr. FRALEY. I didn't understand the first part of the question, Mr. Congressman.

Mr. DANIELS. Is it your opinion that if H.R. 6472 were to be adopted that it would result in cheaper costs to the Government for the transportation of mail?

Mr. FRALEY. Yes; it is my firm opinion.

Mr. DANIELS. How did this come about?

Mr. FRALEY. In the matter I just described. We have a later witness who will go into that matter in detail. The method now being used of contracting for movement of vehicles, whether they be full or not, is not an economical way to transport mail or freight. The shippers of freight do not move their traffic on this basis and do not pay their charges on this basis. They could not afford to.

Mr. DANIELS. The present star route carriers give a bond to the Government for the faithful performance of their contract. Would you have any objection to an amendment being incorporated in this bill whereby contract motor carriers would be likewise obliged to give a bond to the Government to guarantee faithful performance of their contracts?

Mr. FRALEY. I don't know that we would have serious objection. It would be entirely unnecessary for the protection of the Post Office Department. As was pointed out in response to perhaps your question, or a question from one other member of the committee, the Interstate Commerce Commission very carefully examines the qualifications of the carrier before it issues that carrier a certificate.

Under the law each common carrier is required to carry insurance in very substantial amounts. Our company carries insurance in the amount of \$10 million.

Mr. DANIELS. What is the nature of that insurance? What kind of protection does it afford?

Mr. FRALEY. It protects against any kind of accident or disaster in connection with the transportation or movement of our vehicles or transportation of freight.

Mr. DANIELS. Would it afford protection to the Government for the failure to deliver the mail on schedule?

Mr. FRALEY. Very substantial quantities of freight move for the Government and for other agencies of the Government. The Post Office Department is the only agency of Government not able to move traffic on the regular common carrier system. These agencies are adequately protected. I have never heard one complain of inadequate protection with respect to the responsibilities.

Mr. DANIELS. I simply want to know whether it affords the Government protection for failure to deliver the mail on time.

Mr. FRALEY. I don't know that it would in the sense of setting up a specific penalty or providing a specific penalty for a specific amount of delay.

Mr. DANIELS. I don't want to take all the time so I will ask only one or two more questions.

How many regulated carriers, certificated motor common carriers, are there throughout the United States today?

Mr. FRALEY. About 15,000 of class I, class II, and class III regulated carriers.

Mr. DANIELS. Has this number increased or diminished in the last 5 years?

Mr. FRALEY. Diminished.

Mr. DANIELS. Why?

Mr. FRALEY. Because of consolidations of carriers primarily.

Mr. DANIELS. Any carriers go into bankruptcy?

Mr. FRALEY. I am sure there have been.

Mr. DANIELS. Would the Government be protected against carriers who went bankrupt?

Mr. FRALEY. I believe it would.

Mr. DANIELS. Do you have any basis for making that statement that you believe it would?

Mr. FRALEY. I have had very little experience with bankruptcy.

Mr. DANIELS. Perhaps I should ask the question of your counsel and we will get to him later.

Mr. Gross.

Mr. GROSS. Mr. Fraley, one or two quick questions.

You have stated that the railroads and the airlines have suffered from disillusionment and dissatisfaction with their contracts. What makes you think that the common carriers would have any better experience?

Mr. FRALEY. We don't think they would. That is why we are opposed to the contracting arrangement, Mr. Congressman. We are advocating the movement of mail under rates approved by the Interstate Commerce Commission and not on the basis of contract rates.

Mr. GROSS. You think your relations with this bill would be entirely satisfactory? Is this what you are saying in effect?

Mr. FRALEY. With respect to the basis on which rates would be set, certainly; yes, sir.

Mr. GROSS. You say your company pioneered the first contract mailtruck route from Seattle to Anchorage, Alaska, and Fairbanks. Why do you no longer carry out this contract?

Mr. FRALEY. We were underbid the last time the contract was let.

Mr. GROSS. I believe that is all I have, Mr. Chairman.

Mr. DANIELS. Mr. Nix?

Mr. NIX. Thank you, Mr. Chairman.

Mr. GROSS. I am sorry. I have one other question. Was that by a star route carrier?

Mr. FRALEY. No; it was by a water carrier.

Mr. NIX. Mr. Fraley, you favor this legislation?

Mr. FRALEY. Yes, sir.

Mr. NIX. However, you are amenable to changes in it?

Mr. FRALEY. Yes, within certain limitations, so long as the basic purpose of the bill—

Mr. NIX. Is unchanged?

Mr. FRALEY. Yes, sir.

Mr. NIX. Therefore, I must conclude that you feel in itself it is not proper and should be changed to some extent.

Mr. FRALEY. We would be satisfied to pass the bill in its present form, Mr. Congressman. On the other hand, if it is possible to amend the bill to satisfy the interests that have misgivings about it without destroying the basic purpose of the bill, we would like to do so.

Mr. NIX. What I cannot understand too readily is this: That you are here to protect the interests of others who might be in competition with you. I gather you are here in your own interest.

Mr. FRALEY. You are absolutely right.

Mr. NIX. Therefore, I must conclude that if you are here in your own interest and you are amenable to change in the bill, you must recognize that some part of it would visit an inequity on someone else.

Mr. FRALEY. No, not at all. I do not feel that that is the case. There may be some that think it would but I do not agree with that.

Mr. NIX. Be that as it may, you have your reasons for agreeing to change.

Mr. Ernst testified that the association wishes—speaking of his association—to recommend consideration be given to granting present star route contractors a certificate of public convenience and necessity from the Interstate Commerce Commission or a State regulatory body.

Would that be agreeable to you?

Mr. FRALEY. If the certificates were issued authorizing them to do what they are now doing I personally would have no objection.

Mr. NIX. Why would it be necessary to have a certificate to do what one now is doing?

Mr. FRALEY. I do not think it is necessary.

Mr. NIX. It would not be that type of certificate, would it?

Mr. FRALEY. Which type of certificate?

Mr. NIX. To do what they are already doing.

Mr. FRALEY. We don't have a specific proposal for the kind of certificate before us so it is difficult for me to comment on it.

Mr. NIX. What you really mean is that if the certificate authorizes them to do anything other than what they are doing now, or in a different way than in which they are doing it now, you would not approve of it?

Mr. FRALEY. It depends on how far it would go.

Mr. NIX. Assuming it went just a little bit further, it infringed upon the duties that you might be performing, which your organization might be performing?

Mr. FRALEY. The certificates we hold, Mr. Nix, and which are held by every common carrier, are based upon proof of a need for a particular service. If one of these carriers could prove a need for a service, then I assume they would be granted a certificate.

Mr. NIX. What I am getting at, Mr. Fraley, is this: Do you realize that the star route under this legislation would be eliminated or do you not?

Mr. FRALEY. It is my understanding that it would not be eliminated.

Mr. NIX. Assuming that it is eliminated under this legislation, would you be agreeable to change or amendment to include it?

Mr. FRALEY. I cannot make that assumption, Mr. Congressman, because I think it is clear in the bill itself that it is not to be eliminated.

Mr. NIX. Let us, then take a hypothetical case, that it will be eliminated. Then would you be agreeable to including it in the same category in which you operate, which your company and your organization operates?

Mr. FRALEY. Again if we are talking about allowing the star route carriers to continue to provide the kind of service that they are providing now in the areas where they are now operating I would have no objection.

Mr. NIX. And you are agreeable to what Mr. Ernst has suggested?

Mr. FRALEY. I would not go so far as to be agreeable to that. He suggested a lot of things I could not agree with.

Mr. NIX. I am talking about things I mentioned, granting a certificate of public convenience by the Interstate Commerce Commission or a State regulatory body.

Mr. FRALEY. To transport mail?

Mr. NIX. Whatever you do. What they are trying to do is to maintain a position of equality with any position that you have. That is obvious, is it not?

Mr. FRALEY. As I understand your question, it contemplates much more than maintaining equality.

Mr. NIX. Assuming I am not mentioning anything other than equality, then what?

Mr. FRALEY. In the transportation of mail?

Mr. NIX. Transportation of mail; yes.

Mr. FRALEY. If it is limited to transportation of mail my answer is that we would have no objection.

Mr. GROSS. If the gentleman will yield, since you are asking for authority to carry mail, and you want to come in with freight, perhaps the gentleman's question might be phrased: Are you willing to permit star route carriers to carry freight and come in with freight? Would you be in favor of that kind of arrangement?

Mr. FRALEY. Mr. Congressman I submit it is immaterial whether I would be agreeable to that or not. The Interstate Commerce Commission is not authorized to issue certificates without proof of convenience and necessity. They might grandfather the existing carriers, existing star route carriers, to continue doing what they are now doing, but the Interstate Commerce Commission under the law does not have authority to grant certificates willy-nilly without proof of public convenience and necessity so it would be necessary for any one of these carriers if he wanted to expand his operations into the general commodity field to prove there was need for the service he proposed.

Mr. DANIELS. If the gentleman would yield—would you object, then, to this bill containing a provision grandfathering all of the existing star route carriers?

Mr. FRALEY. For transportation of mail; no.

Mr. DANIELS. But you would object giving them the right to carry freight?

Mr. FRALEY. Certainly.

Mr. DANIELS. Why?

Mr. FRALEY. For the reasons I have just stated.

Mr. DANIELS. Mr. Gross pointed out that you want this business and you also desire the privilege of comingling mail with freight, with "traffic" as you used the word.

Mr. FRALEY. That is right.

Mr. DANIELS. On the other hand you object to the star route carriers being given the same privilege you enjoy.

Mr. FRALEY. Certainly. We have obtained our certificates to transport general commodities at very great cost.

Mr. DANIELS. Is this not true, sir, that if this bill were enacted you would be removing from the marketplace most of the men who are now operating the star route routes?

Mr. FRALEY. I don't believe so.

Mr. DANIELS. Many of them do not possess certificates of public convenience and necessity from the Interstate Commerce Commission.

Mr. FRALEY. They wouldn't need to get certificates to transport mail under the proposal in this bill.

Mr. DANIELS. They would not need it? How would they become regulated carriers unless they had a certificate of public convenience and necessity?

Mr. FRALEY. If I might refer to the bill, Mr. Congressman—

Mr. DANIELS. Look at page 2, paragraph D, line 8. What is the meaning of that language?

Mr. FRALEY. This is language which would permit carriers holding certificates of public convenience and necessity to transport mail on the basis which we have been discussing, but over on page 6, beginning at line 9, section 11:

Nothing herein contained shall prevent the Postmaster General from entering into star route contracts under existing provisions—

My understanding of existing provisions is now existing provisions—of law, nor shall anything herein impair or suspend contracts for the transportation of mail by persons that are now in force and effect.

It is my understanding that this refers to today.

Mr. NIX. Your understanding is that it refers to today?

You cannot possibly mean that if this legislation is approved there is any validity to that part of the legislation? It has no retroactive effect to eliminate contracts already entered into, but does it not prohibit the entering into of any future contract?

Mr. FRALEY. I am sorry, I don't think it does, Mr. Nix.

Mr. NIX. I am afraid I would construe it differently.

Let me go further: You said:

The regular route system of carriers operating out of the Nation's highways now provide shippers a nationwide, reliable, complete transportation service, reaching every locality and populated place.

You are referring to your organization, are you not?

Mr. FRALEY. You mean my own company?

Mr. NIX. Yes.

Mr. FRALEY. No; I am not.

Mr. NIX. You refer to the industry?

Mr. FRALEY. The industry as a whole.

Mr. NIX. You advocate that it take over this service?

Mr. FRALEY. No, not advocating a takeover. I am advocating that the service be made available to the postmaster for use to the extent it serves the purposes of the post office.

Mr. NIX. Throughout your presentation you emphasize the adequacy of the service your company and your industry offers. You emphasize the fact you have all the facilities. You emphasize the fact that the Postmaster General and the Post Office Department is charged with the duty of furnishing this sort of service, and you have it to give.

You said there are less than 2,000 carriers interested in the transportation of mail.

Is that correct?

Mr. FRALEY. To the best of my belief it is. I do not believe that all of the 15,000 carriers that I have mentioned are interested in transporting mail.

Mr. NIX. This last phase I want to touch upon is this: Would that be a sufficient number to live up to what you say that this industry can do and would do?

Mr. FRALEY. Yes, sir.

Mr. NIX. That would be enough?

Mr. FRALEY. Yes, sir.

Mr. NIX. To take care of everything?

Mr. FRALEY. I am sure it would.

Mr. NIX. I say again in closing that that will eliminate everybody else.

Mr. FRALEY. I am sorry that I cannot agree with you.

Mr. DANIELS. Mr. Fraley, I would like to call your attention to the other witnesses in the room. It is necessary now that this committee recess. However, I am very sorry that we were unable to get to the other witnesses. I note Mr. Callan, who is chairman of the board of Central Freight Lines, Inc., comes from Waco, Tex. I would like to extend to him the courtesy of submitting his statement for the record so that it will not be necessary for him to return. I will leave the decision entirely up to Mr. Callan and ask him whether or not he wishes to submit his statement or return here at some future date to testify.

Mr. CALLAN. Mr. Chairman, I would prefer to return to testify.

Mr. DANIELS. All right.

Counsel advises me that we may schedule the next hearing either Tuesday, June 22, or Thursday, June 24. June 24 is most preferable to the committee. Is that satisfactory and convenient to you?

Mr. CALLAN. Yes, sir.

Mr. DANIELS. Thank you.

The committee will recess until Thursday, June 24.

(Whereupon, at 12:02 p.m., the subcommittee adjourned, to reconvene Thursday, June 24, 1965.)

MAIL TRANSPORTATION BY COMMON CARRIER MOTOR VEHICLES

TUESDAY, JUNE 22, 1965

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON POSTAL OPERATIONS OF THE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., room 346, Cannon House Office Building, Hon. David N. Henderson (acting chairman of the subcommittee) presiding.

Mr. HENDERSON. The subcommittee will come to order.

The chairman of the subcommittee is grounded up at Buffalo because of fog this morning, and will not be able to be here. He called and asked that I chair the subcommittee for him.

This is continuation of the hearings that were held last week. Our first witness is Mr. W. W. Callan, chairman of the board of the Central Freight Lines, Inc., of Waco, Tex.

It is a pleasure to have you with us this morning. I understand Mr. Fort, counsel, is accompanying you. You may proceed, sir.

STATEMENT OF W. W. CALLAN, CHAIRMAN OF THE BOARD, CENTRAL FREIGHT LINES, INC., WACO, TEX., ACCOMPANIED BY JAMES F. FORT, COUNSEL, PUBLIC AFFAIRS, WASHINGTON, D.C., REPRESENTING AMERICAN TRUCKING ASSOCIATIONS, INC.

Mr. CALLAN. My name is W. W. Callan. I am chairman of the board of Central Freight Lines, Inc., of Waco, Tex. I am appearing here also as chairman of the subcommittee of the regular common carrier conference on the handling of U.S. mail.

I am appearing in support of H.R. 6472.

This bill has been written for the purpose of making available to the Post Office Department the services of regulated motor carriers now operating over the highways in addition to all of the other transportation services that are now available to the Post Office Department. There is nothing in this bill that takes away from any other mail carrier or other transportation agency any right or obligation they now have in handling of U.S. mail. The carriers now available to the Post Office Department include the following:

1. Vehicles owned and operated by the Post Office Department operating within metropolitan areas;
2. Various carriers, mostly unregulated, operating under contract to the Post Office Department;

3. Rail common carriers;
4. Rail transport companies, subsidiaries of rail carriers such as REA Express;
5. Air carriers;
6. Passenger bus carriers;
7. Water carriers.

The services of the regulated motor carriers are not now available to the Post Office Department as they are to all other shippers of the United States, including all other departments of the U.S. Government.

H.R. 6472 is an additional authority for the Post Office Department to use another mode of carriage that the Post Office Department cannot now use.

For more than 15 years the regulated motor carriers have been working with the Post Office Department, explaining the services available, and securing information from the Post Office Department as to their needs for transportation.

Ten years ago, one of the many methods of transportation of mail proposed by the regulated carriers was that the Post Office Department use tariffs especially prepared for the transportation of mail. Such a tariff was prepared under my direction and filed with the Post Office Department as well as with the Interstate Commerce Commission. The Post Office Department, after consideration, advised that they had no authority under the law to use a motor carrier as other shippers use such carriers. ICC advised it had no authority to receive a tariff covering U.S. mail.

In addition, the matter was submitted to the Comptroller General who advised that there was no congressional authority for the payment of the charges for transportation of mail to regulated motor carriers by the Post Office Department under tariff provisions. Not having the use of tariffs as all other shippers do, the Post Office continues the use of its archaic advertising-bidding procedure for highway transport.

The rail carriers now handle mail at rates fixed by the Interstate Commerce Commission under a comprehensive plan. The air carriers now handle the mail under rates fixed by the Civil Aeronautics Board under a comprehensive plan of operation.

H.R. 6472 provides for the same type of operation, at rates fixed by the Interstate Commerce Commission, by the regulated motor carriers to also be available to the Post Office Department in addition to all other carriers they now have available.

The regulated motor carrier provides the primary freight service that the Nation depends upon for its shipments. Civilian, industrial, commercial, and military transportation relies heavily upon the regulated motor carrier service for day-to-day operation. No modern city can live without the constant flow of regulated truck service. I therefore think it important that I spell out to you what that service includes.

The regulated motor carrier service picks the shipment up from the shipper's place of business or wherever he may desire the shipment to originate. The carrier service and responsibility continues until the shipment is delivered to the consignee or destination point to which it is directed by the shipper. It may move a short or long distance, within a State, or interstate. It may go in any direction on the map and it will reach its destination direct or through interchange arrangements in effect between the carriers.

Applying this type of modern transportation to the Post Office Department's needs, we would pick the shipment up at the post office or truck facility, at one or as many points as the postal transportation managers may require. The mail would then be delivered to a central post office at destination, to a truck facility, or to sub post offices, or offices along the route as the Department may require. Many of our shippers are quite similar to the Post Office Department in their daily needs, and they use the regulated carriers on predetermined plans, having instructions in our hands as to exactly how their own shipments are to be handled, routed, and delivered. The Post Office Department does not have any transportation needs that are any different, or more complex, than those of numerous shippers whom we have served continuously over the years. Operations of the regulated motor carrier are extremely flexible. For example, it is routine for a shipper to advise us in mid-day that he wants to make a shipment—large or small—during the afternoon and delivery must be made before morning. The equipment is provided and the shipment sent on its way.

The peaks and valleys of the postal service would pose no problem to the regulated motor carrier industry. More or less service can be handled as easily as making a telephone call to the carrier terminal. Our companies maintain direct long lines communications throughout the route system of the carrier so that the exact location of a shipment can be traced, or it can be rerouted while en route, and this is frequently done in times of emergency. Overnight delivery can be assured 300 miles away and at intermediate local points.

The regulated motor carrier service has been continually improved over a period of almost 50 years. It has grown because it provides a kind and type of service never known before. The entire economy of the Nation is now dependent upon this type of transportation. It is designed for the pickup of the shipments in the day for consolidation and delivery before morning, and this is performed routinely at distances up to 300 miles. The pattern of motor carrier operations fits the need of the Post Office Department, which provides its own collection of mail, sorts that mail, and offers it for transportation to the various agencies largely in the evening or late hours of the day for early morning delivery at destination.

The purpose of H.R. 6472 is, therefore, to make it possible for the Post Office Department to move mail as a shipper would, from door to door, from post office to post office. This was clearly explained at hearings before the Post Office Subcommittee of the Senate in 1958 when the Department was seeking legislation along the lines that the trucking industry is now proposing. So there is nothing new in any of this. The only thing new is that with each passing month, the need of the Post Office Department for sound highway transportation becomes greater.

The Post Office witness in 1958 was the Assistant Postmaster General for Transportation. He was a man who came to the office from a lifetime of experience as an industrial traffic manager. His (E. George Siedle) statement in part:

Dealing first with the factor of use, we cannot, for example, make on-the-spot use of a common carrier by motor vehicle even though its schedule is of value in expediting the delivery of mail. We must first, under the law, advertise for bids for the particular service between the points involved and then must award the contract to the lowest responsible bidder. The involvements in such procedure are obvious.

While the daily services of many common carriers are often scheduled with great frequency and at many different hours throughout the day and thereby could be of great value to us, the service can be obtained only through the advertising-bidding procedure.

The Post Office witness then expressed the predicament the agency has placed itself in, and again I quote him:

No passenger, no shipper of freight is confronted with such a situation. He needs only tender himself as a passenger by rail or by bus, or tender his shipment of freight for transport to and delivery at destination. Nor are other agencies of the Government so limited, for they may ship by common motor carriers and without advertising for bids.

The proposals here before this subcommittee would make available to the Post Office Department an additional means of transportation by highway. This has been clear for many years even to some of the highest officials of the Post Office Department. It was clear 7 years ago when Congress was advised as follows:

In conclusion, may I repeat that the Post Office Department is required to be ready to move mail from anywhere to anywhere expeditiously, efficiently, and economically. We can no longer accomplish this by rail; the solution is not in adding many thousands of star route operations, for reasons already cited, and the further fact that such operations would not make available the large modern terminals, equipment flexibility dictated by volume, the interchange of equipment by operators, and the coordinated through service regardless of the number of operators involved, which the nationwide transportation of mail requires. The answer, as we see it, is to place the highway counterpart of rail transportation in position to handle mail as proposed in S. 3960.¹

With the above in mind, the regulated carrier service that is available, and the transportation needs of the Post Office Department, I think it is time that we examine the star route advertising-bidding procedure of the Post Office Department. This is the method that the Department utilizes in asking for truck service.

I have before me several advertisements for mail service put out by the Post Office Department. The one on top is dated April 9, 1965, from the Post Office Department at Forth Worth, Tex. It provides for sealed bids to be received by that office not later than 4:30 p.m., May 12, 1965. The bid does not specify what volume of mail is to move. The invitation to bid is in effect an invitation to acquire equipment for the use of the Post Office Department for a stated contract term.

This invitation calls for use of two trailers of not less than 2,100 cubic feet capacity to be made available daily. The trailers are to have end doors and a side door on the right-hand side and to be able to be securely locked and to have other requirements to meet the Post Office Department's view of how a trailer should be equipped. It also provides for one tractor to be made available for spotting at the Dallas truck facility of the Post Office Department at 5:30 p.m. each day. One man would be required on the same schedule to stay with the trailer for the loading of mail until 10:30 p.m.

The route over which this equipment is to operate is to leave Dallas truck facility daily except Sunday and the day before holidays at 10:30 p.m. It is then to arrive at Greenville, Tex., at 12:01 a.m. and leave Greenville daily except Sundays and holidays at 2:30 a.m. Then arrive at Commerce, Tex., at 2:50 a.m. and arrive at Cooper, Tex., at 3:35 a.m.; arrive at Paris, Tex., at 4:15 a.m. It then remains

¹ Testimony, E. George Siedle, "Trucking of Mail," Hearing on S. 3960, July 30, 1958, p. 13.

in Paris until 6:10 p.m. This equipment and driver would then remain idle from 4:15 a.m. until 6:10 p.m. daily except Sundays and on days before holidays. At that time it would leave Paris at 6:10 p.m. and arrive at Greenville, Tex., at 7:20 p.m.; leave Greenville, Tex., daily except Sunday and holidays at 8 p.m.; arrive Dallas terminal annex by 9:20 p.m., leave Dallas terminal annex daily except Sundays and holidays 10 p.m. and arrive at Dallas truck facility by 10:20 p.m.

The other part of the service to be required covers the Saturday and day before holidays.

This service would leave Dallas truck facility 10:30 p.m. and arrive at Greenville at 12:01 a.m.; lay over at Greenville until Sunday afternoon and holidays until 7:40 p.m. and arrive back at Dallas terminal annex at 9 p.m. Leave Dallas terminal annex Sunday and holidays at 9:40 p.m. and arrive at Dallas truck facility by 10 p.m.

Central Freight Lines did not bid on this contract, and if readvertised we would not bid on it tomorrow for the following reasons:

1. The equipment specified is obsolete equipment. The Post Office calls for 32-foot trailers, and those trailers have not been used by efficient motor carrier operators during the last 10 years, or more. Such trailers ceased to be economical in 1953 when they accounted for only 10 percent of trailer production, and now account for only 1 percent of all trailers made.

2. The utilization of manpower is very inefficient because of the amount of layover time that is required under the schedule provided by the Post Office Department.

3. The utilization of equipment is likewise very wasteful, and, hence, requires a charge in excess of that necessary to provide the same amount of transportation service using modern 1965-type equipment and operations.

Finally, if my company had placed a bid upon that service, set forth exactly as stated in the advertisement, the charges would have been much greater than those of an unregulated carrier. However, this does not mean that Central Freight Lines, if permitted to operate this service as a common carrier, could not provide the service at less cost to the Post Office Department. This is the mistaken conclusion that the Post Office Department has drawn when it compares the bid prices submitted by the regulated carrier against those submitted by the private or unregulated carrier.

The transportation service which we are proposing in H.R. 6472 is one where the Post Office Department would not be required to pay for the use of a complete vehicle and an obsolete vehicle, it would not be requiring the inefficient use of manpower, and it would not be expending money wastefully. Under the transportation service of the regulated carrier the Post Office Department would pay for the number of pieces or the weight or volume of mail that it actually had transported. It would specify how much mail it wanted to move and leave the carrier the responsibility of having it at the destination at the time required. The Post Office Department need have no concern with the supervision of the details of how the carrier got the mail there so long as he provides the service desired by the Post Office Department.

I repeat that payments would be made not for a full vehicle, as the invitation for bid provides, but the Department would pay only for the amount of transportation actually performed. This is the big difference between the advertising-bidding procedure for highway transportation and the service provided by the regulated carriers.

My experience in Central Freight Lines, and that of common carriers who have observed the operation of mail movement under advertising-bidding, is that charges to the Post Office Department are excessive. They are in excess of the amount of charges that would be necessary for the motor carrier to handle this transportation. They are above what we would expect the Interstate Commerce Commission to determine as rates for regulated carrier operations. The Post Office Department would secure a great reduction in the amount of transportation charges it would be required to pay because of a different method of making charges (common carrier rate) from the method of advertising for bids (star route). This point will be detailed by our expert witness.

I think it would be well for the subcommittee to consider the consist of U.S. mail and the consist of the traffic now being transported by the regulated motor carrier industry.

We have here a chart which shows graphically in the top band the part that is airmail and first-class mail. The blue represents second-class, third-class, controlled circulation, official and free, and international mail. The green is the parcel post.

Less than 10 percent of U.S. mail by volume is either letter mail or preferential mail. This means that more than 90 percent of the mail is exactly the same kind of merchandise, goods, publications, and other property which we are already handling in our trucks today. In short, the overwhelming volume of mail is entirely truck transportable.

We are now handling all commodities for the general public on an expedited service where the general public pays only for the amount of these commodities which they care to ship. The shipping public has no responsibility for filling our vehicles or giving us a particular volume of these same commodities.

Likewise, all of the other departments of the Government except the Post Office Department have available to them the same service of shipping the commodities which they have to move. They pay only for the volume which they have to move on a particular day without any guarantee as to the amount that is going to be available. Both the shipping public and the other departments of the Government are using these regulated motor carrier services daily. They depend upon them and are paying charges much less than the charge would be if they used the same advertising-bidding procedure which the Post Office Department uses.

At the hearing June 16, members of the subcommittee expressed concern for the mail service in the future. We share this concern, and propose that the regulated motor carrier industry should be immediately included in the thinking of this important subcommittee which bears the responsibility for charting the way into the future of mail transport.

The seriousness of the situation facing the Post Office Department was made plain by a general release from the Post Office Department Information Service dated April 9, 1964. I think it is important to

read part of this information and warning to the public into this record:

An emergency moratorium on shipment of all second-, third-, and fourth-class mail going beyond 150 miles from the post office of origin, will be put into effect at midnight (12:01 a.m., Friday) if the threatened nationwide rail strike takes place, Postmaster General John A. Gronouski announced this morning.

Second-class mail includes newspapers and magazines and third-class is large advertising circulars. Fourth-class mail is mainly parcel post.

First-class mail will be moved by any available transportation that will deliver it the fastest, Mr. Gronouski said.

Airmail will continue to get priority handling but first class will be moved by air only on a space available basis.

Mr. Gronouski emphasized that emergency parcel post shipments—such as medicines destined beyond the second zone—should be sent as first class or airmail.

The Post Office also cautioned shippers of perishable goods—such as frozen food items—that such mailings should be discontinued at once.

Representatives of major mail user groups are being informed of all the contingency plans.

The Department's 15 regional offices were briefed this morning at a special telephone conference and are developing contingency transportation plans for their respective areas of the country to go into effect when and if the strike is called. Regional officials are notifying local postmasters regarding the potential effect of a strike on local mail handling.

This notice of an embargo on mail and many essential mailings did not go into effect only because the threatened railroad strike was averted. There has been no change in the policy of the Post Office Department that I am aware of since the April 1964 notice of embargo. The shipping public is, therefore, subject to the same threat today if for any reason the Post Office Department faces the same situation.

However, the shippers of drugs, frozen foods, and other necessary items who have been using the regulated motor carrier service have suffered no inconvenience, nor have they been threatened with any inconvenience. Only the Post Office Department, one of the major shippers of the Nation, finds itself in a position where its patrons, the users of the mails, would be gravely inconvenienced. The only reason for this is that the Post Office Department has not sought to obtain the nationwide services of the regulated motor carriers since 1958. If it did so, Congress would grant the request and in short order, in my opinion.

Following the testimony on May 25 of Mr. Batrus, of the Post Office Department, I note considerable interest from the members in whether or not the Post Office Department had been consulted on the provisions of H.R. 6472. I would like to answer the inquiries that were made in that connection.

Since 1950 I have been actively engaged both on behalf of Central Freight Lines and the regulated motor carrier industry in presentations to the Post Office Department and in conferences for the Department to use the regulated motor carrier service.

In December of 1963, President Johnson inquired of a member of the regulated motor carrier industry as to whether or not there would be savings to the Post Office Department if regulated motor carrier service were employed. President Johnson was advised there was a substantial saving that could be made by the Post Office Department if that service were used.

The industry then decided to make a detailed study of the extent to which economies might be expected if the motor carriers were used in the transportation of the U.S. mail. I served as Chairman of a special committee to consider this matter. The committee engaged

Mr. Delbert M. Steiner, transportation economist familiar with motor carrier transport and the transport requirements of the Post Office Department. Mr. Steiner was engaged to assemble all of the facts concerning the transportation of mail and the costs thereof. When Mr. Steiner's report was completed in October of 1964, the motor carrier industry took the following actions:

1. After the review of the report it was determined that legislation would be sought by the regulated motor carriers during 1965.

2. A copy of the Steiner report was transmitted to President Johnson.

Postmaster General Gronouski replied under date of December 29, 1964, for President Johnson. Postmaster General Gronouski's letter reads in part as follows:

In the past the Department has supported legislation relating to transportation of mail which would increase management's capability to cope with the mail distribution and transportation problem. We continue in this position. Federal legislation which would provide greater flexibility with respect to the use of all modes of transportation and types of service, common carriers as well as contract, would be supported by the Department; but legislation which would be restrictive is considered objectionable and would be opposed.

Thereafter on January 12, 1965, I replied to Mr. Gronouski's letter of December 29, and gave him full information with reference to the regulated motor carriers' position. After detailing the efforts that had been made to secure Post Office Department use of the regulated motor carrier services, I made the following statements:

Now I believe we have a third opportunity. The U.S. economy is rapidly entering into a period of expressway transportation as exemplified by the Federal Interstate and Defense Highway System. In addition improved Federal and State roads in the A-B-C System, and in new beltways and throughways around and through our metropolitan centers, are making much improved mail transportation feasible. We believe that the large business users will increasingly demand that their mails receive transportation as expeditiously as their freight moving over the modern highways.

Changes in the postal statutes must be obtained in the 89th Congress if the Department is to enjoy the improved, more modern transportation inherent in moving mail over the common carrier system along the expressways of today and tomorrow. A continuation of advertised bidding procedure for the type of service which our carriers perform will not assure the postal service the advantages of motor common carrier service. It would only continue the present very limited use of individual motor carriers as "mail contractors."

In addition our industry has had numerous meetings with Mr. Batrus and others for more than 5 years; we have continually advised him and the Post Office Department to use our regulated motor carrier service. It should, therefore, not have been any surprise to the Post Office Department that this legislation was proposed by the regulated motor carrier industry.

Considerable interest has been shown by members of this committee as to the motor carriers' position with reference to filing a bond with the Post Office Department if this legislation is approved and enacted into law. I take the position that the fine provision in H.R. 6472, section 9, is a more adequate protection to the Government than would be a bond. If, however, the Post Office Department or this committee would rather have a bond filed instead of the fine provision as provided, that would be entirely satisfactory so far as I am concerned and I believe the industry would support that position.

The subcommittee perhaps would like to take into consideration that Congress in its wisdom has provided in both the rail and the

airlines transportation the fine system of protection for the Post Office Department rather than a bonding system.

In closing my testimony, I direct your attention to some of the facts of life in the world of transportation. They will and already have created opportunities for the postal service; but these opportunities they have not seized.

We are rapidly entering the expressway era of transportation. This is a time comparable to the great economic upsurge experienced after the Civil War and the building of the railroads. All economic activity is related to transportation, and with each passing day it is more and more directly related to highway transport. Many industries and manufacturers are building their new, modern plants along these expressways with the anticipation of no other transportation mode than motor carrier service. As part of the new Interstate System, almost every metropolitan area will have, and many already have, divided lane circumferential highways as you have here in the Washington metropolitan area. Interstate Route 495 and Boston's Route 128 will be duplicated in nearly every major population center. These highways call for new transportation practices. Our industry is fast adapting to them. Our line haul equipment will soon use city streets much less often; our smaller pickup and delivery trucks will primarily perform city deliveries and pickups. Postal facilities will be located along these metropolitan circumferential highways, and the throughways which provide transportation into the inner cities of the future. Mail will be generated in volume along these highways since many of the largest business mailers and publishers are locating or have located along them.

All forms of transportation are and will be required to perform the daily task of mail transportation. We are now performing the essential transportation for the Nation's shippers, and all other departments of the U.S. Government. We seek legislation in this Congress authorizing the Post Office Department to use our services in the same manner as any other large and important shipper. Without such legislation, the Post Office Department cannot obtain the advantages of modern intercity highway transportation. This is why I support H.R. 6472.

I am available to answer any questions you may desire, Mr. Chairman.

Mr. HENDERSON. Are there any questions?

Mr. JOHNSON. This is a very comprehensive and very well prepared statement, and there are not too many points that you have left unanswered.

I notice your criticism in speaking of the 32-foot panel truck that was called for in those specifications. You are proposing that H.R. 6472 would pass what type of panel truck that you use, and how long would it be?

Mr. CALLAN. Mr. Johnson, that would vary in some of the States to some extent. The vehicle that I mentioned is a trailer, not a panel truck. It is a 32-foot semitrailer. We normally use in the industry 40-foot semitrailers. However, in the western part of the United States, two 26-foot trailers are used. The difference here is that we have frequent schedules to all of the points the Post Office Department ships to. We would not put it all on one vehicle and make that vehicle operate, as this advertisement and the others

provide, all the way along the route. We would send all of the transportation to Greenville, Tex., for instance, the mail, the drugs, and everything, on a vehicle that is destined for Greenville and not going to any other place. We would pick up at the Greenville post office the mail, and bring it back to the truck facility. We would use existing equipment that the carrier is going to be operating anyway. That is the reason we would not have to require the exclusive use and guarantee of the full cost of operation of an exclusive vehicle.

To answer your question specifically, we would probably use more 40-foot trailers than we would any other kinds.

Mr. JOHNSON. Is it not true that the service the Department at present is getting from the contract haulers is largely done in small pickup trucks and small vehicles because of the nature of the business in, let us say, rural United States? The system really does not call for 40-foot trailers, does it?

Mr. CALLAN. Our other witness, the expert, is going into that in some detail. There is no uniformity with reference to the type of vehicles these bids provide in parts of the United States. In many cases they provide between two major cities or between a major city and a small town, a passenger vehicle to be used exclusively for the transportation of mail where the carrier has maybe 10 or 15 schedules during that day and any one or all of them could be used by the transportation department by merely shipping that mail as the Post Office Department wanted to ship it, with no guarantee of the exclusive use of a vehicle. So, there is really no uniformity as to what these bids provide for.

Mr. JOHNSON. If H.R. 6472 were passed, would it not really mean that it would afford the present common carriers an opportunity to use their small pickups, and so forth, which they now have which, let us say, are obsolete, and they would be able to use them in this type of service and it would actually put the present contract carriers out of business? Is that not about what will happen?

Mr. CALLAN. No, in two respects I do not think that would be true. In the first place, the pickup and delivery trucks are not obsolete equipment for us. We are continuing to buy them. They are the primary vehicle by which we pick up and deliver within the cities.

For instance in Dallas, Tex., my company has more than 100 pickup and delivery trucks which have been purchased in the last 18 months, equipped with two-way radio, so there is no part of the city of Dallas but what a shipper can call our office and have a truck within 15 minutes at his door to pick up a shipment by the use of these pickup and delivery trucks. They are not obsolete equipment. They are modern equipment.

The pickup truck is an 18-foot body, not a little pickup truck as the farmer uses a pickup truck. This is a special vehicle made for the picking up and delivery of shipments.

The other point you made that I would not agree on is that I see no basis for putting out of business any star route carrier. This is simply another method by which the Post Office Department can use transportation. The only way that I would think this would affect the star route carrier at all would be if the Post Office Department concluded this was a more economical and more efficient service than a star route carrier. Then they might want not to renew at the expiration of the contract a star route carrier. Otherwise, I would

expect the Post Office Department would continue to use the star route carrier. It would be purely a question of the Post Office Department deciding which of eight methods they would use, whereas today they have only seven that they can consider using.

Mr. JOHNSON. Have you any figures as to how much money the Post Office Department would save nationwide if this bill were to pass?

Mr. CALLAN. Yes, we do have. Our expert witness will present that in detail. It is broken down into several facets. It would run in excess of \$75 million a year if the Post Office Department used our services exclusively, which we did not expect them to do.

Mr. JOHNSON. That would put the star route carriers out of business, because they are charging more money than the Department could pay them.

Mr. CALLAN. If the Department concluded that when our services were available, it might make some changes in those services, that is correct.

Mr. JOHNSON. They would be almost compelled to if they could save \$75 million, would they not?

Mr. CALLAN. The \$75 million, as the witness will explain, of course, would not be all business that is now moving by star route carriers. It includes the whole bill that the Post Office Department is paying.

Mr. JOHNSON. There is another thing I would like you to explain about this facsimile copy of the notice by Mr. Gronouski of the impending rail strike. I take it the inference of your testimony is that had we had available common carriers, he would not have had any worry and he could have loaded the mail on the vast network of trucks all over the Nation and there would have been no real cessation in postal service. Is that not really what you mean to imply?

Mr. CALLAN. That is correct. That is what I was trying to convey.

Mr. JOHNSON. If there was a strike on the railroads, would not the Teamsters Union call a sympathy strike and not cross a picket line, and so forth, so we would really be right back where we started from?

Mr. CALLAN. That has not been our observation at other times. Those shipments our customers have been making by motor carriers are not interrupted. In addition, those shippers give us shipments that they might otherwise have in some cases put on the railroads. So, I see no difficulty whatever in the motor carriers handling the business in the event there was a railroad strike.

Mr. JOHNSON. You mean to say, then, that the Teamsters Union would sit idly by and be a party to, let us say, breaking the strike by the railroad union?

Mr. CALLAN. I would not attempt to speak for the Teamsters Union. I only know what has happened in many instances in the past when there have been floods and when there have been railroad strikes. The Post Office Department in isolated instances have called upon the motor carriers to perform the service without any contract. We have performed that service and they have written us letters of commendation, telling us the service was far beyond what they had expected we would do.

We have found no difficulty whatever in any interference from the Teamsters Union or anyone else in our handling shipments for the Post Office Department when the railroads were on strike.

Mr. JOHNSON. Another procedural question. You talk about the question of whether you should be required to file a bond with the Post Office Department to insure faithful performance. I do not think anybody is really serious about requiring you to post a bond, are they?

Mr. CALLAN. I do not know. A member or two of the committee have shown some interest in whether or not we would be willing to post a bond, and I simply wanted to answer their inquiries.

Mr. JOHNSON. I take it from your testimony that the railroads do not post a bond at the present time.

Mr. CALLAN. That is correct, they do not.

Mr. JOHNSON. I think that is all.

Mr. HENDERSON. Are there further questions?

Mr. NIX. Mr. Callan, your concern has a certificate of public convenience?

Mr. CALLAN. Yes, we do.

Mr. NIX. Does the star route have such a certificate?

Mr. CALLAN. Some of them do. We are also star route carriers.

Mr. NIX. You are a star route carrier?

Mr. CALLAN. Yes. We have a number of star route contracts.

Mr. NIX. Are you a part of that group of people represented by Mr. Ernst, who testified at our last meeting?

Mr. CALLAN. I am not represented by Mr. Ernst; no.

Mr. NIX. That is a different organization from the one you represent?

Mr. CALLAN. That is correct.

Mr. NIX. When you say you are part of a star route, you are not talking about the organization represented by him?

Mr. CALLAN. That is correct. I am talking about the star route carriers under contract with the Post Office Department.

Mr. NIX. I am speaking of the star route carriers represented by him. Do you know whether or not they have certificates of public convenience?

Mr. CALLAN. Some of them do.

Mr. NIX. Those represented by him, I am speaking of.

Mr. CALLAN. I am not sure which star route carriers he represents. I did not hear him call any names.

Mr. NIX. The answer is that you cannot answer that particular question with any degree of accuracy.

Mr. Callan, if this legislation is enacted, does it not really mean the elimination of any organization that does not meet the standards that you say your organization has?

Mr. CALLAN. No, it does not mean that at all.

Mr. NIX. Your statement, I gather, is that the services you offer will result in economies to the Post Office, they will result in greater efficiency, and they are aimed to meet the needs of the people of this country and to improve the services of the Post Office Department. All of that you say in justification of the statement this legislation should be accepted and your organization should have this business.

If all this is true, you say, in effect, that there is inefficiency now which you intend to correct.

Mr. CALLAN. I say there is inefficiency in the method of the Post Office Department acquiring truck use, and that only Congress can change that method of the Post Office Department acquiring truck service.

Mr. NIX. I take it that the services of the organization represented by you have not been used by the Post Office Department.

Mr. CALLAN. We have been used on occasion, yes. I remember some 8 or 10 years ago in a very heavy flood situation in Texas, the Post Office Department called us and asked us to move the mail for them. We moved it without asking how we would be paid, and they paid us what they wanted to pay us, which was much more than we expected to be paid.

Mr. NIX. That was in an emergency.

Mr. CALLAN. Yes; that is correct. There have been more of those than just that one.

Mr. NIX. What I am getting at, Mr. Callan, is that there has been no legal authority that compels the Post Office Department to use the services that your organization offers.

Mr. CALLAN. That is correct, and there is nothing in this that compels them to use our services.

Mr. NIX. I see the first page of H.R. 6472 states:

* * * the Postmaster General, consistent with the national transportation policy (49 U.S.C. 1), shall use the services and facilities of all regulated modes of transportation including those of regulated carriers of property

—that is you, is it not?

Mr. CALLAN. That is correct.

Mr. NIX. "Shall" is mandatory, is it not?

Mr. CALLAN. That is also authoritative. It gives him the authority to use them.

Mr. NIX. That is all, Mr. Chairman.

Mr. HENDERSON. Thank you very much, Mr. Callan.

Our next witness is Mr. Delbert M. Steiner, transportation economist, Silver Spring, Md.

Mr. HENDERSON. We welcome you before the committee, Mr. Steiner.

STATEMENT OF DELBERT M. STEINER, TRANSPORTATION ECONOMIST, SILVER SPRING, MD., ACCOMPANIED BY JAMES F. FORT, COUNSEL, PUBLIC AFFAIRS, WASHINGTON, D.C., REPRESENTING AMERICAN TRUCKING ASSOCIATIONS, INC.

Mr. STEINER. Mr. Chairman, members of the committee, my name is Delbert M. Steiner. I am a consulting transportation economist with offices in the Metro Building, 8120 Fenton Street, Silver Spring, Md.

A year ago this May the Regular Common Carrier Conference of the American Trucking Associations engaged me to study the economic feasibility of the transportation of mail by motor common carrier. The study, "Transportation of Mail by Regular Route Motor Common Carriers," was completed and submitted to the conference last October.

The American Trucking Associations have asked me to appear on their behalf and to report on the findings of the study mentioned above. I offer a copy of the study to you, Mr. Chairman, and to the counsel of the subcommittee, and request that it be considered in your deliberations on H.R. 6472.

Mr. HENDERSON. Thank you very much. They will be received.

Mr. STEINER. The specific findings of my study may be summarized as follows:

1. Railroads continue to receive by far the greatest portion of mail revenues from the Post Office Department although their services to the Post Office Department have drastically declined.

2. The Post Office Department has increasingly been forced to employ highways and trucks in the movement of mail, but in doing so it has effectively avoided the use of regulated motor carriers.

3. The Post Office Department has created, by accident or design, a form of contract mail service operating on the highways, a method of transportation less efficient and more costly than the public carrier system.

4. The regulated motor common carriers have the capability of performing almost any highway transportation service required by the Post Office Department. The nationwide system of motor carriers, however, cannot be effectively used by the Post Office Department under the advertising-bidding procedures.

5. The use of motor common carrier services, as distinct from the use of individual carriers, offers several areas of potential savings in the transportation of mail.

Each of these points is more fully covered in the study; however, the new information I wish to bring before this subcommittee is that something can be done about the problems of postal transportation. When the regular common carrier conference commissioned me to make a study for it, the group headed by Mr. Callan asked me simply to uncover the available facts concerning the transportation of mail. They did not give me any preconceived ideas for any single fact except that they had not been able to convince the Post Office Department, over a period of many years, of the desirability of using their services as common carriers of mail. I have attempted to discover and report the facts I have developed.

Finding No. 1 is illustrated by a visual graph which I call to your attention. The graph makes clear the fact that railroads continue to move the overwhelming volume of the mail and receive the largest payments although the service they provide has declined drastically.

The rail service is shown in orange on the chart, and the services of motor carriers and airlines are shown in red at the bottom. It is quite obvious from this that the bulk of the mail payments are being made to the railroads.

A second chart goes with this. Commissioner West pointed out to you the decline of the mail service. This is indicated by the miles of route shown in lavender on the chart. The stacks of dollars indicate the amount being paid per route mile. The Interstate Commerce Commission in its testimony on this legislation has detailed this same set of facts.

It is important to realize that in the same postwar years when the rail-mail services have been declining from day to day, the services of regulated carriers on the highway have been increasing. While railroad schedules have declined or disappeared between major points, truck schedules useful for mail have multiplied many times over. If there is only one train a day between A and B when there used to be six, then it is obvious that the Department must hold its mail for the one remaining train if it favors the train. This has been and is the policy.

Even between the most populated places in the Nation, railroad service has declined to the point that mail-express trains and piggy-back services have been instituted in an effort to keep the traffic in the hands of the railroads. The delays in service connected with such procedures are too obvious to be pointed out further. Transportation clearly is responsible for a large portion of the deterioration of the mail service which has been noted by the general public, as well as the large mailers, in recent years.

Mr. HENDERSON. Mr. Steiner, would you expound a bit on the deterioration of the mail service of which you speak?

Mr. STEINER. In the investigation of the parcel post rates before the Interstate Commerce Commission in 1961 and 1962, there was a considerable amount of testimony concerning the deterioration of mail services.

Mr. HENDERSON. Are you not speaking only of parcel post?

Mr. STEINER. No, sir. For example, the national association in a letter to its members has pointed out—

Mr. HENDERSON. The national association?

Mr. STEINER. The national association.

Mr. HENDERSON. Of what?

Mr. STEINER. Of manufacturers. They have pointed out that there has been inefficiency in the handling of mail by the Post Office Department and that that association is endeavoring to bring this to the attention of Congress.

Mr. HENDERSON. Are you relying on that alone as the basis of the statement that there has been a deterioration of mail service noted by the general public? You make the statement that transportation clearly is responsible for a large portion of the deterioration of the mail service. We hear a lot about deterioration of mail service, but I do not believe the subcommittee has been informed by the Postmaster General and the other officials that there is a deterioration of mail service. If there is, we would like to know what it is.

Mr. STEINER. I was with the Post Office Department in the capacity of senior postal rate economist between the years of about 1954 up through 1959. There was almost a continuous flow of correspondence complaining particularly about parcel post services.

Mr. HENDERSON. Were those complaints with regard to cost, handling, or the conditions of parcel post?

Mr. STEINER. Delay in mail; the length of time it took to get delivery of mail.

Mr. HENDERSON. I notice in your next sentence, which you have not read and perhaps I got a little ahead of you, you say:

This decline in the service given the public, particularly for the volume of mail embraced in the second, third, and fourth class, can be corrected.

Do you feel there has been deterioration of mail in the first-class service?

Mr. STEINER. I have not made as much of a study of first-class mail as I have of the nonletter mail type of service.

Mr. HENDERSON. Then would it be fair to limit the sentence that I questioned you about as more to the point of deterioration of the service in second, third, and fourth class, which you say can be corrected?

Mr. STEINER. Yes, sir. I would like to point out in that connection that the Post Office Department has established a number of user

councils throughout the country to look into ways of improving the postal service. I am quite sure the committee must be aware of this program, which has been a major emphasis of the Department for the last year.

Mr. HENDERSON. I do not want to leave the impression that the Members of Congress or the members of the subcommittee do not get complaints about mail service, but I am daily amazed that we do not get more complaints than we do, and I believe that generally there has been no deterioration of mail service in first-class mail. I did not think you would want to leave the implication that there is a deterioration in first-class mail service without spelling it out.

Mr. STEINER. Yes, sir. Thank you very kindly for calling that to my attention. This decline in the service given the public, particularly for the volume of mail embraced in the second, third, and fourth class, can be corrected. There are no post offices geared up to handle a trainload of mail composed of 20 cars or more (and such movements are now made between Washington and New York City). The Post Office Department should adopt the practices of industry having large volumes of small shipments traffic. The practice, of course, is to load out one or more trucks at a time, as fast as possible, and to dispatch each vehicle when the last sack of mail is loaded on it. No shipper waits for all his truck traffic to move simultaneously.

Finding No. 2 was frankly quite an eye opener to us. We did not realize, nor do we believe the Post Office Department realized, the result of its highway transportation practices within the past 15 years.

In 1964, the Post Office Department was transporting mail over some 12,000 star routes. Analysis of more recent star route advertisements indicates that there are more than 500 star routes requiring the use of tractor-trailer equipment. There are also another 3,300 star routes requiring the use of large truck equipment. Compensation for the tractor-trailer routes would exceed an average of \$40,000 annually and the larger truck routes, \$10,000 annually. While these star routes represent only one-third of the number of routes, they account for two-thirds of the compensation paid for all of the highway service purchased. These contract operations are totally unlike the historical star route which has been used over a century to transport mail from rails into nonrail points.

Mr. HENDERSON. You say the star routes represent one-third of the number of routes and account for two-thirds of the compensation. Could you advise the subcommittee what percentage of the mail volume this group carries?

Mr. STEINER. There is no mail volume associated with any of these figures in any of the departmental records. It is merely the number of vehicle-miles or route-miles that are operated.

Mr. HENDERSON. You say it accounts for two-thirds of the compensation paid, but you do not have a figure for the percentage of volume they carried?

Mr. STEINER. No. Neither I nor the Department has any figures on that. I asked for that type of information and was advised that the only thing they could give me is the number of routes, the type of equipment, and the dollars paid.

We find from our investigation that the historic role of the small star route carrier, often a family-type operation using small auto or

panel body vehicle equipment, has been greatly enlarged over recent years as the railroads have given up more and more service. The end result is the appearance of a new type of carrier on the highways operating outside of the reach of regulation but performing service which could be more efficiently performed by the regulated carriers. We do not find any congressional intent supporting this development, but it is an incontrovertible fact.

At this point I would like to call your attention to another chart that we have here. The blue area indicates the number of routes which were operated. You see that this is almost a straight line, varying around 11,000 to 12,000 routes. The amounts shown by the stacks of dollars indicate the average payments per route. You can see that they have grown from a figure of something less than \$2,000 per route to something well over \$7,000 per route in the period from 1946 up to the present time, as portrayed by the chart.

Therefore, it is now necessary to distinguish carefully between the types of star route operations being employed by the Post Office Department. There is a large group of individuals transporting mail under contract between post offices where no other transportation is available, providing a rail supplemental service. Often these operations provide rural box collection and delivery service to patrons not served by rural route carriers. These operators perform a service needed by the Post Office Department and one which could not be supplied by regulated carriers. These are the real star route carriers—two-thirds of all contractors—and they would not be affected by H.R. 6472.

Now consider another type of operation managed by a firm or corporation which has a number of routes and often operates in interstate movements. Many of these operations are as large as class II or III regulated carriers—annual freight revenues of over \$200,000 and \$40,000, respectively.

Look closely at these new star routes. We find that nearly one out of every three now requires the operations of a large truck or tractor-trailer equipment, the same type of equipment in common use among the federally regulated motor carriers. Such equipment costing \$30,000 or more for a new tractor and trailer, is not operated by the family-type arrangements which once characterized the star route service.

Characteristics of these new star routes differ completely from those of the "historical star routes" prior to about 1950. Many of these routes require only one trip per week, usually one way, while others provide for "as required" frequency of service. The compensation is based upon a monthly rate, or rate per trip, piece, mile, or unit of weight. These large operations also include a number of regular daily mail routes moving large volumes between large post offices. Their service is similar to that provided by motor common carriers.

A profile of the new mail contractors shows they differ completely from the "old" star route carrier. About 40 of these contractors operate 2 or more routes on which the aggregate compensation would exceed \$100,000; several where each route exceeds \$100,000. At least 15 contractors operate 2 or more routes where the routes originate in 2 or more States. There are at least four star route contractors receiving compensation in excess of \$225,000. These are hardly "family" operations. Further, no transportation experience is required to

become one of these contractors. The Department has, in recent years, placed a "special requirement" in the larger contract advertisements reserving to the contracting officer the right to ask for proof of qualifying experience. I do not know to what extent this is used.

Now, what is really going on here? It is simply that the Post Office Department is creating a new form of transportation on the highways without specific authorization for it from the Congress, and that it is acting in total disregard of the existing public carrier system. This is one of the most significant conclusions of the study which I made for the regulated carriers. Previous to the study, it was not known that the Post Office Department had in effect set up its own "private" method for the transportation of mail on the public highways. We knew before the study that the regulated carriers were not being used, and we knew why they were not, but we did not know that a new "carrier" had appeared on the highways without regard for the purposes of sound regulation.

The inconsistency of the Post Office Department's policy has been pointed out by the Interstate Commerce Commission, and by other witnesses. What strikes me as an economist specializing in transportation is the fact that no other nationwide shipper that I know of, either within the Federal Government or the commercial world, has arrived at the Post Office answer when confronted with a similar set of transportation facts. The Department seems to believe that it can produce highway transportation at less cost by its method of advertising bidding than by use of the nationwide system of regulated carriers. All of the facts that I have been able to develop point the other way. Mr. Callan in his testimony has demonstrated the point. The regulated carrier, when given the right to perform as a system carrier, can produce transportation of higher quality and at less cost than any other carrier. It is this simple fact which has drawn the traffic of all other shippers to the motor carriers.

Our finding No. 4 developed new information which this subcommittee should find helpful. The study measured the performance capability of the regulated common carriers operating on the highways, in terms of the transportation pattern now being used by the Post Office Department. We obtained signed statements from the survey carriers representing more than \$2 billion in gross revenues in answer to the question: Would the carrier be willing to transport mail under rates to be determined by the Interstate Commerce Commission, as is presently done in the case of railroads. The overwhelming majority of the carriers said, "Yes," and the great majority said they would be willing to interchange mail movements with other carriers. Details of this are included in the study.

The regulated common carriers provide a broad coverage for the commerce of the American economy. The survey carriers alone provide daily truck service for commercial shippers, and are already transporting the articles of trade to all of the points at which postal sectional centers are located. These carriers alone maintain facilities—terminals or other operations—at more than 93 percent of the sectional center locations. A large portion of the commerce of industry moving between these sectional center communities is moving in regulated trucks, but not mail.

Furthermore, detailed in the study is the fact that regulated motor carriers specialize in the movement of small shipment traffic, the same

type of traffic that the Post Office Department has in great quantities. Nearly half of the tonnage and over 95 percent of the shipments of motor common carriers move in less truckload service. Most motor carriers provide expedited scheduled service which would in fact advance the mails. The seasonal fluctuation of mail volume does not coincide with that of the general seasonal fluctuation of commerce. Stated another way, the motor carriers would have the greatest capacity at exactly the times of the year when the Post Office is overwhelmed with mail, that is, in the period preceding the holidays.

December, for instance, is a light month in the trucking field. The volume of pre-Christmas mail peaks out in mid-December with the volume for the weeks from Thanksgiving to Christmas increasing to many times the normal volume. This would pose no problem to the motor carriers, for normal commercial traffic is off during the same period. Mail contractors do not have anything like the degree of equipment flexibility that is characteristic of the motor field.

The point raised by Mr. Batrus in his testimony is an interesting one. He posed the situation of a motor carrier taking manufactured items into New York City, and thus being able to move mail outbound from New York City on negotiated rates. Unfortunately, the flow of regulated carrier traffic is exactly the same as that of mail. Where large volumes of mail originate, as in New York City, large volumes of freight traffic originate also. The backhaul problem of the carriers is exactly the same as that of the Post Office Department. The Post Office Department seems to be of the opinion that many motor carriers have very large amounts of "available space" and that mail as "added traffic" would cost no more to transport than the air it replaced. This concept is totally false. The fact is that all regulated carriers exert every effort to move fully loaded equipment. The unused capacity is due to seasonal fluctuation changes in traffic patterns. No carrier can long exist with a continued unbalance of traffic. Rates based upon the "added traffic" theory do not result in a sound and stable carrier system.

Another finding related to those just mentioned is the fact that the Post Office Department cannot obtain the advantages of common carrier service through the medium of the advertised bid resulting in a contract for the use of equipment. This is the reverse of the service provided by the regulated common carrier, as illustrated by Mr. Callan in the example he used. Hundreds of similar examples could be cited where the Post Office Department believes it is obtaining a bargain in transportation but where in fact it is paying a great deal for less service than is now provided over the same points by the regulated carriers.

These are only some of the actions of the Post Office Department which have prevented the regulated carriers from transporting mail.

(1) Each star route advertisement exposes only a limited segment of the postal transportation requirement. The "bits and pieces" operation is the most expensive way in which to purchase transportation. While it is not possible to estimate with any accuracy the amount of money needlessly spent in this manner it is certain to be very substantial. A comprehensive plan for the movement of mail by highway would clearly indicate the flow of mail in a broader sense. The Post Office Department has prepared a comprehensive plan for the movement of mail in both rail and air service.

(2) Star route requirements give no consideration to the franchised route of regulated motor carriers. It is not necessary to establish mail routes different from the normal routes of commerce because, as mentioned earlier, mail movements follow the same pattern as commercial freight. The fact is that mail is generated to a large degree by the flow of commerce, and for this reason it does not make sense to create transportation services for mail which run counter to the normal flow of commerce.

(3) Star route contracting, particularly for the larger mail volumes, results in purchasing transportation equipment rather than service. Star route advertisements for bids requiring the use of large trucks and tractor-trailers specify the minimum size vehicle. Because postal volume fluctuates from day to day, week to week, and month to month, the equipment requirements reflect peak volumes. Thus, over a large portion of the year, the contract vehicle is only partially used for the transportation of mail.

Also, the term of the star route contract is usually less than the normal period over which highway equipment is depreciated. Equipment ownership cost must be recovered during the term of the contract if the contractor is not engaged in the transportation business. Thus a contractor's ownership cost would be less than a regulated motor carrier only if the equipment were already fully depreciated or the equipment were of a lesser quality than that used by regulated motor carriers. Under these circumstances it may be essential for the Department to require bonding of the contractor to insure contract performance when substandard equipment or inexperienced operators are used in transporting mail. There have been failures of mail contractors as evidenced by the fact that a number of routes are operated by insurance and equipment-leasing companies. This can only happen when the contract falls back to the bonding company or insurer.

Motor carriers certificated by State or Federal authorities accept the obligations of common carrier responsibility to shippers. This should be ample for the Post Office Department.

(4) Star route equipment specifications exclude the newer more efficient types of motor carrier equipment. The majority of advertisements for bid limit trailer heights to 12½ feet, thus eliminating most of the trailers which have been built for the motor carrier industry during the last 10 years. The largest proportion of trailers in use by the motor carrier industry are 13 to 13½ feet in height. Unreasonable and unrealistic equipment requirements, such as nonstandard ventilation specifications and 110-volt electrical systems for trailers, also preclude the use of standard motor carrier equipment.

(5) Authority to renegotiate the rate of compensation during the term of the contract together with extension of the contract for an additional 4 years has permitted the Department to create and foster a new form of "contract carriage" under the guise of star routes. The Department permits contractors to consolidate routes and expand operations, in some instances, to cover operations in two or more States. This practice indicates that to some degree the star route requirements are for the operating convenience to the contractors rather than the betterment of service. It is apparent that the requirements for some large routes have been written with a particular individual or firm in mind.

Mr. HENDERSON. Mr. Steiner, would you explain that, please?

Mr. STEINER. I think I could explain that best by identifying a particular one in which I do not think more than one person could fit all the requirements. The contractor under this star route advertisement for bid must furnish a building at Portland, Maine, or in an adjacent town within 15 minutes driving time, with a rail siding sufficient to handle 10-foot-wide dock space to load and unload the following number of rail storage cars, trailers, trucks, and Government vehicles.

The bid was dated July 6, to start operations October 15. You could not construct a building of that size in that period. The bonding on the two parts to the bid is \$180,000. Based upon the relationship between the bonding requirement and the size of the bids received, this would be something around \$450,000. A large number of pieces of equipment would have to be furnished, as well as the building. It seems to me quite apparent that all of the specifications in here would be limited to one or possibly two persons who would have facilities available to handle such a star route contract.

Mr. HENDERSON. Could you inform the subcommittee who was awarded the contract?

Mr. STEINER. The bids will be opened on July 6, so the bids have not been as yet received.

Mr. HENDERSON. That is for this year?

Mr. STEINER. That is for this year.

Mr. HENDERSON. What office is handling the contract?

Mr. STEINER. The Boston post office.

Mr. HENDERSON. Thank you.

Mr. GREEN. Are the specifications necessary for the proper transportation of the mail?

Mr. STEINER. I would think a comprehensive plan which outlines, in the case of rail service, what services are required is necessary, but all of these specifications seem to go well beyond that. It goes into the management discretion of the carrier as to how he would fill the particular requirements of the Department.

Mr. HENDERSON. That brings me to another question. Are you saying that in this particular instance the Department could or should have a comprehensive nationwide plan in order to solve the problem they have there? It is your statement that the requirements for this particular route were written with the particular individual or firm in mind.

Mr. STEINER. Yes, sir.

Mr. HENDERSON. Did the Department have any alternative to that, other than the one that you suggest—a nationwide comprehensive plan?

Mr. STEINER. This gets into the bits and pieces.

Mr. HENDERSON. This is a very serious charge that you made, that somebody in the Boston office was favoring one particular individual or firm in Boston. If the members of the subcommittee agree with the Chair, we certainly will call upon the Department to investigate that and to report to us in detail what kind of contract they are proposing up there.

Mr. GREEN. Have you an opinion as to which firm is being favored?

Mr. STEINER. No, sir. I have drawn this merely from the depths of the specifications that were written, that you would have to have

available at that time a building and a certain volume of equipment, which would limit it to just a few people who could actually provide this entire amount of service.

Mr. HENDERSON. Mr. Steiner, do you know whether or not the Post Office Department has such a building that might be transferred to the bidder?

Mr. STEINER. I have no idea about that, sir.

Mr. HENDERSON. Have you ever heard of the Department doing that?

Mr. STEINER. No, sir.

Mr. HENDERSON. You say possibly one or two individuals could comply with that. Do you know that there is only one, or that there are only two, or are you saying this is possibly so?

Mr. STEINER. I am saying from my knowledge of the number of motor carriers that would be operating in this area, most of whom are relatively small carriers, no one motor carrier could handle this entire contract. There are some motor carriers who operate in this area who could handle it, but the majority of the motor carriers in this area would be so small that they could handle only portions of a contract of this size.

Mr. HENDERSON. Let me come back again and ask you this: Do you have any evidence that the specifications for this route in Boston were written particularly to favor one individual or one firm?

Mr. STEINER. No, sir; I do not.

Mr. HENDERSON. You are making this statement based only upon your look at the bid that was furnished?

Mr. STEINER. Yes, sir.

Mr. HENDERSON. You have not made an on-the-site investigation of whether there are two or three or four or more who might fit those specifications?

Mr. STEINER. No, sir.

Mr. HENDERSON. Very well.

Mr. GREEN. What you are saying now seems to contradict your original statement.

Mr. STEINER. No, sir.

Mr. GREEN. Your original statement was that "It is apparent that the requirements for some large routes have been written with a particular individual or firm in mind."

Mr. STEINER. I am sure the Post Office Department has somebody in mind when they would put out this vast a star route contract. They would not write such specifications without a knowledge of what is possible in the area.

Mr. HENDERSON. Mr. Steiner, are you talking about one person in mind, or are you talking about a truly competitive situation? I do not think the subcommittee feels very bad if there are three or four people who can bid on the contract. But if you are saying the specifications are so written that only one person can meet those specifications, then it is not truly a competitive bid situation.

Mr. GREEN. I would not be concerned, either, if it were written with only one firm in mind if that were the only firm that could truly carry the mail adequately, but if there is a situation where real competition is eliminated because of favoritism then I am concerned.

Mr. HENDERSON. Perhaps I misinterpreted the statement here. I thought this was a charge that one particular individual or firm was being favored to the exclusion of all other individuals or firms. Surely as a general statement that the regulated carriers are being written out by this method, you are making your case well; but it seemed to me that this was a specific indictment of the Post Office Department in this one particular instance.

Mr. STEINER. No, sir, I did not intend that. I think anybody who read this bid with all its specifications and requirements would see that it was comprehensive.

Mr. HENDERSON. Could you identify the location any more particularly than just in the Boston area?

Mr. STEINER. It is not in the Boston area, sir. It is at Portland, Maine.

Mr. HENDERSON. Is that the Boston region or the Boston Post Office?

Mr. STEINER. The Boston regional office. It does not have a number so I could give you a citation. I could give you a copy of this. This probably would be the most useful way in which you could examine it.

Mr. GREEN. Have you any other examples?

Mr. STEINER. Not without checking quite diligently through a file I have on bids. I could try to identify those that seem to be geared toward a limited number of people who would be capable of bidding.

Mr. GREEN. Your original statement did not state limited number of people. It said particular individuals. Once again, are you backing away from your original statement?

Mr. STEINER. No, sir.

Mr. GREEN. Then we are not talking about a situation where there is a limited number of competitors. We are talking about a situation where there is a particular individual in mind.

Mr. STEINER. This is the observation that I made on studying the requirements of the advertisement for bids.

Mr. HENDERSON. Without objection, I will ask the staff to make inquiry of the Post Office Department and get a detailed report so the subcommittee can be informed later.

(See p. 93 for subcommittee letter to the Post Office Department and reply.)

Mr. STEINER. (6) Advertisements for bids on "one-time movements" or for "as required service" are considered by regulated carriers as the auctioning of mail traffic, a destructive practice of the worst sort. Such routes are increasing and are inconsistent with the objectives of sound transportation regulation. This use of the star route competitive bidding is the reason motor common carriers indicated a strong preference to transport mail under compensation prescribed by the Interstate Commerce Commission.

(7) Transportation requirements set forth in star route advertisements for bid are ambiguous and differ greatly from region to region. Individual bids for the same route frequently differing as much as 300 percent, from the lowest to the highest bid, indicate the degree of ambiguity. Even a casual look at the advertisements to bid indicate the lack of any uniform policy or standard requirements.

(8) Further, if the Department intends to limit star route operations to the area served by a single sectional center, regulated motor carriers would almost entirely be excluded from the transportation of mail. As a system of carriage, they are now excluded.

It is clear from the study that I conducted that regular route motor common carriers can provide additional transportation needed by the Post Office Department, providing much improved services at many points, and effecting substantial direct and indirect economies.

Finding 5. The use of motor common carrier services, as distinct from the use of individual contractors, offers at least three areas of potential savings. It is not possible to identify a dollar savings with each of these areas, however, we have done so where we felt the conclusions to be sound.

(a) More direct routes will reduce the distance over which mail must be transported. Currently rail transportation is available over only 82,000 miles of route which motor common carrier service is available over nearly all of the 408,000 miles of paved intercity highways. As a consequence mail now moves from A to B in a star route service B to C in a rail service and from C to D in a star route service, while it could move directly from A to D in motor common carrier service.

(b) Motor common carrier costs are less than the compensation paid railroad for the same service. In 1963 the railroads were paid \$211 million for the line haul transportation of storage mail. The average total line haul cost for the motor common carriers moving this mail volume would have been \$55 million less than the compensation paid the railroads. In addition the railroads were paid \$56 million for the terminal handling of this storage mail. The average total cost for motor common carriers providing a terminal service for a highway movement of storage mail would have been \$27.6 million less than the compensation paid to the railroads. (The detail for these computations are shown in "Transportation of Mail by Regular Route Motor Common Carriers," pp. 41 through 49.)

(c) Elimination of the costly administration of star route contracting procedures. Many star route contracts are let for a period of 2 years. There are a number of routes operated under a negotiated contract for temporary service because no bid was received. Review of reporting requirements and continuous negotiation of compensation throughout the term of the contract make star route contracting procedures extremely costly to both the contractors and Post Office Department. Rates prescribed by the Interstate Commerce Commission will eliminate much of this expense.

I wish to thank the chairman and the committee for permitting me to appear before you today.

Mr. HENDERSON. Mr. Steiner, we appreciate your statement. Overall, I think it is well done.

Mr. STEINER. Thank you very kindly.

Mr. HENDERSON. Are there any questions?

Mr. NIX. Mr. Steiner, in item (b) you say:

Motor common carrier costs are less than the compensation paid railroad for the same service.

Have you figures to substantiate that?

Mr. STEINER. Yes, sir. I have indicated the volume of that at the end of the first paragraph of item (b). Pages 41 through 49 of

the report I prepared for the motor common carriers outlines it in detail.

Mr. NIX. In the event H.R. 6472 were approved, have you anywhere in your report studied or made an analysis of the loss to the railroads?

Mr. STEINER. The loss to the railroads of traffic?

Mr. NIX. Yes.

Mr. STEINER. The losses to the railroads in traffic would depend upon the Department's actions in the routing of mail.

Mr. NIX. Have you made any analysis of it as to the actual cost? Have you made any study on that?

Mr. STEINER. The actual cost of transporting mail by railroad? Yes, sir.

Mr. NIX. In the event that this legislation, H.R. 6472, were approved and the railroads were eliminated, is there any study of the loss that the railroads would sustain?

Mr. STEINER. I have not made an estimate of what the rail loss would be.

Mr. NIX. There is one other thing I wanted to ask you about. You have mentioned the failure of the Post Office to furnish you information as to the amount of mail transported by star routes.

Mr. STEINER. Yes, sir.

Mr. NIX. Would you go over that again for me, please?

Mr. STEINER. I indicated there are some 12,000 mail routes. These are separated into some nine categories. Two of these categories are the routes on which tractor-trailer equipment is used, and those routes on which large trucks are used. The information for the remaining classes of varying types is generally the same. You know the number of the routes, the number of boxes that are served, if any boxes are served, and the compensation at an annual rate.

Mr. NIX. I am concerned about that part of the statement in the second paragraph where you say it accounts for two-thirds of the compensation paid for all of the highway service purchased. By "they," you are talking about what?

Mr. STEINER. I am talking about the routes on which tractor-trailers or large trucks are used, the 3,800 star routes.

Mr. NIX. From that, do you arrive at some figure which you use in comparison with some other figure to show that the Post Office is operating at a loss?

Mr. STEINER. No, sir. The Post Office Department themselves have made a comparison.

Mr. NIX. I am speaking about your study.

Mr. STEINER. As far as the specific star routes—I am talking only of the 3,800 that represent large trucks and trailers—I have no specific estimate that can be made as to the savings. In my study, I indicate that approximately \$12 million might be saved if a common carrier service were used in lieu of individual contracts. This is based upon a study that was conducted by the Post Office Department themselves.

Mr. NIX. Not on your investigation or not on your analysis?

Mr. STEINER. No, sir; on a study made by the Department themselves.

Mr. NIX. I see that you have no objection to the rural box collectors. Your organization could not adequately or properly perform that service, could you?

Mr. STEINER. That is right.

Mr. NIX. Would the common carriers have any objection to the star routes being required to live up to the same rules that you would be required to live up to? Say this legislation were amended to put the star routes on the same footing with you, would you have an objection to that?

Mr. STEINER. I think this would have to be a matter that the Interstate Commerce Commission would look into.

Mr. NIX. Of course, it would have to be a matter for them to look into, but are you advocating the approval of this legislation as it is written?

Mr. STEINER. I think counsel for ATA could better answer that.

Mr. FORT. Mr. Nix, in my opening remarks which were submitted last week, I detailed a number of specific provisions and a number of specific suggestions for amending the bill in light of the testimony given by the Post Office Department and by the ICC.

Mr. NIX. That is what I wanted to know. You are not adamant, but you are flexible to the extent that you are open to amendment and change.

Mr. FORT. Yes, sir.

Mr. NIX. Thank you.

Thank you, Mr. Chairman.

Mr. HENDERSON. Are there further questions?

Mr. JOHNSON. As I understand the law right now—if I am wrong, correct me—you do not have to be a certificated carrier to haul the mail. There is that specific exemption in the law, is there not?

Mr. STEINER. That is a law question, and I would defer to counsel.

Mr. JOHNSON. I am directing it to counsel.

Mr. FORT. Again, sir, the situation is this: The railroads have specific statutory obligations in the postal statutes which say they must transport the mail when offered to them. The trucking industry came under Federal regulation similar to that of the railroads in 1935. The 1935 act was completely silent as to the transportation of mail. The industry went to the ICC a few years thereafter and attempted to file tariffs for the transportation of mail, but ICC said, "Sorry, we have no jurisdiction to handle the mail," and that is why we are here today.

Mr. JOHNSON. That is the reason the star route carriers are able to haul the mail today under bidding and contract procedures. I think in most States the public utility laws and the Federal Interstate Commerce Commission law do not require a person to be certificated if he wants to haul the mails in a truck. Is that not right?

Mr. FORT. That is correct, sir.

Mr. JOHNSON. Suppose this bill becomes law and you people get into the field of hauling mail, will you then seek to have the State laws amended and the ICC law amended in the Nation's Capital which require that only a certificated carrier will be able to haul the mail?

Mr. FORT. The bill as it stands right now would give to the Post Office the right to use certain existing designated carriers. We term them "regulated carriers" in the bill. These are at present,

under the bill, ICC-certificated carriers, State-certificated carriers, and certain others.

Mr. JOHNSON. If anybody can haul the mails and they do not have to be certificated, how could you people file these tariffs and everything, setting up rates that you charge for hauling the mails when you do not have any more right to haul the mails than an individual who has a pickup truck?

Mr. FORT. We would, sir, under the bill. The bill would specifically authorize the necessary procedures before the ICC and by the Post Office Department to authorize us to do that.

Mr. GREEN. I understand the Post Office Department is opposed to this legislation. Is that true, to your knowledge?

Mr. STEINER. I think counsel is better equipped to answer that.

Mr. FORT. Mr. Batrus' testimony in opening the hearing was that he was opposed to the enactment of H.R. 6472 in its present form. He did indicate that the Post Office Department would like the right to make negotiated contracts rather than to follow the bid procedure, and his testimony was favorable toward that idea.

We have already presented a witness whose principal testimony was devoted to the idea that we would prefer ICC-established rates, rather than negotiated rates.

Mr. GREEN. Would not ICC-established rates cost the Post Office Department more money?

Mr. FORT. In our estimation, no, sir. We think it would cost them less.

Mr. GREEN. I would like to get back to your statement, Mr. Steiner, about the requirements being written for a particular individual or firm. Are you saying that the Post Office Department is doing something that violates, let us say, traditional notions of fair play or something that shocks your conscience or something that you think would shock the conscience of a reasonable person?

Mr. STEINER. No, sir.

Mr. GREEN. I have no more questions.

Mr. HENDERSON. We appreciate the witnesses' appearing this morning, and the hearing will be continued until Thursday, June 24, in room 219. The subcommittee will stand adjourned.

(Whereupon, at 12 noon, the subcommittee adjourned, to reconvene Thursday, June 24, 1965.)

MAIL TRANSPORTATION BY COMMON CARRIER MOTOR VEHICLES

THURSDAY, JUNE 24, 1965

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON POSTAL OPERATIONS OF THE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 219, Cannon House Office Building, Hon. Thaddeus J. Dulski (chairman of the subcommittee) presiding.

Mr. DULSKI. The meeting will come to order.

We will continue hearings today on H.R. 6472, to provide additional authority for the transportation of mail by motor vehicle common carriers.

We have scheduled 2 additional days of hearings on this legislation, for Tuesday, June 29, and Wednesday, June 30. The remaining witnesses we have scheduled are representatives from the Association of American Railroads, the Freight Forwarders Institute, and the Railway Labor Executives Association.

The Railway Labor Executives Association originally was scheduled to testify today, but they have asked to go over until next week. It is my hope that we will be able to wind up these hearings next week.

During the hearings on Tuesday of this week, a question arose in connection with the testimony of Mr. Delbert M. Steiner, consulting transportation economist, relating to the specifications of an advertisement for star route mail service for a route between Portland and Bangor, Maine. The subcommittee directed that a request be made of the Postmaster General for a complete review and report of this particular advertisement for mail service. I would like to include at this point in the record a copy of the letter which I have sent to the Postmaster General, and ask unanimous consent that the Postmaster General's reply be included in the record, following my letter.

(The letters follow:)

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON POSTAL OPERATIONS OF THE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C., June 23, 1965.

Hon. JOHN A. GRONOUSKI,
*The Postmaster General,
Washington, D.C.*

DEAR GENERAL GRONOUSKI: The Subcommittee on Postal Operations had brought to its attention, in the form of testimony of Mr. Delbert M. Steiner, that the advertising specifications for some star route contracts appears to be prepared with a particular individual or firm in mind. A copy of Mr. Steiner's testimony is enclosed. The statement referred to above is contained in paragraph 1 on page 15.

Upon questioning by the members of the subcommittee, Mr. Steiner referred to the advertisement for mail service of June 5, 1965, concerning the "Mail Proposal Route Portland T.F. and Portland, to Bangor and St. Stephen, N.B., State of Maine, Bulletin Advertisement." The question was raised as to whether or not there could be any competition under the requirements of this advertisement or whether there was only one firm which could meet these requirements.

The subcommittee is most concerned over this problem. It is requested that a full report be submitted concerning this advertisement for mail transportation service.

We are particularly interested in ascertaining whether the specifications are in fact restrictive as indicated by the testimony or whether, in fact, there is any possibility of competition for the contract.

Sincerely yours,

THADDEUS J. DULSKI, *Chairman.*

Enclosure.

THE POSTMASTER GENERAL,
Washington, D.C., June 28, 1965.

HON. THADDEUS J. DULSKI,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: I am writing in reply to your letter of June 23 in which you refer to testimony before the Subcommittee on Postal Operations to the effect that specifications advertised for certain star route contracts appear to be prepared in favor of a particular individual or firm.

I can appreciate that—with all the star route contracts advertised each year in this country—there might be complaints of this nature, but I can assure you that, if such specifications appear to favor one contractor over another, it is not so intended.

However, in order to make sure that you receive a complete report on these allegations, I shall take the liberty of referring your correspondence, including the copy of the subcommittee hearings, to the Bureau of Transportation with a request that you receive a full explanation of the Department's policy in preparing such specifications for advertising.

With kindest personal regards, I am,

Sincerely,

JOHN A. GRONOUSKI.

POST OFFICE DEPARTMENT,
ASSISTANT POSTMASTER GENERAL,
BUREAU OF TRANSPORTATION AND INTERNATIONAL SERVICES,
Washington, D.C., June 30, 1965.

HON. THADDEUS J. DULSKI,
Chairman, Subcommittee on Postal Operations, Committee on Post Office and Civil Service, House of Representatives, Washington, D.C.

DEAR CONGRESSMAN: This has further reference to your letter of June 23, 1965, to the Postmaster General, concerning allegations that the advertisement for contract mail service in the area between Portland, Maine; Bangor, Maine; and the Canadian border, has been prepared in a manner as to favor one bidder.

Services covered in the advertisement for mail service dated June 5, 1965, involve provision and operation of a truck terminal suitable for loading and unloading highway vehicles and railroad cars, and the related transportation of mail by highway between Portland, Bangor, and Vanceboro, Maine, and St. Stephen, New Brunswick, and intermediate post offices. The terms of the advertisement reflect accurately and completely the requirements of the Post Office Department for mail transportation and terminal services in this area. They were drawn up with no other thought in mind.

While the transcript of hearings relative to H.R. 6472 dated June 22, 1965, pages 194 to 200, indicates that the allegation is completely unfounded, by admission of the complainant, I am pleased to furnish a full explanation.

The advertisement inviting bids was mailed directly to 28 addressees who had indicated a continuing interest in mail transportation in this area. Not a single objection has been received from any of these addressees that the advertisement is improper, unduly stated, or set up in a manner which would exclude any qualified trucking company or transportation agency from bidding thereon.

During the past 3 weeks, since the advertisement was posted on June 5, 1965, five of the companies to which the advertisement was sent have asked for some additional information, have indicated a lively interest in submitting a bid, and have not commented in any way that the advertisement is not proper. As a result, we are looking forward to the receipt of several competitive bids for the proposed service.

In view of the wide coverage given this advertisement by direct mailing, plus that obtained by public posting in all post offices along the line of travel of the proposed highway routes, and publicity given through the various trucking groups, I believe it is unfair for any party to maintain that this advertisement is tailored to one particular company or potential bidder.

This solicitation for bids is aimed solely at procuring the best possible postal transportation service in the State of Maine at the least overall cost to the taxpayer. In every such action this has been our aim, and I assure you it will continue to be so.

Should you desire further information, please advise and I shall be happy to furnish it to you.

Sincerely yours,

WILLIAM J. HARTIGAN.

Mr. DULSKI. Since the House is scheduled to go into session at 11 a.m. today, I would urge the witnesses to be as brief as possible in their statements.

Our first witness is Mr. William E. Patterson, manager, Local & Short Haul Carriers National Conference, Washington, D.C. Mr. Patterson.

STATEMENT OF WILLIAM E. PATTERSON, MANAGER, LOCAL & SHORT HAUL CARRIERS NATIONAL CONFERENCE, WASHINGTON, D.C.

Mr. PATTERSON. My name is William E. Patterson, manager of the Local & Short Haul Carriers National Conference which is one of the 13 such conferences within the makeup of the American Trucking Associations. The membership of our conference represents the local and short haul motor carriers throughout the country. That is, they are the carriers that serve the various large metropolitan areas throughout the country and their suburbs and also cities and communities within about 150 to 200 miles, or in other words, trips where a driver can return to his home terminal in one tour of duty.

I am here today to testify in favor of H.R. 6472 and recommend strongly that it be approved, not only by your honorable committee, but also by the Congress of the United States.

We urge the passing of this legislation for several reasons which I will try to enumerate. This bill, if enacted into law, will for the first time permit the Post Office Department to use motor truck transportation in the movement of U.S. mails on an equal basis with other modes of transportation.

The motor carrier industry is the only type of transportation that offers a complete service, that is, a door-to-door service. No matter what other mode of transportation is used at some time during the movement of freight, including mail, it must be handled by truck whether it is at the origin, destination, or transfer point. Another reason we advocate the passage of this legislation is that it will allow the Post Office Department to make use of the flexibility of truck service; in other words—service—regardless of when and where, depending upon the needs or requirements of a shipper or the Post Office Department.

Truck service is not tied to any schedule that is made up for the convenience of other type traffic such as passenger or for the convenience of the carrier; it is generally made for the convenience of the shipper. In the case of the U.S. mails, it would be the Post Office Department.

Trucks are continuously expanding their service to various points throughout the United States to the smaller communities as well as to the larger cities. As we all know, many other modes of transportation are cutting their service, particularly to the small inaccessible localities. This is not true with the trucking industry, and for that reason we believe that trucks today offer the best service, not only to shippers in general, but also to the Post Office Department when the law will permit them to make use of this service.

Let me tell you what I mean by flexibility of service. I will try to deal with points that I know of from my own knowledge and understand best. For instance, let us take Washington and Buffalo, N.Y. Today if a person mails a letter from Washington in the late evening hours and sends it airmail, it usually misses the last plane leaving Washington for Buffalo at, I believe, 7:05 p.m.; and as a result, it lays over until the next day for the first plane at 8:30 a.m. scheduled to leave for Buffalo. We all know and it is common knowledge that the train schedule between Washington and Buffalo has been cut to a bare minimum. I believe there are now two trains a day leaving at 7 a.m. and 7 p.m. If trucks were being used between Washington and Buffalo, many times the mail could be shipped by trucks leaving long after the last plane or train leaves for Buffalo arriving at the Buffalo post office in some cases before, and at least by the same time that that mail would be leaving the Washington airports, or rail terminals the next morning.

On the other hand by using truck transportation this mail could be dispatched several times a day between Washington and Buffalo, and we know from experience that truck time-schedules between two points are usually equal to that of rail if not faster.

I would now like to say a few words about the type of service the carriers I represent have to offer the Post Office Department, if and when this legislation is passed. Using the Postmaster's own suggestion that the mail be flown between such points as the west coast and the east coast—our particular type of carrier could be used in assembling this mail from the areas that are within, let us say, short haul distances of the California airports. Upon arriving on the east coast by plane, this mail could be very easily and efficiently distributed by our motor carriers from the airport to various localities. This is exactly what our carriers do today on general freight. For example, in the New York area, it would only be a matter of a few hours before the mail could be distributed to many points in Long Island, New Jersey, and Connecticut.

Another benefit that can see for the Post Office Department is that under this legislation they would be able to use local and short haul motor carriers operating within the dense metropolitan areas and the suburbs during the seasonal or daily peak periods of mail movement. This, of course, would be transportation to supplement the regular trucks of the Post Office Transportation Service. The procedure for using motor carriers to perform this service would be set up within the law, and I believe this gives a much better opportunity to

the Post Office Department for flexible operation of their transportation system within the metropolitan and suburban areas of this country.

Thank you, gentlemen, for listening to this testimony and I will be glad to try to answer any questions you may have.

Mr. DULSKI. Thank you, Mr. Patterson.

Can you describe what kind of equipment you use?

Mr. PATTERSON. Yes, Mr. Chairman. Our particular type carrier uses about the same type of equipment any other carrier does.

Mr. DULSKI. What type of equipment do the other carriers use?

Mr. PATTERSON. The other carriers use some straight trucks, which we describe as a vehicle similar to the ordinary mail truck with a body from 12 to 14 feet long and enclosed doors on it, and so forth. They also use tractors and trailers. Trailers have a removable body. The tractors are used to move the trailers.

Mr. DULSKI. Suppose you pick up a load of mail in Washington going to Buffalo. Are you interested in moving mail first or will you take care of the freight first? You would not be carrying all mail. You probably would be carrying freight and mail.

Mr. PATTERSON. We are interested in moving both, but it is the common practice in the industry to have our own priorities on freight we are now handling. In other words, the customer has to have service first, and of course mail has a high priority classification. We would load the mail in such a position we could drop it off at the post office and then go on with the rest of the business.

Mr. DULSKI. If you are moving mail from Washington to Buffalo would you be able to drop off mail at Harrisburg and other points? Would you have any dropoff points?

Mr. PATTERSON. We could have, sir. Ordinarily we do not unless we have what we call in the business "hot" shipments. If there was a hot shipment going into Williamsport—I am talking about freight now and not mail—we would drop it off at Williamsport. Mail could be handled the same way.

Mr. DULSKI. From Washington to Buffalo is 423 miles and at 50 miles an hour, it is an 8-hour run. Would the driver drive from Washington to Buffalo or would he stop for a coffee break or whatever you might call it?

Mr. PATTERSON. Ordinarily we have a relay system that is governed by Interstate Commerce Commission safety regulations, and Williamsport is one of those points where drivers are changed.

Mr. DULSKI. An airplane leaves at 8:30 in the morning from Washington and there is no other plane to Buffalo until 5:30. With a truck you could pick up mail at 10 or 11 o'clock in the morning. You are always on the road, is that true?

Mr. PATTERSON. We try to keep them there.

Mr. DULSKI. Then you could have these dropoff points?

Mr. PATTERSON. That is right.

Mr. DULSKI. As local and short-haul carriers, do you operate the type of equipment that could be used to transport mail?

Mr. PATTERSON. Yes, sir. The same type of equipment we use would serve the mail for the simple reason the things we are handling today, which are freight in cartons and so forth, have to be protected from the weather the same as the mail would have to be.

Mr. DULSKI. In other words, your carriers are equipped to carry mail?

Mr. PATTERSON. Yes, sir.

Mr. DULSKI. Mr. Nix.

Mr. NIX. Thank you, Mr. Chairman.

Mr. Patterson, your testimony impresses me with the idea that the service of the common carriers with which you are associated is desirable to the Post Office Department both in the interest of good service and economy. Is that correct?

Mr. PATTERSON. That is right, sir. I believe so, anyway.

Mr. NIX. Certainly, or otherwise you would not be here.

Mr. PATTERSON. I would not be here, that is right.

Mr. NIX. And your purpose in the testimony here is to point out the fact that the present service is inadequate?

Mr. PATTERSON. That is right, sir.

Mr. NIX. And therefore the purpose of your testimony is to show that inadequacy and also to extend the business of your carriers?

Mr. PATTERSON. That is right.

Mr. NIX. Now, if that resulted in the elimination of competitors, that is just a byproduct of what you are seeking here?

Mr. PATTERSON. It certainly would be because it is not our intention to eliminate anyone.

Mr. NIX. Are you adamant in your position that this legislation as written ought to be approved, or do you feel that it should be modified to permit star routes, railroads, and every other media of transportation to participate?

Mr. PATTERSON. I certainly do, sir, because this is the reason for our organization favoring this legislation, that we believe everybody should be treated equally.

Mr. NIX. So then your position is reduced to this: That while you look with favor on this legislation it is not your intention to exclude anyone. On the contrary, it is your intention that it should be inclusive of other modes of transportation?

Mr. PATTERSON. That is correct.

Mr. NIX. Thank you.

Mr. PATTERSON. If I may, I would like to add this statement.

Mr. NIX. Certainly.

Mr. PATTERSON. The reason for this is that under the present legislative operations and setup we are the ones who are excluded.

Mr. NIX. I quite understand that, but the one thing you did not mention is if this legislation as written should be approved star routes would be at a disadvantage, would they not?

Mr. PATTERSON. I do not believe so and it is certainly not our intention. Having listened to the testimony the other day, I know what you are referring to.

Mr. NIX. My construction is different from yours.

Mr. PATTERSON. You are entitled to that. But my people and the people I represent have no objection to strengthening the position of the star route.

Mr. NIX. Thank you.

Mr. DULSKI. Mr. Gross.

Mr. GROSS. Mr. Patterson, the chairman, Mr. Dulski, asked several questions about the transportation of mail from Washington to Buffalo, N.Y. Would you be hauling freight at the same time?

Mr. PATTERSON. That is the way we would like to have it, that is right. That would be the most economical way to do it.

Mr. GROSS. And you would be commingling freight and mail?

Mr. PATTERSON. That is right.

Mr. GROSS. A star route carrier operating between Washington and Buffalo would not carry general freight, or would he?

Mr. PATTERSON. From my knowledge of the star route, no, they do not mix it.

Mr. GROSS.—And at one of the dropoff or pickup points—and I assume there are both dropoff and pickup points—if there was hot freight or better paying freight, would the mail be left behind or would it be given more expeditious or less expeditious handling?

Mr. PATTERSON. I would say the way the bill is written, with the penalties in it, would prohibit us from not giving the service.

Mr. GROSS. So you would leave the freight behind rather than the mail?

Mr. PATTERSON. No.

Mr. GROSS. How are you going to operate the kind of service that will accommodate everything that may be waiting for you to handle, both mail and freight?

Mr. PATTERSON. Well, I would say that is taken over the same way today on overflow. If I get your question right, you mean suppose we pull into Williamsport and there was too much freight and mail to move on the same vehicle?

Mr. GROSS. That is right.

Mr. PATTERSON. I believe, according to this bill, when the Postmaster specifies the service he needs, it then becomes priority freight and a carrier would have to take it.

Mr. GROSS. I do not know at this point how I feel about this commingling of freight and mail. I have serious doubt as to how this will operate with respect to the transportation of mail, Mr. Patterson. I have an open mind and I want to hear the rest of this, but I just do not know at this point what we are getting into if we permit the commingling of freight and mail.

Thank you, Mr. Chairman.

Mr. DULSKI. Mr. Patterson, when the airplanes leave from the National Airport here they have passengers and freight and bags of mail, do they not?

Mr. PATTERSON. Yes, sir.

Mr. DULSKI. So they are moving freight, passengers, and mail?

Mr. PATTERSON. And express.

Mr. DULSKI. When I introduced this legislation I felt that this would give more flexibility.

Mr. Green.

Mr. GREEN. No questions.

Mr. DULSKI. Thank you very much, Mr. Patterson.

Mr. PATTERSON. Thank you.

Mr. DULSKI. The next witness is Mr. Henry A. S. van Daalen, executive director of the common carrier conference—irregular route. We are happy to have you with us this morning, Mr. van Daalen. You may proceed.

**STATEMENT OF HENRY A. S. VAN DAALEN, EXECUTIVE DIRECTOR,
COMMON CARRIER CONFERENCE—IRREGULAR ROUTE OF THE
AMERICAN TRUCKING ASSOCIATIONS, INC., ACCOMPANIED BY
JAMES F. FORT, COUNSEL, PUBLIC AFFAIRS OF THE AMERICAN
TRUCKING ASSOCIATIONS, INC.**

MR. VAN DAALEN. Mr. Chairman, members of the committee, my name is Henry A. S. van Daalen, Jr. I am the executive director of the Common Carrier Conference—Irrregular Route of the American Trucking Associations, Inc. We have 477 members in our conference who are motor carriers of property over irregular routes, by virtue of certificates issued by the Interstate Commerce Commission. These members represent a wide cross section of the trucking industry with authority to operate in various countries and sovereign States in the United States.

I am here to testify in support of H.R. 6472 which will enable regulated motor carriers to transport mail on the same general basis as rail and air carriers. We believe that regulated carriers can perform an efficient service in the transportation of mail to the benefit of the public interest. We believe that the Interstate Commerce Commission can regulate transportation of mail in a fair and impartial manner in the same way that it does those commodities presently under regulation.

One of the benefits of the use of motor carriers in transporting mail, including irregular route carriers, is the flexibility which can be secured through their use. Perhaps it would be well if I outlined briefly the reference to irregular route carriers. Motor common carrier transportation of property over irregular routes refers to a territorial type of authority issued by the Interstate Commerce Commission. Basically, there are two types of irregular route certificates which are issued. The first is the irregular route radial certificate. A carrier transporting property under this type of certificate normally operates from a fixed base point or from places located within a radial area of his base point. The locations to be served at destination may be territorial in scope covering all points in a given State or States, or it may be specified cities.

To illustrate: A typical certificate of this type would authorize service between Washington, D.C., and points within 100 miles of Washington, D.C., on the one hand, and on the other, all points and places in the States of Pennsylvania, New York, Rhode Island, Connecticut, and Massachusetts. With this type of irregular route certificate, the carrier can transport traffic between any point located within 100 miles of Washington, D.C., to any point in the States named.

This carrier can also transport traffic from any point in the States named to any point within 100 miles of Washington, D.C.

Next, we have the irregular route nonradial certificate.

This type of certificate authorizes the carrier to operate between all points located in a given area. To illustrate: Such a certificate could authorize service between all points in Virginia, North Carolina, South Carolina, and Georgia. This type of certificate would also authorize transportation between any two points in North Carolina, between any two points in South Carolina, between any two points in Virginia and between any two points in Georgia.

As you can see from this brief explanation, the basic advantage of an irregular route certificate is its ready adaptability to the transportation of mail, in this instance, over wide geographical areas, dependent in each case upon the carrier's operating authority. The principle of irregular-route authority issued by the Interstate Commerce Commission is its territorial scope—not limited to specified routes. Flexibility is its very essence.

Who are the members of our conference? For the most part, they are the motor common carriers engaged in the transportation of the same commodities and using the same type of vehicles as the so-called regular route motor carriers, and as such, also constitute an important part of the backbone of our industry. They operate terminals. They interline freight and trailers with the regular route carriers so as to perform through trailer service.

As the Commission has said in a leading case (ex parte MC 55 decided Dec. 4, 1961) about our type of carrier:

If the carrier is to render an efficient service for such shippers it must provide a city pickup service, maintain a terminal where it can consolidate small shipments into single trailer loads, and it may even, for the convenience of its customers, schedule its departures for certain days of the week.

Many of these carriers are now and have been for many years engaged in the transportation of mail. We believe that it is to the best interest of the Post Office Department to continue the use of these motor carriers and wherever possible, to expand the use of their services. They are irregular route carriers vitally interested in the transportation of mail and are equipped to handle it.

I submit a letter from one of our members, Mr. H. R. Arnold, president of Dieckbrader Express, Inc., Cincinnati, Ohio, which is attached and which I would like to read into the record:

The main content of my statement is that we feel it would be to the benefit of the general public and to the Post Office Department, to include use of irregular route motor carriers regulated under the Interstate Commerce Act, as amended. Language in H.R. 6472 on section 8(a), page 5, lines 3 and 4, which read "over the route or routes or within the territory for which it has operating authority," accomplishes this purpose. The Commission presently has under regulation these irregular route motor carriers, and their rates by the thousand, and has done an effective job in advancing the motor carrier industry to its present point of performance. Irregular route motor carriers constitute approximately 70 percent of the certificates issued by the Interstate Commerce Commission. As must be obvious from these figures, we can make available to the Post Office Department service in wide geographical areas, flexible as to its coverage, in serving innumerable points now a dwindling area of coverage in mail service by railroads in the continuing evolution of the transportation of property in this country. To quote Chairman Webb of the Interstate Commerce Commission when he testified before your committee on May 25, 1965, "Railroads, which provided 10,000 mail trains in 1930, now provide about 12 percent of that number." Irregular route motor carriers are not restricted to any steel rails, to any road, or any town, or any interstate highway, or any community. Their certificates of operating authority are territorial in scope.

We believe that they constitute an important segment of the transportation industry along with the other segments and should be included in any proposed legislation so as to be certain that the Post Office Department will have available for its use the coverage and the service demanded by the people of the United States in the fundamental concept of mail distribution.

I would like to read the letter from Mr. Arnold. It is dated June 9, 1965, and is addressed to me.

(Thereupon, the following letter was read by the witness:)

DIECKBRADER EXPRESS, INC.,
Cincinnati, Ohio, June 9, 1965.

Mr. HENRY A. S. VAN DAALEN, Jr.,
Executive Director, Common Carrier Conference—Irrregular Route,
1616 P Street NW., Washington, D.C.

DEAR HENRY: It is my opinion that legislation which would in any way restrict the Post Office Department from utilizing the services of irregular route common carriers is certainly not in the public interest, nor would it be fair to those irregular route carriers who are presently handling mail shipments for the Post Office Department.

We operate highway post office buses (in which postal clerks ride and sort the mails in transit), star routes and mail messenger services. We have served the Post Office for over 13 years which I believe is living proof of our ability to carry the mails.

Now, I think that we sometimes lose perspective when we approach any governmental agency. One should not forget that the basic shipping requirements of the Post Office are no different than for any business. The fact that the Post Office is a governmental agency does not alter the requirement for a complete transportation service.

It is well known that regular route carriers have developed "point to point" service as opposed to the irregular route carriers who have developed "area service." The irregular route carrier then complements the need of the shipping public for a flexible service in a given territory. The postal service should not be denied free access to all forms of regulated motor carriage.

There are many irregular route carriers, such as our company, that have by actual experience proven their usefulness to the postal service. Indeed, in our area very few regular route carriers have handled even a small percentage of the amount of mail which our company has transported for the postal service.

The Post Office Department in our area will readily admit, I am sure, that when all other forms of transportation service fail to move the mail, they can depend on Dieckbrader Express, an irregular route motor carrier, to move the mail at any time of day or night. This is true because the irregular route carrier has developed an areawide, flexible transportation service unlike any other form of transportation.

I would have no objection to legislation which would place any motor carrier transporting the mails under the control of the Interstate Commerce Commission so far as safety is concerned. Frankly, it has been my observation that many nonregulated carriers operate equipment and utilize drivers who would not pass minimum ICC safety requirements. It appears to me that the public deserves the same protection in regard to safety of motor vehicles and their operators hauling mail as it does for vehicles hauling property for the general shipping public. I am sure that the motoring public traveling along the new interstate high speed highways would feel much better if they knew that a tractor trailer unit operating for the Post Office was under some form of effecting safety control and regulation.

In the hope that my brief comments may be helpful, I remain,

Very truly yours,

H. R. ARNOLD, *President.*

Mr. VAN DAALEN. Thank you, gentlemen.

Mr. DULSKI. Thank you very much.

In the beginning of your statement you say you have 477 members. Are any members of your organization star route carriers?

Mr. VAN DAALEN. I believe this gentleman whose letter I read referred to star route contracts.

Mr. DULSKI. The letter is written by the president of Dieckbrader Express, Inc. He is a member of your organization?

Mr. VAN DAALEN. Yes, sir.

Mr. DULSKI. Are any members of your organization star route carriers?

Mr. VAN DAALEN. Yes; Dieckbrader Express is a star route carrier.

Mr. DULSKI. And they are a member of your organization and others would be members also?

Mr. VAN DAALEN. Yes. I actually do not know for sure how many, but I do know we do have other people carrying mail on star route contracts.

Mr. DULSKI. What do you mean by an "irregular" carrier?

Mr. VAN DAALEN. They are all regulated by the Interstate Commerce Commission.

Mr. DULSKI. You said "within an area." This bill would not interfere with the transportation of mail from one post office to another, where we have our own trucks.

Mr. VAN DAALEN. I think it would depend on the situation. In some cases it could be one way and in other cases it could be another way. It would depend on the volume of the carrier.

Mr. DULSKI. Let us say you have a truck leaving from one point and going to another point that is 80 miles away and there are maybe three or four bags of mail and some freight. When you reach your destination, do you drop off your mail at a terminal point or would you take it to the post office?

Mr. VAN DAALEN. Either way. It depends on the request we have from the Post Office Department. In other words, any shipper that requested any type of service would get that service, and the Post Office Department would get the same type of service.

Mr. DULSKI. Mr. Nix.

Mr. NIX. Thank you, Mr. Chairman.

How do you describe an irregular route?

Mr. VAN DAALEN. The concept of the irregular route carrier is a motor carrier under the regulations of the Interstate Commerce Commission whose authority is a territorial type of authority as compared to a regular route carrier whose authority from the Interstate Commerce Commission would be from city A to city B or point A to point B over a certain road.

Mr. NIX. Say the Commission in Pennsylvania, in granting authority to operate, restricted the authority to operate from Philadelphia to Pittsburgh and the haul back to Philadelphia. What you seek is the authority to operate anywhere. Is that right?

Mr. VAN DAALEN. An irregular route carrier is authorized to operate from section to section and this depends on the certificate which is given to him by the Commission based on public convenience and necessity. This does not necessarily limit him to going up any particular road.

Mr. NIX. What I am getting at, Mr. van Daalen, obviously you want something different from what you have. What I want to know is what do you want?

Mr. FORT. Mr. Nix, if I may try to answer that, sir, Mr. van Daalen's carriers presently have authority to serve, rather than from Pittsburgh to Philadelphia, from Pittsburgh and 50 miles around it, to Philadelphia and 50 miles around it. His carriers presently have such authority, say, from the Public Utilities Commission of the State of Pennsylvania.

The provisions witnesses have generally been specific regular route carriers who have authority to serve from the city limits of Pittsburgh to the city limits of Philadelphia. These are different types of certificates, both from a regulatory agency, in your case from the Pennsylvania Public Utilities Commission. What we ask is to make this service available to the Post Office Department. It would not expand a certificate nor contract a certificate.

I hope this is helpful, sir.

Mr. NIX. It is helpful.

I notice in your statement you are amenable to modification of the proposed legislation to make it inclusive of any other "motor carrier." I would delete the word "motor" and say "any other carrier."

Mr. VAN DAALEN. I think the concept of the motor carrier industry is not one that is attempting to eliminate other types of transportation, and I think Mr. Fort in his statement has outlined this, and with particular reference to star route carriers there is no attempt on our part to eliminate these people either. I think Mr. Fort discussed what has been referred to as an irreconcilable point, and we do not consider that to be the case, sir.

Mr. NIX. The thing that intrigues me more than anything else, everybody says there is no wish to eliminate anybody, yet everyone says a motor carrier is so infinitely superior to anyone else, and the end result would have to be the elimination of those that are, by comparison, less efficient.

Mr. FORT. Again, if I may, Mr. Nix.

Mr. NIX. Certainly.

Mr. FORT. Mr. Steiner, one of the previous witnesses, testified as to what he termed the new concept of star route carriers. He testified a number of them have incomes from star route contracts in excess of \$200,000. Certainly we would make no pretense that these carriers might not be endangered by the operation of this bill. Certainly if this bill passes and the services of the regulated trucking industry are made available to the Post Office Department, the Post Office Department would have available to it our services and it still, under this bill, could advertise for bids and receive bids for that large star route contract which it presently has in existence.

What we perhaps have not said sufficiently plainly is that there are many hundreds and thousands of star route carriers today doing service which in our opinion we are not able or willing to fulfill. We do not want, nor do we seek, to perform what might be called the historic star route function of moving three or four bags of mail in the trunk of an automobile, which is the main function of a vast majority of the star route contracts.

Mr. NIX. What you are saying is that you offer a highly efficient system, the best available, and it is to be hoped that these systems which are inefficient, because of the competitive system, would have to measure up to what you now have and what you are offering?

Mr. FORT. Yes, sir.

Mr. NIX. I suggest this to you: If they are as inefficient as has been suggested, and if you, or the motor service you offer, is as efficient as has been suggested, then the inefficient people would be at a decided disadvantage at this moment?

Mr. FORT. Hopefully the Post Office Department would find that the motor carriers could render the service we say we can render. I will say every other shipper, including every other department of the U.S. Government, has long found this to be true.

Mr. NIX. Again I say, if your motor carriers do possess the high efficiency so eloquently attributed to them by many witnesses here, then it follows that star route carriers and others are inefficient, and if this is accepted as the standard, they would be at a disadvantage at this moment?

Mr. FORT. Yes; this is possible. Earlier witnesses have said we would have no objection to granting to the star route carriers a certificate of public convenience and necessity for the transportation of mail should they seek that in this legislation, and I believe Mr. Ernst did seek that.

Mr. NIX. I am for efficiency but I want clarified for myself every single facet of the argument. As long as they compete on an equal basis, everybody on an equal basis, I see nothing wrong with it.

Thank you, Mr. Chairman.

Mr. DULSKI. Mr. Gross.

Mr. GROSS. I am interested in the handling of the mail as well as other ramifications of this bill.

As I understand, a star route carrier running from Washington to Philadelphia would leave from a mail terminal in Washington, D.C., and would deliver the mail directly to a mail terminal or mail-handling facility in Philadelphia. Is this the way the star route carrier operates now?

Mr. DULSKI. Yes.

Mr. GROSS. Say you are handling freight and mail. You have three-fourths freight and 10 or 15 sacks of mail. Where are you going first? Are you going first—and I know very little of the geography of Philadelphia—will you go to the freight terminal first to unload the freight, or to the mail terminal, wherever it may be? It could be a long way from your freight terminal to the post office or mail terminal in Philadelphia.

Mr. FORT. Right, sir. I understand your dilemma fully. Let me say two things in connection with it. First, there have been instances in the past—I do not know if there are any today—in which star route contractors who are also certificated motor carriers have moved both freight and mail in the same vehicle. This has been done in the past. I am not sure about today.

Second, the trucking industry has risen to the position it is in today in the transportation world by rendering service. It is an accepted fact of transportation life that the trucking industry performs daily services of picking up shipments this afternoon and delivering them to a consignee 300 miles away at the time his plant opens the next morning. Certainly in the transportation of mail we would recognize the fact that this has to go fast. It would be the top priority item moving.

Mr. GROSS. Then this would require some hard and fast contracts on the part of the Post Office Department, would it not?

Mr. FORT. It would require some hard and fast regulations on their part to be sure the schedules they set up are met, just as any shipper. When a shipper says, "You have it there tomorrow morning or I will get another motor carrier," they have provided the service and this is what we have built our industry on.

Mr. GROSS. Thank you.

Mr. NIX. Mr. Chairman, may I ask another question?

Mr. DULSKI. Yes.

Mr. NIX. I am intrigued by line 5 in this bill, starting with line 4, that the—

Postmaster General, consistent with the national transportation policy (49 U.S.C. 1), shall use the services and facilities of all regulated modes of transportation including those of regulated carriers of property by motor vehicle—

that is you?

Mr. FORT. Yes, sir.

Mr. NIX. You want mail designated as property?

Mr. FORT. We view that first section and the word "shall" and the rest of that section as an expression of congressional intent should this bill be enacted. We view this as a directive to the Post Office Department and to the Postmaster General; yes. You would be saying in this bill, if it is enacted, yes; you shall use the services of regulated motor carriers to the extent they are available and to the extent they provide safe, economical, efficient, and expeditious movement of mail. We consider that as an expression of intent.

Mr. NIX. Let me say this: After it is enacted into law it becomes a law and our intent is separate from it. This "shall" makes it mandatory if it is enacted into law and intent has nothing to do with it. I suggest that.

Mr. FORT. I would suggest, in reply, sir, that the Postmaster General, under the bill, will have an obligation to look at motor carrier transportation to see whether that motor carrier transportation will in fact provide safe, economical, efficient, and expeditious movement of the mail. We think that if the Postmaster General conscientiously looks at the motor carrier industry and finds yes, it will save the Post Office Department money, and yes, it will provide better service for the public, we hope he would use it. If it will save money and provide better service to the public, we hope he will use it.

Mr. NIX. I still go back—and I do not want to belabor the point—to the language "shall use the services and facilities of all regulated modes of transportation including those of regulated carriers of property by motor vehicle to the maximum extent they are available and adequately meet the needs of the postal service for safe, economical, efficient, and expeditious movement of mail."

The motor carriers could say they do not have available the facilities required, and "adequately meet the needs of the postal service" is another sop. This is beautifully done. I compliment whoever did it. But if in essence it permits everybody to compete and permits everybody to be treated equally, I think in the spirit of competition it is desirable.

Mr. FORT. We do not feel it will, in and of itself, put 1 pound of mail on the regulated motor carrier industry.

Mr. NIX. You are amenable to change, to modification, and you are agreeable to sharing equally with everybody?

Mr. FORT. We want to be able to compete, if you will, with the railroads, with the air lines, and with the star route carriers; yes, sir.

Mr. NIX. And, after the legislation is formulated in the end, if it permits you to compete on an equal basis with all others, that is agreeable to you?

Mr. FORT. Yes, sir.

Mr. NIX. Thank you.

Mr. GROSS. Will the gentleman yield?

Up to this point I had not heard Mr. Fort say he would be amenable to an amendment of that particular section of the bill to which you referred. Maybe he is.

Mr. FORT. Yes. In my prepared statement, which was the opening statement in our testimony, sir, I did point out a number of specific areas—at the time I testified Mr. Ernst had testified for the star route immediately prior to my testimony. We had no specific statement in our testimony in a prepared sense.

Mr. GROSS. All right. I must have missed your statement or I was not here that day.

Mr. DULSKI. Mr. Green.

Mr. GREEN. One thing that upsets me a little in most of this discussion is that you seem to concentrate on one factor, you say you are more economical. Do you think we have to consider other factors? Do you think we have to consider the financial condition of the railroads?

Mr. FORT. Let me say this, Mr. Green. The Post Office Department has traditionally moved mail on passenger trains. The railroad industry, I need not tell you, has drastically reduced passenger service over the years, principally because they have lost money on it. They have abandoned thousands and thousands of passenger trains over the years.

Mr. GREEN. What effect would this legislation have on the railroads?

Mr. FORT. I could not answer that.

Mr. GREEN. Could it be fatal?

Mr. FORT. In my opinion, no, sir.

Mr. GREEN. It seems to be no one has directed their remarks to considering any other factors except their own interests.

Mr. DULSKI. If the gentleman will yield, we will have the railroads testifying next Tuesday. That is a very pertinent question and I imagine the railroads will be able to answer it.

Mr. GREEN. Thank you, Mr. Chairman.

Another thing that upsets me, my attention had not been drawn to this first section of the bill until Mr. Nix called attention to it. I do not want to concentrate on the word "shall" but I want to concentrate on the word "maximum." The bill provides the use of the services of regulated carriers of property by motor vehicle "to the maximum extent they are available and adequately meet the needs of the postal service for safe, economical, efficient, and expeditious movement of mail." Is that correct?

Mr. FORT. Yes.

Mr. GREEN. If this bill were to pass, the Postmaster General would be required to give you all the business you could handle. The bill

says "shall" and "to the maximum extent" you will be given the business. If you can argue before this committee today that you are the most efficient, the most safe, the most reliable handlers of the mail, then it seems to me that what you are really saying is that if this legislation is passed in its present form you are entitled to all the mail you can handle and the railroads and airplanes and everybody else is out?

Mr. FORT. Certainly I would not think the trucking industry would contend it could handle coast-to-coast mail more expeditiously than it could be handled by the airlines. Certainly the intent of the bill was not to say that all mail must move by truck. Certainly the railroads will continue to perform mail service, and certainly the airlines will continue to perform mail service. I am certain the Postmaster General would interpret it that way.

Mr. GREEN. The railroads would be out?

Mr. FORT. This is our strong point. This is where we have made our name in the transportation world, in regulated short-haul service, providing service which beats the railroads hands down.

Mr. GREEN. In your testimony you concentrated on economy and safety. I understand the Post Office Department, on grounds of economy, opposes Interstate Commerce Commission regulation. Would you be opposed to the Post Office Department adopting Interstate Commerce Commission safety standards but using their own vehicles?

Mr. FORT. The Interstate Commerce Commission safety standards today are supposed to be applicable to post office trucks.

Mr. GREEN. You said in your testimony earlier that the way mail is handled now it is not being handled according to these high standards.

Mr. FORT. The letter Mr. van Daalen read would indicate that.

Mr. GREEN. Then you think this letter by this member of your organization is wrong?

Mr. FORT. I think this, sir, and I have no detailed grounds on which to base it. I think the level of compliance with Interstate Commerce Commission safety standards by the star route carriers is at a very low level today.

Mr. GREEN. In other words, you are saying the star route carriers are violating the Interstate Commerce Commission regulations?

Mr. FORT. Yes, sir; although I have no specific grounds on which to base that.

Mr. GREEN. Thank you.

Mr. DULSKI. As the sponsor of the bill, my intent where the bill says "the services and facilities of all regulated modes of transportation" means this would include all regulated carriers, air, rail, and water.

We are honored to have with us today Colombian postal officials, and their guide is Mr. Walter Zachariasiewicz, special assistant to the Postmaster General. Mr. Zachariasiewicz, we would like you to introduce the Colombian postal officials to us.

Mr. ZACHARIASIEWICZ. I will be pleased to introduce them to you. They are Dr. Oswaldo Rengifo, member of the Managing Board of the National Postal Administration; Dr. Alfredo Cadena Copete, Director of the National Postal Administration; Dr. Carlos Fonseca Truque, Chief of the Planning Division of the Ministry of

Communications; and Mr. Jaime Cabrera Sarmiento, Chief of Postal Services Division, Ministry of Communications.

They are very interested in the proceedings of this committee having to do with postal operations.

Mr. DULSKI. We are very happy to have these gentlemen from Colombia with us and I hope the hearings have given you some idea of our democratic process and some knowledge of how this small segment of the U.S. postal service is operated.

Mr. VAN DAALEN. Mr. Chairman, may I make one brief comment?

Mr. DULSKI. Yes.

Mr. VAN DAALEN. I think in the concept of handling mail that we have to take into account the rapidly expanding economy of the United States. I was thinking about this when Mr. Nix was questioning the witnesses, that we have to provide a service and make it available to meet a rapidly expanding population and a rapidly expanding gross national product, and we feel the transportation of mail by motor carrier as regulated by the Interstate Commerce Commission can help the Post Office Department to solve what I conceive in my own mind to be a very serious problem.

Mr. DULSKI. The subcommittee will stand adjourned until Tuesday, June 29, at 10 a.m.

(Whereupon, at 11:10 a.m., on Thursday, June 24, 1965, the subcommittee adjourned to reconvene Tuesday, June 29, 1965, at 10 a.m.)

MAIL TRANSPORTATION BY COMMON CARRIER MOTOR VEHICLES

TUESDAY, JUNE 29, 1965

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON POSTAL OPERATIONS OF THE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The subcommittee met at 10 a.m., in room 215, Cannon House Office Building, Hon. Thaddeus J. Dulski (chairman of the subcommittee) presiding.

Mr. DULSKI. This is a continuation of H.R. 6472. We are very happy to have Mr. Starr Thomas, the general counsel of the Santa Fe Lines, Chicago, Ill., and Mr. Herbert B. Brand, director, Railway Mail Transportation Division, Association of American Railroads, Washington, D.C.

You may proceed, gentlemen.

STATEMENT OF STARR THOMAS, GENERAL COUNSEL, SANTA FE LINES, CHICAGO, ILL.

Mr. THOMAS. Shall I proceed, Mr. Chairman?

Mr. DULSKI. Go right ahead, sir.

My name is Starr Thomas. I am general counsel of the Atchison, Topeka & Santa Fe Railway Co. I am appearing here as chairman of the committee of counsel, Railway Mail Transportation Division, Association of American Railroads. My appearance is in opposition to H.R. 6472.

My testimony will include a brief analysis of certain provisions of H.R. 6472 and some general comments on the effect of such legislation on the railroad industry. Other witnesses will discuss in some detail the services and facilities which the railroads are required to provide, services and facilities which are vital to the transportation and distribution of U.S. mail. They also will discuss the effect on both railroad and Post Office Department operations of the enactment of a bill such as H.R. 6472, which is so clearly designed to divert desirable mail traffic from the railroads, leaving them in a position where they will still be forced to handle the less desirable mail traffic and to provide standby service to meet seasonal needs and to protect the Department against deficiencies in truck service.

H.R. 6472 was drafted by the American Trucking Association and, according to Mr. Fort, counsel, public affairs for that association, the bill is intended to afford the trucking industry "a measure of equality with other regulated modes of transportation." Analysis of the bill will show, however, that it would not afford such equality. Like so many of our regulatory laws in the transportation field it would

increase the opportunity of the motor carriers to secure desirable traffic while leaving them largely free of the burdens and obligations imposed upon the railroads.

Section 1 of the bill provides that the Postmaster General "shall" use the services of all regulated modes of transportation "including those of regulated carriers of property by motor vehicle to the maximum extent they are available and adequately meet the needs of the postal service."

This is a clear mandate to the Postmaster General to use the services of regulated truckers to the greatest extent possible. There is no equivalent provision in the present law directing the Postmaster General to use the services of the railroads. The thrust of the present law is in the opposite direction. The railroads are required to provide the service when requested. The Postmaster General is entirely free to use rail service or not, as he sees fit.

Section 3 of the bill declares mail transportation to be "transportation of property in interstate commerce." There is no equivalent provision in the law relating to transportation of mail by railroad. Such a provision is not necessary to accomplish the avowed purposes of the bill and, as the witness for the Post Office Department pointed out, it raises all sorts of questions as to what other provisions of the Interstate Commerce Act might be made applicable to the transportation of mail by regulated truckers, if H.R. 6472 were enacted. The Congress would be buying a "pig in a poke," if it passed a bill containing this provision.

The one-sided character of this bill becomes apparent when the provisions relating to the obligation to provide service and to the imposition of penalties are analyzed. Section 8(a) requires the regulated truckers to provide mail transportation service when requested to do so by the Postmaster General; but section 8(b) effectively removes any real obligation by providing that any regulated trucker who does not wish to carry the mail must be excused upon filing an application with the Postmaster General. This makes the obligation a complete farce.

Counsel for the American Trucking Associations thought this might be corrected by imposing the obligation only upon those truckers who make application to transport the mail. Even this tardy recognition of the obvious fact that the bill is drafted so as to provide all of the advantages and none of the burdens of mail transportation ignores the fact that in the case of the railroads the obligation is imposed whether or not they wish to carry the mail.

Even if it were made mandatory, it is apparent that the obligation contemplated by the drafters of H.R. 6472 is no more than the ordinary obligation of a common carrier to transport freight tendered to it. Apparently the "measure of equality" sought by the truckers does not include assumption of the burdensome obligations imposed upon the railroads under present law.

These obligations are carefully spelled out in provisions of the postal laws (39 U.S.C.). A railroad "shall" transport the mail under the conditions and with the service prescribed by the Postmaster General—with due speed on any train it operates—and must transport post office personnel handling the mail or traveling on business without extra charge (sec. 6203). It must provide cars, facilities, station space, and rooms for storing, handling, and trans-

ferring mail, and offices for postal employees engaged in station work (sec. 6204). It must provide railway post office (RPO) cars built and equipped according to Department specifications and must place them in stations in advance of train departure at such times as directed (sec. 6204). These requirements are amplified in regulations issued by the Postmaster General.

Section 9 of H.R. 6472 setting forth the penalties which the Postmaster General may impose for failure or refusal to perform service, provides another example of the obvious reluctance of the regulated truckers to accept the burdens along with the benefits in their effort to attain their concept of "equality." For "refusal" to perform service, the penalty may not exceed three times the compensation for the service involved. For all other violations the penalty must not exceed the value of the mail lost, destroyed, or damaged. Apparently this means there is to be no penalty for delay or other failure of service not involving loss or damage to the mail. And even these limited penalties are subject to review by the Interstate Commerce Commission. In all fairness it should be noted that counsel for the American Trucking Association did concede that "some improvement would seem in order here."

Now, by way of contrast, let's take a look at the provisions in title 39, United States Code, for fines and deductions where railroads are involved. For "refusal" to perform service, the fine is \$1,000 a day with each day of refusal a separate offense, section 6207(a). For "failure or refusal" to transport mail on any train it operates or to construct or furnish RPO cars, and for "other delinquencies" in mail transportation and the services connected therewith, the fine shall be the amount the Postmaster General deems reasonable, section 6207(b). In addition deductions may be made from the compensation due the railroad for failure to perform service as directed, even if the railroad is not at fault, section 6207(c). These fines and deductions are not subject to review by the Interstate Commerce Commission.

Section 11 of H.R. 6472 provides that nothing in the bill shall prevent the Postmaster General from entering into star-route contracts under existing provisions of law, but when this is read in conjunction with section 1 which directs the Postmaster General to use regulated carriers to the maximum extent available it suggests that the star-route carriers are to be used only when the regulated truckers aren't interested in handling the traffic. This interpretation is borne out by the statement of counsel for the trucking association that "section 11 is specifically worded to give the Postmaster General a means to obtain necessary highway services which cannot be supplied by the highway transport industry."

From this brief analysis it is apparent that the objective of H.R. 6472 is not equality of treatment but favored treatment. Its simple objective is to facilitate the diversion of mail traffic from the railroads to the regulated motor carriers. In considering the desirability of such legislation, the committee should be fully aware that what is contemplated is a fundamental change in the present system of surface mail transportation.

Today the railroads are the primary carriers of surface mail, and subject to the strict and detailed obligations respecting service, equipment, station facilities, and the like, to which I have briefly referred. Their operations are closely tied in with those of the postal service and are

physically connected with post office facilities at most of the major terminals. Their service is a full and complete one as other witnesses will point out. No other form of transportation has the facilities to provide this complete service.

The present railway mail pay structure, as prescribed by the Interstate Commerce Commission, reflects this close relationship and the rates so prescribed are average rates established on a regional basis. An average rate structure such as this provides overall compensation on a fair basis and simplifies administration. Average rates by their very nature, however, provide attractive revenues on volume traffic which moves regularly and, on the other hand, they produce revenues which do not cover the costs of the service on the less attractive traffic. As long as the railroads continue to handle a wide range of mail traffic, taking the bad with the good, they can come out even in the long run. But if the desirable traffic is diverted to other modes of transport and the railroads, under their strict statutory obligation to serve, are left with a large proportion of the undesirable traffic, they are bound to sustain severe losses in the transportation of mail.

This is exactly what we fear when confronted with a bill such as H.R. 6472 which is so clearly designed to facilitate the diversion of mail traffic from the railroads to the regulated truckers. The past experience of the railroads in competing with the regulated motor carriers for freight traffic confirms this.

Over the years the motor carriers have directed their efforts, rate-wise and servicewise, toward diverting from the railroads the high density volume traffic which produces the best returns. They have too frequently succeeded in avoiding their common carrier obligation to handle the less desirable traffic, leaving that to the railroads and their motor carrier subsidiaries.

So we can confidently expect the regulated truckers to concentrate their efforts on the desirable mail traffic, if H.R. 6472 is enacted. As more of this traffic is diverted, the railroads, under their statutory obligation, still will have to handle what is left. Without the revenues from the diverted traffic, the railroads will be saddled with the losses incurred in handling the remaining traffic unless they are relieved from their present statutory obligation.

The railroads are opposed to H.R. 6472. We think the testimony presented at these hearings shows it is unnecessary.

But if this bill, or any similar bill, with the objective of facilitating the diversion of mail traffic to the regulated truckers is to be passed, we earnestly urge the Congress to enact legislation at the same time repealing those provisions of title 39, United States Code, which impose upon the railroads the statutory obligation to provide mail transportation service. Only then will the railroads be in a position to compete on a fair and equal basis for the desirable mail traffic.

Mr. DULSKI. Thank you very much, Mr. Thomas.

Mr. Thomas, your entire statement tells us what is wrong with H.R. 6472. The reason this legislation was introduced is because we are dissatisfied, the Postmaster is dissatisfied, with the service the railroads are giving.

How many trains have you removed from service in the last 10 years?

Mr. THOMAS. Mr. Chairman, I cannot give you any figure on that, but Mr. Brand, who is following me, is going to point out some of the

factors relating to these figures we have heard quoted here about trains being removed.

I think the ICC had a witness here who said that in 1930 there were 10,000 trains and now there are only 1,200, or something like that, but it is not passenger trains but mail transportation service.

The railroads provide mail transportation service in trains other than passenger trains. When you count merely numbers basically you are counting trains, passenger trains running on little branch lines where there is simply no basis for rail passenger service today. The public simply does not patronize it.

These trains have come off. Sometimes they have come off and the Post Office has had to make arrangements to handle the mail. Many times the mail has been taken off the train before the train came off. I don't know the relationships, but in many instances the train had to be discontinued because the mail has been removed. We have one on our line coming up right now.

However, in these instances the Post Office has been able to use the services of motor carriers and almost invariably the railroad will arrange to supply the motor truck to carry this mail. The service which has been produced is a better service than existed before in these light density traffic areas where there wasn't enough business to support any kind of train operation.

Mr. DULSKI. This is a situation where the railroad is not giving service to the people. I would be the last one to take any business away from the railroads because I am very sympathetic to the railroads.

The Postmaster General is responsible for transporting mail. He should be able to use all modes of transportation. I would hope that the railroads would come in with some sort of a solution.

Your entire statement brings out only your opposition to H.R. 6472.

Would you object, Mr. Thomas, if motor carriers were permitted to carry the mail in the same way as the railroads? Would you be opposed to their handling the mail?

Mr. THOMAS. We would like to handle the mail because it is business and we like to do business. I don't think we would gain too much by your imposing obligations on the motor carriers.

We have facilities, and the Post Office will have to use them and will have to use them for years. If we are free to bargain off of those facilities, as people doing business, that is one thing. However, if they know that we can be held to supply those facilities and those services and still they can divert the desirable traffic away from us then we are in a meatgrinder. That is what we want to avoid.

Mr. DULSKI. That doesn't answer the question. I said suppose the railroads would be bound in the same way as the truckers. Would you then object to having this on a competitive basis, if the truckers were given the privilege of transporting the mail?

Mr. THOMAS. Actually I would say this: I have listened to the testimony in these hearings and I have not at all been convinced that the trucks are not able to transport mail now. I understand that the regulated truckers, the group which has been supporting this bill, do not like the setup that exists now, but we have seen a good deal, a rather steady diversion of traffic to motor carriers under the present law, and we are living with it now. We are willing to live with it. We have to.

I see no need for this particular bill.

Mr. DULSKI. The only way they will be given permission to transport mail is by legislation.

My question is this: Would you be opposed to this legislation if the railroads and the truckers were on an equal basis—that is the only question, would you be opposed to the legislation then?

Mr. THOMAS. I would have to see the language of the bill. However, if a bill were enacted which made it easy and simple for a motor carrier to concentrate on our desirable mail traffic, I would say we should be relieved of this statutory obligation so that we can compete freely with them and not be stuck with this burdensome traffic that they won't want and won't carry, and with these services which they are not equipped to perform and can't perform.

Mr. DULSKI. I am saying that if we pass legislation that makes it competitive for the railroad and the truckers, would you be in favor of the legislation?

Mr. THOMAS. I will have to say again I would see no reason to be in favor of it. I would certainly see a reason to want this freedom from this obligation because I would want a position where we could compete freely.

Mr. DULSKI. You are competing freely now. You have just certain obligations. The truckers can't even transport the mail other than by star route contract.

You keep on referring to obligations. It is my understanding we pay for the facilities you have in these different stations, do we not?

Mr. THOMAS. You do.

Mr. DULSKI. What obligation do you refer to, sir?

Mr. THOMAS. I refer to the fact that experience teaches us in all kinds of transportation service that when you provide facilities and services which are not being used in handling volume traffic, which is what everybody wants, and you have to provide those services for a declining volume of traffic because your competition has taken away a good deal of the more desirable traffic, you end up with inadequate compensation and there is no way to get it. The costs go too high.

As a matter of fact, the costs can get out of line.

I can give you an example of the sort of thing we fear. This has nothing to do with the current administration here, but this is a little excerpt from some testimony by the Assistant Postmaster General in charge of transportation before the Appropriations Committee. This was in 1952. I do not say this is what these people running the Department are doing today but this is the kind of thing that people do.

He speaks here of the institution of a truck service between Chicago and Milwaukee. The Milwaukee Railroad handled the mail between Chicago and Milwaukee. They were still handling it.

The mail, as it does from many cities, moved in heavy volume out of Chicago to Milwaukee, and in light volume back from Milwaukee to Chicago, so that the equipment that the Milwaukee Railroad hauled to Milwaukee came back two-thirds empty.

They put a truck in there, the Post Office did, and it was a common carrier truck. They gave them a contract to haul part of the mail.

What they did was to fill that truck so it got a full load both ways. The Milwaukee Railroad was in an even worse position because it still had its load going out but even less to bring back because the truck got part of its going out load and a good deal higher percentage of the coming back load which was less in total volume. This is what the Assistant Postmaster General said about this. This is the way he was thinking about it.

He said:

What we will have to do is to steal some more mail from the railroads to feed it back up into Milwaukee to keep that truck operating full load in both directions so we will get the benefit. We can do that, too, and we can benefit the service thereby.

However, the Milwaukee Railroad is incurring these costs and is being forced to lose this balance load and to stick with the unbalanced load. This is the kind of thing we have been subjected to because of this obligation.

Mr. DULSKI. Since you are going back to 1952, Mr. Thomas, I have a letter which states that rails are required to carry mail. This is the answer Mr. Summerfield gave to Senator Smathers. He said:

The fact is that the Post Office Department does not order any railroad to carry the mail if it does not want the traffic and does not order a railroad to carry the mail on any particular train if it does not wish to. Further, the Department has always paid the railroads more than the avoidable cost, or out-of-pocket cost, as it is frequently described, of the mail transportation service. Whenever a railroad requested the Board to remove mail from the train the Department does so. When railroads ask for permission to abandon the lines the Department never objects even though the abandonment would adversely affect the postal service. Indeed, the railroads frequently request the Department to remove mails in advance of petitions for abandonment in order that the unprofitability of the remaining service can be more easily demonstrated.

This is contrary to what you said.

Mr. THOMAS. I don't agree with it. We are fined by the Post Office when we run a train late and when we don't carry mail on trains they designate. This happens.

I want to be fair to the Post Office Department—it is true that when we want to take off these branch line trains they have, as I said earlier, substituted motor carrier service for that, but I say, also, we have offered motor carrier service of our own and very often we end up by still hauling the mail if we can get the business by using our own trucks. However, the Post Office Department's position in administering these laws is, I believe, not correctly stated in that argument Mr. Summerfield made in that particular context. I just do not go along with that. It is not our experience.

Mr. DULSKI. Mr. Henderson?

Mr. HENDERSON. I have no questions, Mr. Chairman.

Mr. DULSKI. Mr. Green?

Mr. GREEN. I have no questions.

Mr. DULSKI. Mr. Gross?

Mr. GROSS. I have no questions.

Mr. DULSKI. Thank you very kindly.

We will now hear from Mr. Herbert B. Brand.

STATEMENT OF HERBERT B. BRAND, DIRECTOR, RAILWAY MAIL TRANSPORTATION DIVISION, ASSOCIATION OF AMERICAN RAILROADS, WASHINGTON, D.C.

Mr. BRAND. Mr. Chairman and members of the committee. I am Herbert B. Brand; my address is 425 Transportation Building, Washington, D.C. I am the director of the Railway Mail Transportation Division of the Association of American Railroads and have held this position since the division was established in 1954 as the successor to the Committee on Railway Mail Transportation. That committee was a national railroad committee established in 1910 to provide a central organization for handling the general mail problems of the railroads with the Post Office Department, and vice versa. For several years prior to 1954 I served as its chairman.

I am appearing here on behalf of the Association of American Railroads.

The railroads today handle a substantial volume of mail and perform a transportation service vital to the Post Office Department. Therefore, they, too, have a considerable interest in H.R. 6472 or any legislation having as its purpose a mandatory diversion of this traffic to the motor common carriers. In order to obtain a better understanding of the complex and demanding requirements of mail transportation I think a brief review of present railroad mail activities will be helpful.

Present law requires the railroads to transport mail, including equipment and supplies of the Department, in the manner, under the conditions, and with the service prescribed by the Postmaster General. This is a broad and detailed obligation which he probably would not want to relinquish because it has been instrumental in providing today's vast mail distribution network. It provides that the Postmaster General shall determine the trains upon which mail shall be transported. The law also requires a railroad engaged in the transportation of mail to transport on any train it operates, free of charge, not only persons in charge of mail when on duty and traveling to and from duty, but also accredited agents and officers, including postal inspectors of the Department, while traveling on official business. The law also requires the railroads to provide railway post office cars or apartment cars constructed to conform to the specifications provided by the Postmaster General. These cars must be equipped, maintained, heated, lighted, and cleaned by and at the expense of the railroads. The railroads are also required to place their RPO cars in their stations for such a period of time prior to the departure of the trains as the Postmaster General directs.

The representatives of the trucking industry would have you believe that mail transportation is nothing more than hauling freight from one truck terminal to another, which they claim they can do cheaper than railroads. However, the amount paid the railroads is not compensation solely for transportation but is also compensation for a variety of additional mail services required by the Department which the railroads are also obligated to perform. These additional services require extensive facilities and equipment which the railroads have provided. Being over and beyond those required for ordinary freight handling, the motor common carriers would have to each similarly equip themselves if they are to provide a complete mail transporta-

tion service. To illustrate, the mails are not turned over to the railroads in the same State as they are to an airline or motor carrier, ready to be transported, without further processing, to a given destination and then simply unloaded. In the case of railroads, the mail is turned over at a designated contact point in the post office or rail terminal, or delivered to the railroads by chutes or conveyors, or unloaded from incoming railroads cars for transfer. It then becomes the duty of the railroad to sort the mailsacks and parcels as well as to transport them to their respective destinations, and then to perform such re-sorting as necessary. It is generally necessary to again sort the unloaded mail for star routes, mail messenger trips, highway post offices, local post offices, and for connecting trains. The railroads must also furnish all necessary facilities for caring for and protecting the mail while in their custody. They must furnish station space and rooms for handling, storing, and transferring mail in transit. They must sort and separate the mail for all connecting carriers, including star route carriers. They must also furnish office space for certain Post Office Department employees at railroad stations.

In placing railway post office cars at stations in advance of train departure the railroads provide office space for the postal clerks to carry out their duties prior to the beginning of the run of the train. During this time the railroads must light and heat the cars as required.

Railroads must place storage cars in advance so that mail can be loaded prior to train departure and switched into the consist of the train after the loading is completed. Let's take as an example a movement of a working storage car from Grand Central Station, N.Y., to Chicago, Ill., moving via New York Central Railroad.

Mail is received by the railroad company, from the post office, from publishers, and from other train connections at New York. Excepting the connections; that is, mail received from inbound trains and unloaded by railroad employees at train side, this mail is received over the railroad docks.

A working storage car is so designated because it carries not only through mail from point of origin to destination, but mail is usually received and discharged at all of the major intermediate stations along the route. The mail handler in this and similar cars is primarily first-class letters in pouches, second class consisting of newspapers in sacks, some special delivery and special handling fourth-class parcel post in sacks, and other similarly classed parcels too large to be sacked or with contents of a nature to prohibit sacking on account of possible damage. These parcels are handled separately and are commonly called "outsides."

Mail handled in this car is destined for other intermedial stations, other connections through intermediate stations, or for connection to other mail trains at Chicago.

The first task of the railroad mail handlers is to sort it for loading in the proper car. Some mail will be sorted for loading in through Chicago cars, some for loading in the railway postal car for distribution en route by postal clerks, and some for loading in the working car I am using as an example. This primary sorting will be accomplished by conveyor belts from the docks to platform trucks for movement alongside the car. Post office transfer clerks supervise this operation to

some extent, but the mail-handling responsibility is the railroad's and the work is performed by railroad employees.

Mail for the working car is moved to that car for loading but before any mail can be loaded it is again necessary to sort it for a particular location within the car in accordance with a diagram furnished by the Post Office Department.

In the example used here there are 13 separations assigned by the Department. For your information, I might describe a few:

West Division—Toledo, Elkhart, Goshan, etc., and connections.
Chicago and Council Bluffs, train 29—Iowa and Nebraska directs overflow in Jackpot.

Chicago and Savannah, train 47—overflow in Jackpot.

Chicago city—one or two stalls as needed, overflow in Jackpot.

One or more separations are designated on the diagram as "Jackpot." This separation will contain mails for local points west of Buffalo for which there is insufficient space in the car to make individual separations leaving New York City. A baggageman assists in loading the car at New York and discharges and receives mail enroute to Albany, N. Y. At Albany an additional baggageman boards the car and both men perform the necessary sorting and dispatching of mail between Albany and Syracuse. Both baggagemen leave the car at Syracuse and the discharging and loading of mail at points between Syracuse and Buffalo is performed by the station forces. As mail is discharged and received between New York City and Buffalo additional space becomes available and railroad employees sort the Jackpot mail into additional separations as space permits. At Buffalo another baggageman boards the car and remains in it to Cleveland.

Leaving Buffalo, another car diagram with designated separations shown becomes effective. This also has a Jackpot separation, for the same reasons as previously described, and will contain mail for offices west of Cleveland. The sorting, discharging, and receiving continues. The number of separations leaving Buffalo totals 15.

At Cleveland, still another car diagram becomes effective, with a continuing Jackpot separation in addition to the other 16 separations to be maintained.

Similar procedures continue on into Chicago, but with this difference. Since the car run terminates at Chicago, all mail will be unloaded. This mail must not only be sorted for transport direct to the Chicago Post Office, but also for specific train connections at six other depots. Generally, these connections are close and if the mail is not properly sorted the connection would be missed and the mail delayed.

In addition to the mail received and dispatched at local points en route, this train carries an RPO car and mail distribution is performed by postal clerks. As they perform distributions, it is necessary to make so-called end-door transfers; that is mail to be distributed in the RPO car is transferred from the storage car to the RPO car en route and full pouches and sacks returned from the RPO car to the working storage car. The railroad employees must keep the mail to be distributed separate and available for transfer on call and likewise sort the mail received from the RPO to the proper separations.

This is not an extreme example, I assure you. Similar working storage cars and operations exist on all mail-carrying trains to one degree or another and are not confined to trains carrying RPO units.

Obviously, rail is the only mode of transportation able to provide on a nationwide basis all the facilities, skills, and equipment required to completely service the many varied demands of the Post Office Department.

The railroads today have a fleet of RPO cars that is sufficient to meet all requirements of the Post Office Department. They also have more than 10,000 storage cars equipped to operate in passenger train service for transporting bulk mail. It is true the railroads have discontinued passenger trains. Many of these, however, were removed only after the mail had been diverted to some other means of transportation. There has been no impairment of the sufficiency of any service to meet Post Office requirements. The railroads also have been and are able to provide the necessary additional cars during the Christmas season to take care of a seasonal peak that is 70 percent higher than the summer low point of the year. This sudden peak in traffic comes at a time when the highways in many parts of the country are impassable by reason of snow and ice, also when air service is unavailable at many of the airports. Mail service need not be provided by passenger train alone. Excellent service is provided by mail and express trains and in our fast scheduled freight trains in which are provided container-type service as well as Flexivan and piggyback service. In addition to improved transportation services, the railroads have modernized many of their terminals by the installation of mechanical and electronic systems for separating and conveying mail to and from the trains.

The railroads perform a nationwide comprehensive service in the transportation and handling of mail throughout the United States. I have described above generally some of the services that are performed by the railroads. The motor carrier industry cannot match this capability of providing the complex and extensive service furnished by the railroads day in, day out, in heat, cold, fog, rain, and snow, to thousands of towns, cities, and villages.

In most large cities the railroad terminals and the post offices are adjacent and frequently connected by conveyor systems; in other cities they are generally in close proximity; and in all but a few instances are located in the heart of the cities. This makes for rapid, efficient, and low-cost exchange of mail between the post offices and the railroads, and avoids adding to the already congested streets of the central city.

By contrast, a recent publication¹ of the American Trucking Associations, Inc., states, "Since truck terminals are generally located on the edge of town, deliveries are peripheral. Trucks go downtown only when necessary."

If mail is commingled with freight, as the trucklines have indicated will be done, it will be necessary for the trucks to first stop at their terminals referred to above, unload the contents of the trucks, and then reload the mail for delivery to the downtown post offices. To do otherwise would bring, unnecessarily, freight delivery elsewhere into the downtown area and haul it back again. With the railroads' mail trains running almost into the post offices in the hearts of the cities the costly and time-consuming delivery by trucklines from their outlying terminals will be avoided. Furthermore, delivery by truck to the center of the city would add further congestion to city streets

¹ "The Highway Program at Mid-Point," May 1964.

both on their inbound and outbound moves as well as while waiting in the streets for tailgate space at the post offices. In many of the larger cities it is a daily occurrence for shippers' trucks to be backed up for blocks waiting the opportunity to discharge their packages at the post offices.

The trucklines indicate that they are unable today to commingle mail and freight but there is nothing in the star-route law or postal regulations that would prevent this, nor is there any limitation on the length of the route, the area served, exclusive use of the vehicle or the size of the vehicle. The advantages in the form of lower charges to the Post Office Department that is ascribed to this commingling are available to the Department today and H.R. 6472 would not add anything new in that respect. In short, there are no economies of operations claimed under H.R. 6472 that are not available today to any regulated motor carrier in bidding under the star-route law. Furthermore, it is readily apparent that the Postmaster General requires more transportation service than the mere ability of a motor common carrier to fill out a load by commingling mail with other freight.

Thus, if the contention made by proponents of the bill is sound, the common carrier trucklines could today file bids with the Department under the star-route law that would be the lowest because of the alleged advantages in spreading the costs of truck service over both the freight contents as well as the mail contents of the truck. That the common carrier trucklines have been unsuccessful in their bids, generally speaking, indicates to me that there is little validity to their statements.

If this bill has as its purpose bringing about equality between the motor common carriers and the railroads in the handling and transportation of mail it would not accomplish this. As I have pointed out above, the trucking industry cannot perform the overall job now being performed by the railroads. The bill would not begin to create the equality between the complete services provided by the railroads and the limited service that the motor carriers could furnish. What it actually does is give the motor carriers preference in getting the traffic without imposing the same performance requirements on them as are imposed upon the railroads. In other words, it gives the motor carriers the sweet while forcing the railroads to take the bitter. Railroads provide the complete services I have described under the provisions of the Railway Mail Pay Act of 1916. Truck service at present is obtained by the post office through the provisions of the star-route law. H.R. 6472 would upset and complicate the present procedures for procuring truck service; apparently this is what the Post Office Department had in mind when testifying in opposition to the bill. The bill actually does not provide the Postmaster General with any truck transportation that he cannot have now under the existing star-route law which provides full authority to utilize motor carriers to whatever extent he sees fit. As a matter of fact, the Postmaster General is now using this star-route law to obtain both motor common carrier as well as other motor carrier service. That the Postmaster General is readily able to and does obtain truck transportation is shown conclusively by his annual reports. For instance, in 1954, the annual report showed \$48.5 million spent for highway transportation under the star-route law. This figure steadily rose

during the following 10 years, reaching a total of \$90.4 million in 1964, an increase of 88 percent.

Now with respect to specific provisions of H.R. 6472. Section 1 is a directive to the Postmaster General to make a fundamental change in the transportation of mail and require partiality in procurement of mail transportation from motor carriers, even to the extent of using them when truck use would not be in the best interest of the public. The railroads must, therefore, object to this provision.

Another objection of the railroads to H.R. 6472 is that it would create unfair, unjust, and injurious competition and discrimination in the transportation of mail in that it fails to impose any real obligation on the motor carriers to transport mail. This is true because any motor carrier can relieve himself of any obligation whatsoever merely by serving notice of hardship. They would be able to pick and choose and provide only the mail service that would be profitable to them. Obviously, the railroads, with their existing obligation, could still be required to handle the residue.

Present law places an absolute obligation on the railroads not only to transport the mails but also to provide specific equipment and facilities for the handling, sorting, and storing of mail. The Postmaster General has a wide discretion to prescribe the type of services and equipment which must be supplied by the railroads for the needs of the postal service. This means that he has the right, within broad limits, to commandeer private railroad property for the benefit of the mail service.

When these services are used the Post Office Department must, under the present law, pay fair and reasonable compensation at rates approved or prescribed by the Interstate Commerce Commission. When the Commission has considered mail pay rates the basic consideration underlying its decision has been whether the rates covered costs of providing the service. These costs quite naturally vary considerably with variations in volume. If railroad mail volume is reduced as a result of the motor carriers' skimming of the cream, the unit cost of providing rail service for the remaining mail will certainly increase, necessitating corresponding increases in rates, a matter which cannot be ignored.

Furthermore, it must be remembered that the railroads perform various specific kinds of mail transportation service. Some of this at a high cost to the railroads and some at a relatively low cost, all at average rates designed to return on the whole reasonable compensation on the total volume of mail handled and transported.

And speaking of costs, it is well to consider the testimony of Deputy Assistant Postmaster General Batrus, who, when testifying on May 25 on this bill, in response to a question by Mr. Gross as to the price tag that could be put on this bill said:

Not a specific price tag because there are too many assumptions that have to be drawn. The ICC would have to fix the rates. It is our opinion if the rates were to be fixed by the ICC, and we were to use these services in lieu of the services which we now obtain by competitive bidding, our costs would be increased and possibly substantially increased.

Turning your attention to another feature, substantial reduction in use of the railroads for transporting mail and providing other mail services raises the question of whether the rail carriers can justly and reasonably be required to maintain their services and facilities on a

standby basis. These extensive and complex facilities for the transportation and handling of mail have been built up over the years, and in the mail pay case of 1947-51 were estimated to represent an investment of approximately \$1 billion. We could not reasonably be expected to retain substantially unused portions of these facilities in their present condition without adequate reimbursement. If legislation is to be enacted it should meet this situation.

H.R. 6472, as drafted, would have a most serious effect upon railroad passenger train service. Railroads carry most of the mail on passenger trains and the effects of this bill would be to substantially reduce passenger train revenues, about one-third of which comes from the transportation of mail. The Postmaster General is also proposing flying much of the first-class mail that is now moving by railroads. Passenger train revenues would thus be further reduced. Even with their present mail revenue, railroads had a deficit from passenger train operations of about \$400 million in 1964. True, loss of mail revenue would not affect all passenger trains uniformly, but depending upon the extent and location of such losses management would be forced to consider eliminating those trains where a loss of mail revenue would result in unwarranted deficits.

One adverse effect arising from the need to eliminate passenger trains would be upon rail employment, particularly traincrews, ticket agents, dining car employees, pullman porters, and other personnel associated with passenger train operation. It is estimated that railroads have about 100,000 employees engaged in passenger and passenger-related services.

Another adverse effect would be upon rail passenger capability, particularly in emergencies, as the railroads cannot be expected to maintain unused, unwarranted services, or provide facilities, equipment, and manpower on a standby basis. Air and highways provide no satisfactory substitute. Airlift available for civilian service in a national emergency will be drastically reduced since major segments of the long-range, four-engine aircraft will be assigned to military missions. Remaining aircraft will be inadequate to accommodate all the needs, including that of the postal service. With respect to highways, it is universally accepted that fuel in such an emergency will become a critical resource, and highway traffic will also be drastically curtailed. Consequently, there will be a sudden and tremendous increase demand for rail passenger service.

In any national emergency maximum rail passenger service will be required, particularly to handle tremendous military requirements suddenly superimposed upon civilian requirements formerly handled by air and highways. There is no longer any cushion of standby rail passenger equipment to absorb sudden, increased demands, as has been the case in previous wars. In any future emergency, rail passenger service will be essential to the national interests, and the Nation cannot augment this capacity after the national emergency comes.

Mr. Chairman, in concluding, I would like to again refer for a moment to the testimony presented on June 16 by a representative of the motor common carriers describing the alleged difficulties and dissatisfactions of the railroads in contracting for the movement of mail prior to the enactment of the Railway Mail Pay Act in 1916. I do not think the remarks are relevant. The railroads today can respond

to the Department's request for bids under the star-route law, they can negotiate contracts with the Department, and they can charge the rates fixed by the Interstate Commerce Commission for the handling and transportation of mail. We are not suggesting any changes in these procedures.

Thank you.

Mr. DULSKI. Thank you very much.

May I ask you the same question, Mr. Brand: How many trains have been removed from the service in the last 10 years?

Mr. BRAND. Mr. Chairman, I don't have a specific figure, but I would like to point out that, in response to the statement that has been made many times that the railroads at one time had 10,000 trains approximately 35 years ago, today they only have 1,200, many of these trains were not carrying mail to start with. Many of them, and the majority of them, were on branch lines of railroads where there was really no necessity for the trains for any purpose.

I made an investigation with a few railroads several years ago and asked them to give me a list of the trains that they had discontinued since 1930. Many of the railroads don't have complete records on this, but one railroad responded with almost a complete lineup of the discontinued trains. Some of these trains ran a total of only 6 miles—3 miles out and 3 miles back. Obviously, there was no need for a train of that kind. Nobody would ride it. The people drove automobiles, the post office used its own vehicles for service; there simply was no point in continuing a train of that kind. Others traveled further distances, of course. In practically every case I know of the railroads have offered to supply a substitute service which, because of the infrequent runs of the train, say you are going 6 miles, which might be out in the morning, back in the afternoon, something of that sort, provided a much better service than the train service provided at that time.

Some of the trains that we have taken off have been removed only after the Post Office Department has removed the mail. I think Mr. Batrus, Deputy Assistant Postmaster General, testified that out of about 120 trains he had checked on, 36 had been removed by the railroads only after the mail had been taken away by the Post Office Department. That was 36 out of approximately 120.

Mr. DULSKI. You are referring a lot, Mr. Brand, to the Postmaster General. What is your position concerning the Postmaster General's intention to recommend a change in the law to permit him to use the fastest transportation service? Let's say there is a train that travels 400 or 500 miles, and it has no RPO car, just picking up mail. Suppose the law is changed and gives him the right to use air transportation. What would be your observation then?

Mr. BRAND. I would like to see what the law would provide, Mr. Dulski, before giving a firm answer on it, but there are obviously places where air service can provide faster service than the railroad can. There is no question about that. There are many areas where the railroads are providing service faster than airlines can provide it.

Illustrative of this, May of 1964, I believe it was, the General Accounting Office investigated the flying of ordinary first-class mail which was then being flown by the Post Office Department and made a report which severely criticized the unnecessary spending of money

for the higher cost service when rail service would have been adequate. That report was filed. I assume this committee has copies of it.

Mr. DULSKI. You mentioned quite a bit about the different facilities and operations. Let me ask you first, are you familiar with the new sectional centers?

Mr. BRAND. I would like to say I am, but I am not sure. I think I am.

Mr. DULSKI. Don't you think when we have all of the sectional center system, the ZIP code, and the other things, it is going to eliminate some of the services of the railroads?

Mr. BRAND. That might be the result, but I question the propriety, for this reason: Under the ZIP code, mail will be given an earlier sortation than is done now; that is, earlier in this process of moving from one part of the country to another. But the ZIP code, I think, has created the impression that, by reason of being able to make a finer separation of the mail at origin, you thereby are able to send that mail directly from origin to a sectional center without touching it en route. But that simply is not a fact. If you take mail out of New York going to some sectional center, some ZIP code address in the State of California, it may be a relatively small center, the only way that mail can go from New York to that center without being touched would be in a separate car, because the Post Office Department would not have enough mail at origins to fill a car and therefore to fill out the car and use the space economically you have to put other mail in the car. When you do that, somewhere along the route you have to stop that car and open it and unload it and again resort it and add to the load the other ZIP code addresses that have come in along the way. I think the ZIP code will probably produce a little faster delivery to the ultimate addressee, but it is not going to eliminate the necessity of somewhere along the line re-sorting the mail. I grant you it is much easier for a mail handler, post office clerk, to remember the ZIP code numbers than 25,000 cities, sure. In that respect I think it will speed it up.

Mr. DULSKI. My last question is the same question I asked Mr. Thomas. Would you object to this legislation if we put all of the safeguards into this bill to protect the railroads but still gave the truckers an opportunity to transport the mail?

Mr. BRAND. Mr. Dulski, they have the opportunity today. Many common carrier trucklines are carrying mail under the star route law. They don't need anything else. But to go to your specific question, we are not objecting to equality in principle. This bill does not create that equality. If you are going to talk about revising the transportation laws to bring about equality, let's bring the whole thing in. We have been seeking equality with the trucklines in many areas and have never gotten it. For instance, in the handling of agricultural products we are at a terrific disadvantage there because we are regulated and the trucks are not. The water carriers have no regulation on the bulk commodities, but we have. There is no equality in taxation. If you wish to bring equality in, then my thought is to bring it in everywhere, not isolate this particular thing and give the trucklines an advantage over us and deny us the equality we have been seeking elsewhere.

Mr. DULSKI. We are dealing with postal facilities.

Mr. BRAND. I realize that, but it is still the same Congress.

Mr. DULSKI. But not the same committee. Thank you very kindly.

Mr. Henderson?

Mr. HENDERSON. Mr. Brand, in connection with your statement and the chairman's questions with regard to the Postmaster General's proposal for flying much of the first-class mail now moving by rail, is it not true that he has proposed we do away with the airmail stamp and he be given authority to transport first-class mail by the fastest method, this meaning that mail that now has to be flown because it carries an airmail stamp on it might be carried by rail if that was the fastest manner?

Mr. BRAND. That is my understanding, Mr. Henderson, but we carry much airmail today, the railroads do.

Mr. HENDERSON. You carry it where airmail service is available?

Mr. BRAND. Yes, sir. Well, where it is ordinarily available but for some reason or other is not available at the time. Fog, ice, other conditions frequently interrupt that service in the wintertime. Of course, where there is no airport we have to carry the mail part of the journey anyhow.

Mr. HENDERSON. My question relates to the fact that, Would not such a provision, if we eliminated the airmail stamp, inure to the benefit of the railroads? I am not saying it would offset the loss that would occur by giving him the authority to transport first-class mail by air that now goes by rail, but wouldn't there be some offsetting effect?

Mr. BRAND. I don't know that I can really answer that, Mr. Henderson. I have heard officials of the Post Office Department say that to them an airmail stamp means to get this to the destination in the fastest way they can. Therefore, they have put airmail letters on railroads and never put those letters on airlines. For instance, between here and New York many times of the day and night railroad service is just as fast as air service; that is, in delivery of the letter, it is not in actual time en route, but in delivery of the letter it is the same. Whether that is being done to any extent I don't know, but there might be some offsetting increase, yes, but I don't think it would be substantial.

Mr. HENDERSON. Perhaps we should inquire of the Department. My understanding is that if a letter has an airmail stamp on it and airmail service is available between the two points it has to be flown. I think it would be helpful, and I thought your statement would be fuller if it had included the effect of such proposal. Of course, I realize that is not the proposal before us at the present time.

Mr. BRAND. That is the reason I did not elaborate on that. This proposal has nothing to do with what the Postmaster General has mentioned of flying mail.

Mr. HENDERSON. That is right, and I am sure the subcommittee would want to go into it thoroughly, but I thought we ought to point out the Postmaster General's proposal is not just one that would necessarily take away from the rails. It has been my understanding that if we provide him the authority to transport it by the fastest available method he would do what you indicate they are already doing; and that is taking the airmail from Washington to New York by train, regularly, if that is the fastest available service.

Mr. BRAND. I do not mean to say they are doing this regularly. I say there is a place where I understand they have done it occasionally at certain hours of the night or afternoon. Obviously, a letter mailed, for instance, in Washington to New York City at 3 or 4 o'clock in the afternoon is not going to be delivered until the next day regardless of how you get it to New York City.

Mr. HENDERSON. My own personal experience with airmail into my district in eastern North Carolina is that I get poorer service if I put an airmail stamp on it, and I never have understood it, except the Post Office Department explanation is given that they must fly it if the airline is going there. But under the service we have it oftentimes and most consistently arrives later than first-class mail that obviously moves over the rails.

Mr. BRAND. I have personal knowledge of the rails there, and there is an excellent service by rail from Washington to that part of North Carolina.

Mr. HENDERSON. I have contended with them that whenever mail has an airmail stamp on what the sender really wants is the fastest possible delivery, but the answer has been he has bought the airmail service and we are obligated to give him airmail service. For that reason I don't use airmail stamps in my district. I know I get better service by rail. It would seem to me that the Postmaster General, if he is given authority to take first-class mail by air—we are all interested in giving the best possible service—likewise he ought to have the authority to take the airmail that is designated—I believe his proposal is to remove the airmail stamp provision and give him authority to transport by the fastest available method. That is the reason I wanted to talk about it in connection with your statement.

Mr. Brand, I wonder if you could really pin one thing down for us here. Perhaps I should have asked the truck representatives when they were in. I, at least, get the feeling from your statement here you feel the truckers' interest in this legislation is to be more competitive with the rails. Am I correct in that? Or are they seeking to be more competitive with the star route system that goes on?

Mr. BRAND. I don't really know who they are trying to seek to be in greater competition with. What does seem to me apparent is that they wish to mix mail with their freight shipments.

Mr. HENDERSON. Suppose Congress would pass a bill that would say where rail service was not available the Postmaster General shall use the regulated carriers rather than the competitive bidding system they now use. Would this in any way affect the transportation of mail by rail?

Mr. BRAND. I wouldn't think so. Where we don't have service today the mail has to be delivered somehow, and it is being done under the star route law.

Mr. HENDERSON. You pointed out in your statement the position of Mr. Batrus in regard to Mr. Gross' question, and I got the impression at the time the question was asked perhaps this was really what the bill was seeking to do, and that is to eliminate the competitive bidding and to put the regulated truckers in a more competitive position with truckers that are now carrying star route mail or have star route contracts. It seemed to me the thought of your statement is that you are fearful the passage of this bill would really open up a more competitive situation with the rails.

Mr. BRAND. It might, Mr. Henderson. I don't know how the Post Office Department would use this bill if it were enacted, but the common carrier trucklines are in exactly the same situation as the general run of the star route carriers.

Mr. HENDERSON. Your interpretation of the use of the word "shall" rather than "may" in the bill, though, would put it as mandatory.

Mr. BRAND. As the bill is now worded, if you couple the first section, where it says "he shall use it to the maximum extent," and that he must use regulated common carriers who have a certificate to handle commodities or freight, the run of the mill star route contractors do not have a certificate to carry freight, so it would be a terrific disadvantage to them. I think it would probably eliminate them.

Mr. HENDERSON. Suppose the word "shall" were changed to "may." Does that change the situation as it now exists?

Mr. BRAND. As it exists today it is under request of the carriers to carry mail under the star route law. It would change this bill, yes, if you changed the word "shall" to "may."

Mr. HENDERSON. If this bill were enacted with just that change in it, to say "the Postmaster General may," would it have the same effect if he used that discretion as you have testified it would have if we used the word "shall"?

Mr. BRAND. Again, I don't know how he would use the bill. "May" might provide the same result as the word "shall." I don't know.

Mr. HENDERSON. It would depend on his decision, would it not?

Mr. BRAND. That is right.

Mr. HENDERSON. And your testimony is, if we enacted the word "shall" in the law, the results would be what you say in your statement.

That is all, Mr. Chairman.

Mr. DULSKI. Thank you, Mr. Henderson.

Mr. CUNNINGHAM?

Mr. CUNNINGHAM. Thank you, Mr. Chairman. I am sorry I was not here when Mr. Brand made his statement, but there is another committee meeting in another room.

I do want to ask this: It has been alleged during the last several years that railroads want to discontinue passenger trains and, therefore, that would mean the discontinuance of transportation of mail by rail. I know from Chicago west, which is the part of the country I am most familiar with, the rail lines are eager and anxious to go after passenger business, they have no intention or wish to discontinue passenger trains. But this allegation has been made that the railroads want to discontinue passenger trains and in so doing they would not be able to carry the mail. What is your observation as a representative of the association as far as that allegation is concerned?

Mr. BRAND. I know of no railroad that wants to discontinue the handling of mail. We have, true, discontinued many trains, passenger trains, but we must be supplying enough of them because our mail revenue continues to go up. It is up pretty high. We must be supplying an adequate amount of service today for the Post Office Department.

Going back to my statement that I do not know of any railroad that wants to discontinue the handling of the mail, some of the rail-

roads have provided service by piggyback in non-passenger-carrying trains. Other railroads, where there is a sufficient volume of mail, have provided solid mail trains carrying no passengers, some express but principally mail.

Mr. CUNNINGHAM. In other words, there would be really, then, no connection between the allegation the railroads want to get out of the passenger business and, therefore, can't carry the mail, because, even if some lines were discontinued, they are still going to carry the mail one way or another?

Mr. BRAND. We certainly are; yes, sir.

Mr. CUNNINGHAM. Thank you. That is all.

Mr. DULSKI. Mr. Green?

Mr. GREEN. I have no questions.

Mr. DULSKI. Mr. Gross?

Mr. GROSS. Mr. Brand, you say, and I am sure it is true, that mail is transported by freight trains. What has been your experience with that method?

Mr. BRAND. I would like to point out one instance, Mr. Gross, where this has been put into effect with almost remarkable results. Between two points on the west coast, California and northern Oregon, a railroad provided no through passenger train between southern California and northern Oregon. There was a break in the train service at Oakland. This railroad worked out with the Bureau of Transportation of the Post Office Department a piggyback service on one of their fast scheduled freight lines which provided a 12-hour shorter transit time for mail. It gave them just 12 hours better service by that means than could be obtained by passenger trains, and the Department was very pleased with it.

Mr. GROSS. And it is still operating?

Mr. BRAND. Yes, sir; it is a daily movement.

Mr. GROSS. Take the meat trains from Sioux City to Chicago. Do they run regularly?

Mr. BRAND. I am not familiar with that, Mr. Gross. I do not know. But I would say that the railroads would not attempt, in my judgment, on a regular basis to put mail on a nonscheduled train. I do not think the Post Office Department would do that.

Mr. GROSS. This is what I am trying to get at: whether these meat trains from Omaha, from Sioux City run on regular schedules and could transport through mail. I believe they do, do they not?

Mr. BRAND. I personally have no knowledge of that and I am sorry I could not tell you.

Mr. GROSS. They run at high speed, do they not?

Mr. BRAND. If they did, that would offer a service which could be used by the Post Office Department; yes, sir.

Mr. GROSS. I would think so.

Going back to Mr. Henderson's question of changing the word "shall" to "may" and the Postmaster General used his authority on the basis of "may," that would obviate the necessity for this bill, would it not?

Mr. BRAND. Well, I do not see any necessity for the bill at all, and under those circumstances I would say that would not change my feeling. But he has all the truck transportation he needs today under the star route law. This does not give him anything extra. As a matter of fact, it may restrict him a little bit.

Mr. GROSS. The bill for the most part would change "shall" to "may," and if the Post Office Department is opposed to the bill it would be pretty much of a nonentity if enacted, would it not?

Mr. BRAND. They are opposed to other provisions of the bill, too; yes, sir.

Mr. GROSS. I understand that. The railroads do not operate on a space available basis in the transportation of mail, do they?

Mr. BRAND. No, sir. We charge only for the space that is used, however.

Mr. GROSS. But you are required to provide the space?

Mr. BRAND. We certainly are, yes, sir, and on the specific train that is picked out by the Postmaster General, too.

Mr. GROSS. So there is none of this business of our former experience with the Post Office Department and the airlines trying to transport mail on a space available basis?

Mr. BRAND. No, sir; we transport some of the mail that the airlines have no space available for, which is taken to the airport and brought back.

Mr. GROSS. I appreciate your statement, and I am still at a loss to understand thoroughly the necessity for this legislation.

Mr. BRAND. I am in the same fix you are, sir.

Mr. GROSS. That is all, Mr. Chairman. Thank you.

Mr. DULSKI. Thank you very much, gentlemen.

Mr. HENDERSON. Mr. Chairman, at this point may I make one more comment? I noticed the statement filed for the record of Mr. Philip J. Lee of the Atlantic Coast Line Railroad, and particularly exhibit No. 2, which shows the listing of their trains that operate in the southeastern part of the United States, giving the passenger revenues, the mail revenue, all other, total revenue, mail as percent of total, net revenue or loss from the operation of these trains. I thought I would point out to both Mr. Thomas and Mr. Brand that this type of information, if it could be furnished to the subcommittee for other areas, would be most helpful because it is very obvious, from a very quick look at the information submitted by the Atlantic Coast Lines here, that any further diversion of mail from some of these trains would absolutely result in the curtailment of passenger service.

Mr. THOMAS. Mr. Chairman, if I might comment here, in order to save the committee's time we have offered these statements, one of which Mr. Henderson referred to. We selected them as typical railroads in various regions. We have statements by the top executives who deal with this traffic. In the East, the New York Central, New Haven, and the Pennsylvania, and in the West we have the Great Northern and the Burlington, we have the Coast Line in the Southeast. Each one of these executives, in his statement, has outlined the nature of the services they provide and the effect, in their view, of this bill upon their service and the personnel involved in their passenger train and mail handling, and the need of the mail revenue for these trains.

Mr. DULSKI. That is the next move of the chairman. At this point I would like to place in the record the statements of Mr. Wayne M. Hoffman, executive vice president, New York Central System, New York, N.Y.; Mr. Charles A. Goodwin, vice president, passenger traffic, the New York, New Haven & Hartford Railroad, New Haven,

Conn.; Mr. H. W. Large, vice president, traffic, Pennsylvania Railroad, Philadelphia, Pa.; Mr. Philip J. Lee, vice president, traffic, Atlantic Coast Line Railroad, Jacksonville, Fla.; Mr. Kent C. Van Wyck, passenger traffic manager, Great Northern Railway, St. Paul, Minn.; and Mr. W. F. Burke, general passenger traffic manager, Burlington Lines.

(The statements referred to follow:)

PREPARED STATEMENT OF WAYNE M. HOFFMAN, EXECUTIVE VICE PRESIDENT,
NEW YORK CENTRAL RAILROAD CO.

My name is Wayne Hoffman and I am executive vice president of the New York Central Railroad Co. I appear in opposition to H.R. 6472 because (1) it is discriminatory against the railroads which are already overburdened with statutory discriminations favoring the motor carriers, (2) the bill would mandate diversion of mail from the railroads which would most certainly accelerate the demise of the New York Central's remaining passenger service, and (3) it will materially prejudice the service which the New York Central will be able to afford to the Post Office Department.

The late President Kennedy, in his message to Congress of April 5, 1962, with respect to the transportation system of our Nation (H. Doc. No. 384, 87th Cong., 2d sess., p. 2), summarized the chaotic patchwork of inconsistent and often obsolete legislation which governs our transportation system in the following language:

"But pressing problems are burdening our national transportation system, jeopardizing the progress and security on which we depend. A chaotic patchwork of inconsistent, and often obsolete legislation and regulation has evolved from a history of specific actions addressed to specific problems of specific industries at specific times. This patchwork does not fully reflect either the dramatic changes in technology of the past half century or the parallel changes in the structure of competition.

"The regulatory commissions are required to make thousands of detailed decisions based on out-of-date standards. The management of the various modes of transportation is subjected to excessive, cumbersome, and time-consuming regulatory supervision that shackles and distorts managerial initiative. Some parts of the transportation industry are restrained unnecessarily; others are promoted or taxed unevenly and inconsistently.

"Some carriers are required to provide, at a loss, services for which there is little demand. Some carriers are required to charge rates which are high in relation to cost in order to shelter competing carriers. Some carriers are prevented from making full use of their capacity by restrictions on freedom to solicit business or adjust rates. Restraints on cost reducing rivalry in ratemaking often cause competition to take the form of cost increasing rivalry—such as excessive promotion and traffic solicitation, or excessive frequency of service. Some carriers are subject to rate regulations on the transportation of particular commodities while other carriers, competing for the same traffic, are exempt. Some carriers benefit from public facilities provided for their use, while others do not; and of those enjoying the use of public facilities, some bear a large part of the cost, while others bear little or none."

It is worthy of the committee's attention that President Kennedy included in his message on transportation a recommendation that the Post Office Department be given greater flexibility in arranging for the transportation of mail by motor vehicle common carrier, but he made this recommendation only as part of his program for a complete overhaul of the laws relating to the transportation industry. To enact H.R. 6472 without a complete revision of the laws governing the transportation industry would merely add one more patch to the "chaotic patchwork" which the late President so graphically condemned in his message.

President Johnson, in his message to Congress of May 17, with respect to excise taxes, pointed out that a "substantial undertaxation of heavy trucks now exists." He also noted the inequalities in the user charges assessed against highway carriers and concludes that the studies of the Bureau of Public Roads "clearly show that heavy trucks are not paying fully for the additional cost of heavier pavement and other design features needed to carry them."

The inconsistencies in the national transportation policy were fully and specifically described to the Congress in part IV, chapter 2, of the report prepared for the Committee on Interstate and Foreign Commerce, U.S. Senate, by the Special Study Group on Transportation Policies in the United States (pursuant to S.

Res. 29, 151, and 244, of the 86th Cong.), the report being filed with the 87th Congress, 1st session, and dated January 3, 1961.

Yet to date, the Congress has not been willing to resolve these inconsistencies and eliminate the fundamental inequalities in the laws governing the regulating of the various modes of transportation, particularly the competitive relationship between the railroads and the motor carriers.

H.R. 6472, the bill before you, is apparently grounded upon the plausible assumption that motor carriers should have equal opportunity with the railroads to compete for the transportation of mail. But the bill does not recognize the inequalities created by existing law between the railroads and motor carriers with respect to the transportation of mail.

The status of the railroads in handling mail was described by the Interstate Commerce Commission in Railway Mail Pay, 304 ICC 135 at 136-137 as follows:

"The obligations of the railroads with respect to the handling of mail differ from their obligations as common carriers in relation to their shippers in that their obligations with respect to the handling of mail are set forth in detail in the statute, the comprehensive plan of the Postmaster General, and the rules and regulations thereunder. Applicants generally transport the mail in their passenger trains. They are responsible, not only for the line-haul transportation of the mails, but also for switching of cars; loading mail into cars so as to obtain maximum utilization of the space authorized, including the proper separation, piling, and storing of such mail; unloading mail from storage cars; transferring mails between cars in the same train where such transfers are necessary and required by the Department; transferring mails between trains operating into and out of the same railroad station or a contiguous railroad station; taking mails from and delivering mails to Government employees and contractors for transfer to and from post offices or railroad stations; furnishing all necessary facilities for caring for and handling mails, including suitable and adequate space and room in their stations for storing and transfer of mails in transit; furnishing suitable and adequate office space for transfer clerks of the Postal Transportation Service when required by the Department; transporting without extra charge the persons in charge of the mails and the agents and officers of the Department and Postal Transportation Service under conditions prescribed by law and regulations; constructing, lighting, and maintaining mail cranes and other adequate facilities for the exchange of mails at points or stations on the run where the train does not stop; and interchange of mails at postal facilities where the distance does not exceed 80 rods from railroad station, sorting the mail, procuring and spotting cars, delivering the mail to railway posts office cars, and advance placement of the latter. In connection with the truck movement of the mail, applicants must also provide tailboard space, separations for the various truck routes and localities, protection and storage of the mail and rehandling when the trucks lack capacity to take all of the mail offered."

More particularly the obligations of the railroads in handling mail as an agent of the Government pursuant to the rules and regulations of the Postmaster General are specifically defined in title 39 of United States Code Annotated, chapter 35, which, in effect, affords the Postmaster General the right to preempt the service of the railroads. Sections 6203 and 6204 of that chapter specifically impose upon the railroads the necessity to provide the facilities to meet the service demands of the Postmaster General. There is no requirement in the law which imposes upon the Postmaster General the duty to use the railroads. The language of section 6203 of chapter 95 merely states that the Postmaster General "may establish railroad mail routes and authorize mail transportation service thereon."

In sharp contrast, H.R. 6472 in its preamble would instruct the Postmaster General in arranging for the transportation of mail that he "shall use the services and facilities of all regulated modes of transportation including those of regulated carriers of property by motor vehicle to the maximum extent they are available and adequately meet the needs of the postal service for safe, economical, efficient, and expeditious movement of mail." Please observe that "regulated carriers of property by motor vehicle" are the only form of transportation named in the injunction. Any doubt as to the intent of the instruction of the preamble to on Postmaster General is cleared by the definition of "regulated carrier" in section 2(d) of the bill which defines regulated carriers, for the purposes of this act, only in terms of those holding motor carrier certificates, permits or exemption authorizing the transportation of property in intrastate, interstate, or foreign commerce for compensation.

If the Congress should enact H.R. 6472 and thereby instruct the Post Office Department to use the services and facilities of regulated motor carriers, such regulated motor carriers would have an unrestricted right to pick and choose the traffic that they deemed to be most beneficial to them, leaving to the railroads such traffic as the Postmaster General may consign to the railroads by preempting their service.

This is similar to the situation that developed with respect to less carload lot traffic with the result that the motor carriers and forwarders now handle substantially all of this traffic and most of the railroads have gone out of the business entirely. After enduring fantastically large deficits for a great number of years, the railroads learned to their sorrow that they could not operate as a standby carrier to the motor carriers without imperiling their solvency. If the bill before you is enacted, it seems obvious to me that either the railroads must be allowed to go out of the business of handling mail, or the Government will have to underwrite, in some manner, deficits arising out of the diversion of the most desirable mail to the trucks. Certainly our less carload lot experience indicates the railroads do not have the financial resources necessary in this competitive era to underwrite a standby operation for any other form of carrier. Furthermore, it would be a travesty to put the railroads in this position in the name of equality of opportunity.

The railroads still are, as they always have been, the backbone of the Nation's mail transportation system. In the 1964 report of the Postmaster General (table 701), the railroads are shown to have received \$351,374,000 in mail pay, or 64.56 percent of the \$544,220,000 paid by the Post Office Department for domestic transportation. Highway carriers received 21.04 percent, air carriers 13.58 percent, and water carriers 0.82 percent. Because the railroads occupy the position of dominance in the transportation of mail they, of necessity, have had to bring into being and maintain a plant capable of moving the major volume of domestic mail. This plant includes all sorts of equipment ranging from motive power, RPO cars, head-end cars capable of handling storage mail both independently and in connection with RPO cars, and more recently an increasing volume of various forms of trailer-on-flat car equipment. It includes substantial terminal facilities, which involve extensive yards, switching equipment and crews and platform labor and it also involves the development of management personnel trained to coordinate rail transportation with the various facilities and services of the Post Office Department, all in accordance with the outstanding regulations and directives of the Postmaster General.

If the motor carriers are permitted to pick and choose the most desirable volume of mail (sec. 8(b) of H.R. 6472 provides the motor carrier with an easy and sure escape from any unprofitable operations), and if the Postmaster General is directed to use motor carrier services only on these terms, inevitably this will undermine the railroads' volume mail operation. Inexorably, this will affect the economy of scale which the railroads have achieved. With a loss in their economy of scale the railroads will be forced to shrink their plants to conform to their reduced volume of traffic. Railroad unit costs of handling mail will increase and, as in the case of the passenger and LCL business, of necessity, service will be curtailed and eventually discontinued. The net result to the public, as in the case of passenger and LCL services, will be congested highways, higher costs, and the necessity for more and more billions to be invested in new highway construction.

The product of this kind of public action is well illustrated in the current crisis in suburban transportation. Incredible sums of Federal, State, and local money have been expended in major metropolitan regions for the construction of highways, bridges, tunnels, and bus terminals, etc., which universally have resulted in a rapid decline in the volume of rail suburban passengers in these areas. As a result, some rail lines are now abandoned and some are bankrupt. Many of the remaining lines are in a critical financial condition and even on the lines that are receiving some form of public aid, service has deteriorated and commuter fares have increased. To top it all, in the peak hours, highway facilities are congested to a point where they are reduced to lines of creeping cars, wholly incapable of providing the public with the service it so badly needs. Once the public embarks upon a program of public expenditures designed to transfer a part of the traffic from railroads to the highways, the economic laws which govern competition between public investment and private capital (including the different application of taxes to such investments) inevitably operate to deprive the railroads of their ability to modernize their service and, if history teaches us anything, the cycle of deteriorating service, higher unit costs (as the railroads lose their economy of scale) and eventual abandonment of rail lines begins its inexorable

course. The enactment of H.R. 6472 can initiate this cycle as to mail and in the long run will serve the interests of neither the public nor the Post Office Department.

If the motor carriers, under the postal service laws (secs. 6402-3) do not now have an equal opportunity to compete for mail traffic, the Congress should deal with this matter as part of general transportation legislation that will accord all forms of transportation, including the railroads, an equal opportunity to compete as to all forms of traffic.

As I have indicated, the Congress to date has been unwilling to enact legislation that would put the railroads in an equal competitive position with the motor carriers. Clearly, the bill as drawn is discriminatory against the railroads and is discriminatory in favor of the motor carriers.

Measured in terms of revenue, the New York Central is the second largest mail carrier railroad in the United States. Our entire fleet of other than suburban passenger trains handles mail, and 13 of the 59 trains in this fleet are operated exclusively in mail and express service.

Although we have made considerable progress in the last 10 years in reducing our passenger deficit, we still incurred a deficit in 1964 of \$14,064,489. Our passenger service in 1964 grossed \$108,918,611 of which \$40,929,266 (or 37½ percent) was derived from the transportation of mail.

The New York Central has been able to reduce its passenger deficit only by reducing its passenger train service to conform to the reduced use of its passenger service by the public. We learned from the school of hard experience that a railroad cannot afford to maintain a standby service if it expects to remain solvent. Since the public has constructed and maintains limited access high-speed highways paralleling the New York Central's main lines from New York and Boston to Chicago, the Central is particularly vulnerable to highway competition. It should be perfectly apparent that if the New York Central should lose any appreciable part of its mail revenue, it would have to shrink its passenger train service to whatever extent was necessary to avoid any increase in its passenger deficit. Accordingly, if the Congress should enact H.R. 6472, it is far from a remote possibility that it would mean the demise of the New York Central's passenger service. We estimate that the New York Central employs approximately 9,000 people to operate and maintain its passenger service. Any appreciable reduction in the New York Central's mail volume and revenue certainly would have a substantial effect on the New York Central's level of employment.

Much has been said with respect to the reduction in the number of passenger trains operated by the railroads, and it is asserted that this reduction has reduced the services of the railroad to the Post Office Department. The fact of the matter is the Post Office is changing its operation to conform to new technology, and the railroads are adapting their service to meet these changing requirements of the Post Office Department. For example, the New York Central has recently invested more than \$8,700,000 in Flexi-vans, Flexi-van cars, and Flexi-van terminals for the exclusive use of the postal service. This new equipment and new method of handling mail not only permits the Post Office Department to reduce its cost of transferring mail but also expedites the service and permits greater flexibility in the handling of mail than was possible in prior years. Although the number of passenger trains undoubtedly has been substantially reduced, the service which the railroads are rendering to the Post Office is a far better service than was available to the Post Office Department with the type of equipment that was operated in that larger number of trains.

Approximately one-third of the New York Central's mail revenue is derived from working storage car and RPO mail but this traffic, with its unusual service characteristics, would be most unattractive to the trucks. Indeed, until such time as the Post Office Department perfects its distribution center operations, it would be almost impossible to economically service this traffic by truck. Even on the railroads this traffic incurs very high costs and the New York Central would not break even on this traffic under the Commission-prescribed average line haul and terminal rates were it not for the bulk mail. If the trucks are permitted to siphon off a volume of the relatively low-cost bulk mail, leaving the railroads saddled with the high-cost distribution mail, it should be perfectly apparent that the railroads will not only have to reduce their service to the Post Office Department, but will have to halt their investment in modern mail handling equipment and facilities. I suggest that before the Congress enact H.R. 6472, it should review the entire postal service so that the part that each of the various modes of transportation is to play in the performance of that service may be reasonably ascertained. Certainly the railroads cannot afford to continue to

handle mail on an average rate which includes high-cost and low-cost mail if all of the low-cost mail is to be stripped out and diverted to the trucks, leaving to the railroads only the deficit-producing traffic.

The New York Central has expended approximately \$8,700,000 in new equipment for the handling of bulk mail (bulk mail in 1964 accounted for approximately 55 percent of the New York Central's total revenue from mail) and has expended approximately \$3 million in modernizing conventional equipment for the handling of preferential and working storage car mail. This latter investment was possible only because of the revenue the New York Central derived from the handling of bulk mail. If the bulk mail is to be diverted to the motor carriers and the New York Central deprived of this revenue, it certainly cannot justify maintenance of conventional equipment designed to handle preferential mail.

The piecemeal approach of H.R. 6472 will only insure a rapid deterioration in the railroad service available to the Post Office Department.

The Post Office Department very properly is demanding a higher level of service from the railroads, and the railroads are ready to provide the Post Office Department with the kind of improved service which the new technology will permit the industry to achieve. This progress will be halted in its tracks if the discriminatory legislation embodied in H.R. 6472 is enacted.

PREPARED STATEMENT OF CHARLES A. GOODWIN, VICE PRESIDENT, PASSENGER TRAFFIC, THE NEW YORK, NEW HAVEN & HARTFORD RAILROAD CO.

Mr. Chairman and members of the committee, I appear here on behalf of the trustees of the New York, New Haven & Hartford Railroad Co. in opposition to H.R. 6472. I am the chief passenger officer of the New Haven Railroad and among other things am responsible for the transportation of the U.S. mails on its lines.

The trustees are keenly interested in the bill before this committee because of the possible impact which may result from the loss to the New Haven of any portion of its revenues for the transportation of mail, now amounting to about \$6 million per year.

The New Haven is the only class I railroad serving the States of Connecticut and Rhode Island, with the exception that the Central Vermont Railway operates a freight line to the sea at New London, Conn. Only three class I lines serve Massachusetts. These are the Boston & Maine, the New York Central, and the New Haven. The New Haven provides the only direct rail passenger service between Washington on one hand and Springfield and Boston on the other, jointly with the Pennsylvania Railroad and the only rail passenger service between Boston and Providence and New York City. The New Haven, therefore, forms an important link in the national system of transportation upon which the Postal establishment of the United States has long depended.

It has been represented to the committee that under H.R. 6472 the regulated motor carriers of property would be placed upon an equal basis with the railroads in the transportation of mail, and that this proposal is justified more than ever before because of the diminishing passenger service of the railroads. The truckers who support this bill imply, first, that simply as a matter of fairness and equality of treatment with respect to regulated motor carriers, a diversion of the mails to the highways is justified, and second, that the reductions in passenger service necessitate the employment of regulated truckers as a means of maintaining the efficiency and economy required by the Postal Establishment. The truckers also take the position that existing postal laws are an obstacle to achieving the desired goal.

This bill would fail to contribute to efficiency and economy in the Postal Establishment. Further, new legislation is not needed to create a more favorable climate for the trucking of the mails, as evidenced by the substantial increase in such mail carriage in recent years. Finally, a legislative policy which purports to equalize the distribution of mail traffic among the various modes of surface transportation must also take into consideration the inequities to which the railroads are now subject which favors their competitors.

The trucking of mails between large population centers has materially increased during the past 10 years. This has been accomplished under star-route contracts, highway post office contracts, and so-called T-route contracts, as authorized by the postal laws. Regulated and unregulated motor carriers are now and have for many years been eligible to participate in mail service and to bid for contracts if they choose to do so. Since 1950, the eastern rail carriers have faced increased

competition from motor carriers in carrying the mails. It has been the policy of the Post Office Department to continually study means of reducing transportation costs, and where efficiency as well as economy is enhanced by highway transportation, the Department has in fact diverted traffic from the railroads.

As a matter of record, the New Haven, during the past year alone, has lost business to truckers amounting to \$318,000 annually. The diversion of mail traffic to the highway was concurrent with changes in the Post Office Department's distribution methods. The major part of the diverted traffic is storage mail which consists of solid cars not requiring handling en route. Such cars are distinguished from railway post office or simply RPO cars, used literally as a mobile post office and manned by post office employees. While mail volume in RPO cars has not decreased appreciably on the New Haven, the greater revenues, and therefore the most desirable traffic is storage mail. The principal reason for this is that less terminal handling is ordinarily required of storage mail and therefore the cost of handling is lower and the margin of profit to the New Haven is greater. For these same reasons, it is the storage mail which the truckers desire, and where diversion occurs, the railroad is left with the less desirable traffic which truckers are poorly equipped to handle.

At least in the case of the New Haven, diversion of mails to the trucks has not been due to a reduction in the number of passenger trains available to handle the mails. In point of fact the New Haven has, when requested by the Department, supplemented its mail-carrying passenger trains by running solid mail and express trains between larger terminals such as Boston and New York. On the other hand, the New Haven has been forced to obtain authorization to discontinue passenger trains incurring deficits because mail traffic was diverted. The most recent example of this was the elimination of passenger service between Danbury, Conn., and Pittsfield, Mass. This diversion cost the New Haven about \$120,000 per year in mail revenues. It has therefore been our experience that the existing postal laws are no obstacle to the transportation of mail over the highway. Diversion of this traffic from the rails is effected by the Post Office Department whenever the postal officials determine the needs of the mail service to require it.

As for economies claimed by the regulated motor carriers if allowed to transport mail under the terms of H.R. 6472, there is no basis whatever for such claims because the service contemplated by them is not the equivalent of railroad head-end service in passenger trains. The present railway mail rates prescribed by the Commission are based on the costs of a highly specialized, scheduled, and expedited service performed by experienced personnel and with the use of equipment and facilities specially dedicated to that purpose. These Commission-approved rates are based on the costs of performing such service under actual operating conditions and reflect the demands of the Department which the railroads are obligated to respond to under the statute. The railroads, the New Haven included, do presently handle certain types of mail, such as mail-order house catalogs in an expedited freight service at lower rates than those prescribed by the Commission. But this mail, which is susceptible to bulk movement does not receive the higher quality service required by the Post Office Department for the major mail volume. Today, for example, the railroads as a part of their service under the prescribed rates, provide terminal handling and dock space for truckers hauling mail to or from the railhead under contract with the Post Office Department. Railroad personnel are responsible for sorting mail according to destination and handling mail to or from the truckers' tailgates. Thus, the the charge contemplated by the trucker would be for a different service than that provided by the railroad and is therefore not comparable to the rail charge.

The facilities provided by the New Haven for the transportation of mail are also controlled by statute. Under 39 United States Code, section 6204, the New Haven, like all railroads, is obligated to provide:

- (1) Cars or parts of cars used in the transportation and distribution of mail;
- (2) Facilities for protecting and handling mail in its custody;
- (3) Station space and rooms for handling, storing, and transfer of mail in transit, including the separation thereof by packages for connecting lines and for distribution of registered mail in transit; and
- (4) When required by the Postmaster General, offices for employees engaged in postal transportation work in which mail from station boxes may be distributed.

In addition, certain equipment requirements as to capacity, design, construction, and cleanliness are provided by statute. We are also obligated to transport postal employees without charge when on duty or on official business.

The New Haven owns and maintains thirty-one 60-foot RPO cars which in addition to other similar cars provided by connecting rail carriers are required to meet our obligation for RPO service. The New Haven also owns and maintains a substantial number of storage cars which are utilized only in postal service. It also maintains, either solely or jointly with other railroads, terminals equipped for mail handling at all large metropolitan centers on its lines, such as New York City, Boston, Providence, New Haven, Hartford, Stamford, and in many smaller cities as well. These facilities are manned by New Haven Railroad employees and an experienced staff of supervisors are assigned to the transportation of mail as a primary duty. For example, at New York the New Haven operates joint facilities for handling mail at both Grand Central Station and at Pennsylvania Station. At Grand Central terminal alone, 198 employees are primarily engaged in loading, unloading and sorting mail. At Providence, a line station, 55 New Haven employees are likewise engaged. A close liaison is maintained with the Post Office Department by the New Haven's manager of mail, express, and baggage. We are also represented on a national level through my membership on the general committee of the American Association of Railroads' Railway Mail Transportation Division. This organization represents all mail-carrying railroads in policy matters handled with top officials of the Post Office Department.

It is obvious that the New Haven must, in order to meet the requirements of the Post Office Department, maintain equipment on a standby basis. Cars used in postal service are not usable in other rail services because of our lack of demand for cars of this design and because of the need for continuous availability. Although our staff assigned to mail transportation has other compatible duties, their primary responsibility is for the mails. This special availability necessarily increases the expense of mail transportation beyond the levels which would accrue if mail were handled as a routine freight commodity.

The New Haven, and I am sure this applies to other railroads as well, operates special trains for mail traffic at peak periods such as at Christmas time. On the New Haven these trains move principally between New York and Boston. Based on the service demands of the Post Office Department, even our fastest freight service, familiarly known as piggyback service is not adequate to meet the schedules required by the Post Office Department. The routine schedules of the regulated motor carriers provide no greater flexibility than does our piggyback service. The fact that the regulated truckers themselves consider our piggyback service and that of our connections to be efficient is borne out in that they frequently move their own trailers in that service.

If H.R. 6472 were enacted, several results could be expected. First, the vicious circle of less mail revenues and reduced passenger service would intensify. If the New Haven were expected to continue its present schedules with only half its mail revenues, the cost of carrying the remaining mails would obviously increase on a unit basis. In addition, where mail is diverted to regulated truckers as contemplated by the bill, the terminal functions of sorting and distributing now performed by the railroad regarding such diverted mail would necessarily need to be performed elsewhere. It is fair to assume that the resulting multiplication of facilities and work forces for handling mail in fragmented volumes would increase unit costs to the Post Office Department. A multiplicity of carrier and Post Office Department staffs for supervision, billing and liaison would also become necessary. Meanwhile, the New Haven, and of course all other rail carriers, would remain obligated for the carriage of mail as directed by the Postmaster General. Not only would this obligation require the New Haven to continue to maintain facilities on a standby basis, and without present volume, but more importantly, we could reasonably expect that our existing terminal facilities now used for handling mail in conjunction with contract truckers and with trucks of the Post Office Department, would soon become inadequate. This result would unquestionably occur by virtue of the fact that under the bill, regulated motor carriers would transport mail only to or from those points embraced within their operating rights. Today, truckers under contract with the Post Office Department are under no territorial limitation. The bill would therefore impose a limitation which would increase the amount of dock space needed to load or unload trucks.

What the truckers propose in sponsoring H.R. 6472 is to recast the postal laws into a form which benefits them without regard to the long established congressional policy, section 3 of the bill would in effect have mail transportation declared to be a freight service. The regulated motor carriers are not even willing to accept a continuing obligation to transport the mails, as indicated in paragraph 8(b). That section, of course, would relieve the trucks of a portion of the obligation which would impose "hardship." Such relief is inconsistent with the develop-

ment of the national transportation network upon which the Postal Establishment is grounded. If the Congress is willing to entrust the mails to freight services, then the railroads should be granted the right to compete on equal terms, that is, handle the mails in the same service, and the right to eliminate their standby facilities. Coincident with such change, the Congress should eliminate the right of the Postmaster General to levy fines for delay, because even an expedited freight service must be operated with due regard to the needs of private industry as well as for the Post Office Department. If the economies claimed by the truckers are to be realized, the handling of mails must be coordinated with the carriage of other freight.

Relevant to the claim that H.R. 6472 is necessary to establish a new Government policy designed to place regulated truckers on an equal basis with the railroads in competing for mail traffic, this committee's attention is directed to the governmental policy which has for some years favored the railroad's competitors. The threatened extinction of the very service which has for many years supplied the basic surface transportation for the postal establishment is the result. As stated by the Chairman of the Interstate Commerce Commission before the Senate Commerce Committee during the Northeastern Corridor hearings, to which I shall refer later, the large deficits from many passenger train operations are attributable in part to Federal programs for promoting the services of railroad competitors. During the past 12 years, he said, subsidy payments to one domestic airline and two local passenger service airlines serving New England have amounted to almost \$100 million. These airlines are in direct competition with the New Haven, which, during the same 12 years subsidized rail passenger service out of its own pocket in the amount of nearly \$150 million, which is the accumulated passenger deficit for that period. Further, as an example, the Connecticut Turnpike, representing an expenditure of Federal funds of many millions of dollars, has been described in one ICC report as the New Haven's "Chinese Wall." This six-lane superhighway has not only encouraged the New Haven's passengers to travel by automobile, but has made it possible for the New Haven's motor carrier competitors to reduce transit time substantially and thus reduce their operating costs and enhance their ability to capture rail traffic. The ICC has found that these factors, which are directly attributable to Federal expenditures, have contributed to the critical financial condition of the New Haven.

On the other hand, there is now a growing awareness among the legislators of the need to maintain and improve the system of surface transportation by rail to meet the growing needs of the highly industrialized and heavily populated eastern seaboard. There is ample evidence of this awareness in the recently introduced bills in the Senate on the northeast corridor, more formally described as the northeast railroad passenger train crisis. There are S. 325, S. 348, S. 1234, and S. 1289. Also, the Northeastern States have acted in establishing transportation commissions and in appropriating funds which will contribute substantially to the preservation of rail passenger service and particularly commuter service.

The northeast corridor bills deal with the establishment of an interstate authority for the long-range operation of a rail passenger service in the Northeastern United States where such service is no longer financially feasible on a long-range basis as a function of private business. The funds under the proposal would be provided by the States and by the Federal Government on a matching basis.

Studies have already begun on the northeast corridor transportation project which will affect the New Haven Railroad directly, using funds appropriated by the Federal Government. This project has received the support of the President, who directed the Secretary of Commerce to cooperate with State and local governments and with the railroads in the conduct of the research effort.

The New Haven has entered into a contract with the States of New York and Connecticut calling for the continuation of certain passenger services on the New Haven for a period of 1 year, with an option to renew for an additional 6 months. This service will be performed with financial assistance from the two States and from the Housing and Home Finance Agency under a Federal grant provided for by the Mass Transportation Act of 1964.

The changing governmental attitude toward rail service, particularly in the densely populated Northeastern States, is in recognition of the economic benefit to be gained by preserving the existing rail services and adapting them to the future development of our great urban centers.

The New Haven, as an example, provides service to 10 cities in its area with populations of over 100,000 each. It also directly serves 43 communities having populations in excess of 40,000 each. Its direct and unimpeded access to mid-

town New York, Boston, and other cities is an advantage which, if preserved, will save countless millions in public funds for express highways and parking facilities.

To the extent that H.R. 6472 is designed to encourage greater use of highway carriers in the transportation of the mails, it fails to recognize the changing attitudes of the various governmental authorities. Obviously, any substantial loss of mail revenues to the New Haven would place a greater burden on the Federal and State governments in their efforts to preserve the railroad to meet the expected population growth and highway congestion which is occurring in the Northeastern United States. The policy change contemplated by this bill also ignores the cost to the New Haven of \$150 million to maintain a passenger service for the sole benefit of the public while Government funds were building the New Haven's "Chinese Wall" which benefited its highway competitors.

If the committee considers that the needs of the Postal Establishment for greater economy, efficiency, and expedition are the primary goal of this bill, it must be obvious that these needs will be virtually impossible to meet with the addition of an estimated 100,000 inexperienced and unorganized motor carriers to the postal network. Moreover, the policy of increasing the transportation of the mails over the highways is counter to the programs now in progress to meet the problems of traffic congestion which the planners foresee for the future.

I wish to thank this subcommittee for the opportunity of expressing the basis of the opposition of the New Haven Railroad to H.R. 6472 and to explain how the purposes of the bill fit into the broader problems which confront the railroads, and the New Haven Railroad in particular. My views are expressed with confidence that the New Haven's problems are closely identified with the public interest in maintaining the existing system of surface transportation, and necessarily, the public interest in an efficient and economical transportation network for the postal service.

PREPARED STATEMENT OF HENRY W. LARGE, VICE PRESIDENT, TRAFFIC, THE PENNSYLVANIA RAILROAD CO.

Mr. Chairman, members of the committee, my name is Henry W. Large. I am vice president, traffic, of the Pennsylvania Railroad Co., and have occupied that position since June 1 of this year. With the exception of 4 years' naval service during World War II, I have been employed in the railroad industry for the last 37 years. Prior to June 1, I served as vice president, sales, of the Pennsylvania Railroad, and immediately before that as president of the Wabash Railroad.

We are opposed to H.R. 6472, and I appreciate this opportunity to appear here today to present our views on the bill, and to provide information which I hope will be helpful to the committee in its consideration of it.

Measured by revenue, the Pennsylvania Railroad is the largest mail-carrying railroad in the United States. Its mail revenues for the year 1964 amounted to \$46,080,148. These moneys were paid to the Pennsylvania for provision of the highly specialized services and facilities which we are required to provide under the present laws governing the transportation of mail by railroad. As you gentlemen know, the railroads are required by statute to transport the mails over routes established by the Postmaster General, and there is no provision in those laws (as there is in H.R. 6472) whereby the Postmaster General is required to relieve us of that obligation simply because we claim that its fulfillment is a hardship.

H.R. 6472 has been described by the motor carriers as giving them the opportunity to transport mail on a footing of equality with railroads and other modes. The fact is, however, that this bill will not make available to the Post Office Department a single motor carrier or indeed a single truck which is not already available to the Postmaster General under the star-route laws. Any motor carrier can now bid on mail transportation and if he be the lowest responsible bidder, is awarded the contract. Actually since the bill makes the transportation of mail the transportation of "property" in interstate commerce, it would appear that a certificate will be required to transport mail. Consequently, the bill will not make more motor carriers available to the Postmaster General, but will reduce the number who may transport mail under this bill. I believe that other witnesses have indicated why this bill will not provide equality either as a matter of law or as a matter of fact. I think some particular facts about the Pennsylvania and its mail-carrying operations will be helpful to the committee in considering the questions posed by this bill.

Much of the Pennsylvania Railroad's mail operation is made possible because of the volume characteristics of the traffic. Over the years we have built up a large force of trained employees whose services have been required not only because of the large volume of mail which the railroads have handled but also because of the extensive service we provide in the terminal handling of the mails. The mails we receive for transportation must be classified and sorted before we actually load them into cars for transportation. These operations are conducted not only in Pennsylvania Railroad stations and terminals but also in several joint or union stations into which we operate. In such Pennsylvania Railroad and union stations are employed over 4,000 persons who work exclusively in connection with the handling of mail. Of course, in addition to these employees, the Pennsylvania has many thousands of other employees who while not working exclusively on the mail are involved for a considerable part of their time in mail transportation. These include conductors, trainmen, enginemen, switching crews, maintenance men, etc. We are unable to adjust this force in direct proportion to losses of volume of traffic especially when such losses are occasioned by a competitor who only wishes to provide a portion of the service on selected traffic.

In general, in the past, motor carrier transportation of mail has not involved the same complete service which rail transportation encompasses. Motor carriers, on the whole, are provided with the mail which post office employees have already sorted, and moved to the tailgate of the vehicle at the post office facility. In many cases the post office actually loads the vehicle. Our service on the other hand is a complete service and consequently requires a tremendous investment in facilities and equipment. The Pennsylvania and other railroads have invested millions of dollars in facilities and equipment specifically designed for the handling of mail. In the last 10 years the Pennsylvania has spent approximately \$2 million in its own stations for modern sorting and conveyor equipment alone. Since 1953 the union stations which we maintain jointly with other railroads have spent approximately \$11 million for modern terminal mail handling equipment and facilities. In 1964 the Pennsylvania spent over \$1,500,000 for reconstruction and heavy repairs to railway post office cars—cars which are useful only in mail service. This year for the same type of work on this kind of car we are spending almost \$1 million. Moreover, in the last 3 years we have spent almost \$6 million for other car equipment used in the mail service. These sums are in addition to the expenditures made for ordinary repairs for day-to-day operation of the cars.

As indicated, our service does not simply consist of backing up to a post office and having postal employees load a vehicle while we merely perform line-haul movement. These trained personnel, facilities, equipment, and the concomitant service described above can only be provided at a reasonable price when the volume is relatively high. If part of the volume is skimmed away, the unit cost of handling the remainder must rise.

I believe the committee should also clearly understand that while the bulk of our mail service is provided in so-called passenger trains, this does not mean that our mail service is solely related to "passenger carrying" trains. I point this out because there has been some discussion in connection with this bill of the declining number of passenger trains in the United States over the last two or three decades. No one, of course, would attempt to deny that the number of passenger carrying trains has declined, and certainly with the extensive development of our highways and airways will probably continue to decline in certain areas. But much of the Pennsylvania Railroad's mail service is provided in so-called exclusive mail and express trains which, although classified under ICC regulations as passenger trains, have nothing to do with the carrying of people. On the other hand, these trains are not simply another type of freight train. These are trains which carry both mail and express, but their schedules are tailored largely to meet the requirements of the Post Office Department. We cannot accept mail from the post office for these trains and then let them stand around and wait for a load of other traffic before being dispatched. They move on definite schedules and the railroad is subject to fines by the Post Office Department if those schedules are not met.

An indication of the lack of relationship between the carrying of people and the movement of mail can be seen from certain statistics. Since 1950 the percentage of decline in the Pennsylvania Railroad's passenger train miles, exclusive of suburban self-propelled trains, has been 2½ times that of the decline in head-end car miles over the same period. In 1964 the Pennsylvania Railroad produced almost 2 million passenger train miles in these trains tailored to the needs of the Post Office Department. In fact, approximately one out of every seven of these

Pennsylvania Railroad's passenger train miles for last year was produced by so-called exclusive mail and express trains.

We believe that these trains provide a valuable and economical service to the Post Office Department. They are made possible, however, only by consistent large volumes of mail. If portions of the mail are siphoned away, not only will the unit cost of transporting the remainder rise, but these special service trains will become economically unfeasible.

Moreover, in my opinion, the surface has barely been scratched on the possibilities of the utilization of some of the more recent technological advances in the railroad industry. Of course, trailer-on-flatcar service is the striking example. Some mail is now moving this way and we are discussing with the Post Office Department further expansion of this service. All students of modern transportation seem to recognize that piggyback is a valuable transportation tool which combines the economy of line-haul mass rail transportation with the flexibility of a movable container in the terminal area. Further development of these innovations, however, will be hampered if the railroads' future connection with mail transportation is to be saddled with a legal obligation to provide a standby service. This is what has happened in the past every time the pick and choose competitor has been permitted to siphon off selected traffic between a relatively limited number of points while the railroads were required to provide extensive facilities and equipment for the balance.

I appreciate that the committee's time is extremely valuable and I will not burden it further, but I believe that these few salient considerations will indicate the gravity of the questions posed by H.R. 6472.

I thank the committee for allowing me the opportunity to present these views.

PREPARED STATEMENT OF KENT C. VAN WYCK, PASSENGER TRAFFIC MANAGER,
GREAT NORTHERN RAILWAY CO., ST. PAUL, MINN.

Mr. Chairman and members of the committee, my name is Kent C. Van Wyck and my business address is 175 East Fourth Street, St. Paul, Minn., 55101. I have been employed in the passenger traffic department of Great Northern Railway Co., for many years and have held the position of passenger traffic manager for Great Northern Railway Co., since 1961.

Other witnesses are presenting testimony concerning the extensive services performed by the railroads of the United States in the handling of mail in passenger trains and the extent to which enactment of H.R. 6472 will divert the U.S. mail traffic and revenues from the railroads to motor carriers. I will show the consequences which are likely to result to Great Northern's passenger train service in the event of such a diversion. I appreciate this opportunity to appear before your committee.

Great Northern conducts a common carrier freight and passenger operation extending across the northern tier of States between the head of the Great Lakes and the Twin Cities of Minneapolis and St. Paul, Minn., on the east, and the north Pacific coast on the west. It also operates in Oregon and reaches portions of Iowa, South Dakota, California, and the Canadian Provinces. It is the Nation's norther most transcontinental rail line and serves an intermediate territory across North Dakota and Montana some hundreds of miles north of the mainlines of other transcontinental railroads.

Great Northern provides passenger train service, which includes the transportation of mail and express as well as passengers, extending over the better part of its principal lines. First class pullman and coach passenger service, as well as "head-end" transportation (mail, baggage and express), is provided in Great Northern's transcontinental trains and in its Twin Cities-Winnipeg, Manitoba, operation. Coach and parlor car service, as well as "head-end" handling, is provided on a number of other runs, including those between the Twin Cities and Duluth-Superior, the Twin Cities and Minot, N. Dak., via Grand Forks, Seattle, and Portland, and between Seattle and Vancouver, British Columbia.

In 1964 Great Northern's total passenger train revenues were \$21.3 million, of which mail contributed \$8.3 million, or almost 40 percent. This figure in and of itself indicates the significance of mail revenues in the overall passenger operations of Great Northern.

In 1909 Great Northern inaugurated a transcontinental train called the Fast Mail providing a superior service between the Mississippi River and the Pacific Northwest. This service has been continued as part of Great Northern's present streamlined Western Star operation. Great Northern maintains a substantial

fleet of railway post office and storage cars to supply the special needs of the mail service and augments this equipment during December of each year, at which time it also provides extra trains, in order to adequately move the Christmas mails.

Since the close of World War II, Great Northern has substantially reduced its passenger train running time between the Twin Cities and Seattle for the purpose of providing faster transportation for its passenger, mail, and other traffic. At the present time train No. 31, the Empire Builder, provides the fastest rail service between St. Paul and Seattle, and accomplishes second morning delivery at Seattle-Portland, a distance 1,800 miles west of St. Paul. Train No. 27, the Western Star, leaves the Twin Cities in the morning, carrying mail received from connections as well as Twin Cities mail, and arrives at Seattle the evening of the following day. Reductions in running times have also been made in schedules of other passenger trains handling mail. From 1946 to the present, Great Northern has expended over \$42 million on power and equipment, including mailcars, to handle its passenger train service.

Over 1,300 Great Northern employees are engaged in service directly related to the passenger train services of the railroad. This is exclusive of pullman, REA express and postal employees, who also perform duties on these trains.

Our Empire Builder derives 33 percent of its total revenues westbound from the transportation of U.S. mails, and 14 percent of its eastbound revenues comes from the mails. The Western Star derives 60 percent of its total revenues westbound and 47½ percent of its revenues eastbound from the mail service. Our important Winnipeg Limited derives over 40 percent of its total revenues from mail traffic.

None of the principal passenger train operations of the Great Northern is conducted at a profit. In 1964 the train which came closest to the break-even point, considering only those railway operating expenses related solely to passenger train service, was the Western Star, where revenues of \$9.04 million were exceeded by solely related expenses of \$9.7 million. If Great Northern is deprived of any of its principal sources of revenue from the operation of these trains, it must drastically reduce or discontinue their operation. This will destroy the present excellent passenger service which many communities throughout our territory presently enjoy, and eliminate or drastically reduce those railroad employee positions now maintained to provide our passenger service.

As your committee knows, the Nation's railroads, including Great Northern, are the only transportation agency providing many communities with a complete common carrier service, both passenger and freight, for all distances and for all types of traffic. If it is in the public interest that such service continue, then your committee will want to consider, I believe, the extent to which such continuance will be impaired by legislation which would allow a substantial diversion of the mails to specialized carriers whose services to the public are far less extensive than those of the railroads.

PREPARED STATEMENT OF PHILIP J. LEE, VICE PRESIDENT, TRAFFIC, ATLANTIC COAST LINE RAILROAD CO.

Mr. Chairman and members of the subcommittee, my name is Philip J. Lee, and I am vice president in charge of traffic of the Atlantic Coast Line Railroad Co. with headquarters at Jacksonville, Fla. Atlantic Coast Line Railroad Co. is a class I rail carrier operating 5,721 miles of track in the States of Virginia, North Carolina, South Carolina, Georgia, Florida, and Alabama. The handling of mail traffic on Atlantic Coast Line Railroad comes under my jurisdiction, and in connection therewith I have become familiar in a general way with H.R. 6472, providing for the handling of mail by common carrier motor vehicles.

I am convinced that this bill will have a far-reaching and detrimental effect on the surface transportation system of this country far beyond the immediate problem of providing adequate transportation for the U.S. mails, and I appear here in opposition to the passage of this legislation.

My presentation in opposition to the bill is divided into two somewhat distinct yet related parts. First of all, I would like to discuss the inequities and opportunities for gross abuse which are in the proposed legislation as written, and second, I would like to discuss some of the far-reaching ramifications of this legislation.

First, therefore, turning to the bill itself. As I read this bill it would require, under section 4 thereof, that the Postmaster General, 90 days after the enactment of this legislation, file with the Interstate Commerce Commission statements of services required for mail transportation. These statements would set forth

the Postmaster General's requirements for mail transportation by regulated carriers, the method of payment for this service, and other terms of service upon which the mail would be moved. After these statements of service have been made, the motor carriers would in effect submit a bid stating at what rate they would be willing to provide the service outlined in the Postmaster General's statement. This might seem to be a reasonable approach. The flaw in this procedure, however, is that these rates which are bid will not necessarily be the rates upon which the mail will eventually move. The Interstate Commerce Commission, under section (5)b of the bill is required to investigate and fix fair and reasonable rates of compensation for mail transportation by these carriers, and it can under this section raise these rates.

Now, Mr. Chairman, it is not hard to visualize the type of an abuse that could be made of the procedure that I just outlined from the bill. Take, for example, mail moving between Atlanta, Ga., and Jacksonville, Fla. This mail to a great extent now moves by rail. Under this bill the Postmaster General would be required to file this service with the Interstate Commerce Commission, as he is required under section I of the bill to use the services of motor carriers to the extent they are available. All of the motor carriers certificated between these two points would be allowed to bid and state the rate upon which they would provide the services now being provided by the railroad. Now, one would not have to be very smart to know that in order to move this traffic he would at least have to make a bid that was less than the rate that railroads were now handling the mail for, and that he would also have to underbid his motor carrier competitors. If he has sufficient resources behind him, he is in a position to make an extremely low bid, even a bid which is below his out-of-pocket cost for handling the traffic, because he knows that he is not going to perform the service at this rate for very long. He knows that the Commission is going to come along in a short time and fix a "fair and reasonable rate" which will provide him with adequate compensation for handling the mail.

Now, you will understand, of course, that upon the basis of this unreasonably low bid the Post Office Department would remove the mail from the train and give it to the motor carrier. As I shall develop later in my testimony, many of the passenger trains in this country cannot continue to operate without the benefit of the mail revenues. If this should hypothetically be the case between Jacksonville and Atlanta, the removal of the mail would result in the discontinuance of train service. When the Commission sets a reasonable rate of return to the motor carrier for handling mail between Atlanta and Jacksonville, the actual rate might even be in excess of that which is now being paid to the railroads. Unfortunately, however, if the railroad has discontinued its service because of the loss of the mail, the Post Office Department will not be in a position to handle the mail by rail at the lower rate, and the whole procedure will end up with the Post Office Department paying more for the transportation of the mail than they are now. It is obvious, therefore, that this bill condones unfair competitive practices, and that it may also result in the taxpayers of this country paying more to move the mails than they are at present.

There are other inequities in this bill. For example, under section 6204 of title 39 of the United States Code, the railroads are required to provide cars for the distribution of mail, facilities for protecting and handling mail in its custody, station space, and rooms for handling, storing, and transferring of mail in transit, and when required by the Postmaster General, offices for the employees of the postal transportation service engaged in station work. That section of the act also requires certain minimum standards on railroad equipment. Nowhere in H.R. 6472 is there any requirement that any of these costly facilities, which are required of the railroads when they transport the mail, be provided by the motor carriers.

Another striking inequity is that, without recourse, the railroads are required to carry the mails if requested to do so by the Postmaster General; whereas under the proposed legislation the common carrier motor vehicle operator, if the carriage of mail imposes any hardship upon him, may apply to the Postmaster General for relief, and the relief cannot be denied. This is a privilege the railroads do not have.

I should also like to comment on the tremendous burden which this bill will placed upon an already overworked Interstate Commerce Commission. This bill proposes that the Interstate Commerce Commission act as a clearinghouse for bids on motor carrier transportation of mail, and that it set the rates for the transportation of this traffic. Our experience leads us to believe that the Commission has neither the time nor the personnel to take on this added burden and

still provide any semblance of expeditious action on the regulatory functions which are assigned it by the Interstate Commerce Act.

I would now like to turn to the second part of my presentation which deals with the far-reaching and detrimental effects of this legislation on the surface transportation system of this country. As I am sure this subcommittee is aware, since the end of World War II there has been a constant lessening in the amount of passenger train service provided by the railroads of this country. After the war, on the Coast Line we discontinued several passenger trains, but since that time we have tried to maintain reasonably adequate passenger train service in the six-State area which we serve. This continuation of passenger service has been in spite of the steadily increasing cost to Coast Line to provide this service.

At this point, I would like to invite the subcommittee's attention to statement 1 attached to my testimony. From this statement you will note that the deficit which Coast Line has sustained from passenger train operations has increased from approximately \$4 million in 1960 to over \$11,500,000 in 1964. This deficit is based upon the Interstate Commerce Commission's formula which takes into consideration all direct and indirect costs of providing the service. You will also note that this increased deficit has not to any appreciable extent been as a result of the lessening of the use of our service by the public, but rather from the greatly increased expense involved in providing this service.

In spite of this deficit, however, Coast Line has been willing to continue to provide this service to our patrons. One of the reasons that we have been able to continue this service is because of the revenues realized from the movement of the U.S. mails on these trains.

Referring again to statement 1, you will note that mail during the years 1960 through 1964 represented from 19.2 percent to 22 percent of our total passenger revenues, and that without it our deficit on passenger operations would have increased from \$9 million in 1960 to almost \$17 million in 1964.

It appears obvious to us that if this proposed legislation becomes law that there will be a substantial diversion of mail revenue from the Coast Line to motor carriers, and because this loss of revenue will make many of our trains unprofitable the only possible result that I can see is discontinuance of the passenger train service which we have strived to maintain in the Southeast.

Let me illustrate this general statement by reference to more specific situations. On the Atlantic Coast Line Railroad today, we operate two types of passenger service. First, we operate five pairs of through streamlined trains: the East Coast Champion, the West Coast Champion, and the Florida Special from New York to Florida points and the City of Miami, and the South Wind from Chicago to Florida points. These trains are operated in connection with other railroads, and represent first-class high-speed passenger train service. These trains make very few stops at points in Virginia, the Carolinas, Georgia, and Alabama, and are primarily designed to move long haul traffic into Florida from the North and East.

Our second type of passenger train service may be characterized as local train service. It is performed by trains which stop at almost every town and city along their route, and while they may operate from the North and East to Florida points, their principal function is in handling short haul passenger travel. While these trains at certain times of the year and in certain emergency situations are heavily traveled, generally speaking, the passenger traffic on them is very sparse. If we were entirely dependent upon the passenger revenue from these trains, we would have no choice but to discontinue this service. Fortunately, however, on many of these trains we have been able to handle large quantities of mail, the revenue from which has either assured that the loss from their operation is small, or enables us to realize a small contribution to overhead.

At this point, I would like to refer the members of this subcommittee to statement 2, which is a tabulation of the passenger trains on our railroad falling in the local train service class. This statement shows all of the trains providing local passenger train service on Coast Line in 1964. The statement shows the stations between which they operate on the Coast Line, the passenger revenue, the mail revenue, all other revenue and total revenue, together with the percentage that mail revenue represents to total passenger train service revenue, direct expense, representing the operating cost of each train, net revenue or loss, and net revenue or loss less mail revenue.

The trains shown on this statement represent sets of trains, that is, sets of trains operating in both directions over the Coast Line. This statement shows revenues accruing to the Coast Line in 1964 on each of these individual trains,

although some of the trains are jointly operated in through service by the Coast Line with other railroads.

You will note that in the final column where I have shown the net loss that these trains would have sustained had we not had the mail revenue, that every single one of these trains would have operated at a deficit without the mail revenue. The total out-of-pocket loss to provide this service would be \$3,742,975. Every single one of these trains would certainly be discontinued on the basis of the figures shown in the last column, and the Commission would certainly permit discontinuance on the basis of these figures. These trains represent the only passenger service offered in 94 cities and towns in the 6 States through which we operate. If these trains were discontinued, it would mean the end of all passenger train service to such sizable points as Wilmington, N.C., with a population of 44,000, and Goldsboro, N.C., with a population of 29,500. In addition, it would mean the end of Coast Line passenger service at Atlanta and Augusta, Ga., although other roads might continue to serve those points. People in the cities and towns through which no further passenger service would be operated, and who have relied upon this service, will no doubt be inconvenienced. Its loss will have a substantial detrimental effect upon these points.

I can give you several concrete examples of where the loss of mail will undoubtedly result in the discontinuance of passenger service. If you will look at statement 2, the second train that is shown is the Gulf Coast Special, and it is shown operating between Richmond, Va., and Tampa, Fla. We have recently been informed by the Post Office Department that effective July 1, 1965, in connection with that Department's program of setting up sectional centers, that we will lose the mail upon the trains between Jacksonville and Tampa. At the present time the Gulf Coast Special makes a small contribution to overhead between Jacksonville and Tampa of \$30,381, but when the mails are removed it will be a deficit operation in the amount of \$267,727. Similarly, I invite your attention to trains 37 and 38, which had a net revenue of \$48,560, and trains 96-275 and 97-276, which had a loss of \$44,337. We have been informed that effective July 1 we will also lose the mail on these trains as result of the sectional center operation. It is the decision of the Coast Line that because of the losses which these three sets of trains will sustain, after July 1, 1965, that we will undertake to obtain from the Florida Public Utilities Commission or with the Interstate Commerce Commission authority to discontinue their operation. As I have said before, if this bill passes and we lose the mail from these other passenger trains, we will also seek to have them discontinued.

Trains 180 and 189 carried mail for many years, but they lost the mail in July 1964, which normally amounted to more than \$150,000 a year. This has subsequently caused them to operate at a deficit of about \$20,000 a month, and we are in the process of seriously considering their withdrawal. We have made numerous recent efforts to increase passenger traffic on these trains, with a measure of success, but the loss of the mail has made it impossible for them to show a profit.

Nor will the loss of train service be the only tragedy that will occur from the loss of this mail. A further factor that we feel should be considered is the employees who might be thrown out of work if the mail should be diverted from passenger train service to common carrier truck service and passenger trains should be discontinued. If all of our trains that will become deficit operations because of the loss of mail traffic should be withdrawn from service, we estimate that the job losses for train service employees alone would run beyond 250. In addition, further losses could be expected to occur in mail handlers and other employees at stations, in ticket agency forces, in passenger solicitation forces, and in turn in general office passenger supervisory forces. Railway Express Agency forces on trains and at stations, as well as in other phases of work, also probably would be involved. It is not inconceivable that the total number of job losses might approach a figure substantially in excess of 500 on our railroad alone.

In summary, therefore, Mr. Chairman, this bill as written is grossly unfair. It does not even allow the railroads to compete on an equal basis for the traffic which they are already handling. It also will have a serious effect on the surface transportation system in the Southeast in that it will result in large-scale discontinuances of local passenger service, and will require us, as a result of the loss of this service, to make substantial layoffs of personnel. I ask that you gentlemen give serious consideration to what I have said here today, as I fully believe that these larger ramifications of this bill far outweigh the small benefit which it will be to the motor carrier industry.

Statement showing passenger train service revenues and expenses of Atlantic Coast Line RR. for years indicated

Year	Total revenue	Mail revenue	Mail as percent of total	Passenger service expense	Deficit	Deficit without mail revenue
1960.....	\$24,469,060	\$4,722,228	19.2	\$28,751,165	\$4,282,105	\$9,004,333
1961.....	23,722,606	5,136,026	21.7	28,973,966	5,251,360	10,387,386
1962.....	24,480,518	5,279,910	21.6	31,541,938	7,061,420	12,341,330
1963.....	24,467,527	5,273,898	21.6	34,484,235	10,016,708	15,290,606
1964.....	24,056,933	5,322,397	22.1	35,728,635	11,671,702	16,994,099

Statement showing revenue and estimated earnings over Atlantic Coast Line R.R. of local passenger trains, based on direct costs, for year 1964

Train	Between	Revenues				Direct expenses	Net revenue or loss	Net revenue or loss, less mail revenue
		Passenger	Mail	All other	Total	Mail as percent of total		
Seminole, Nos. 17, 18	Albany, Ga., and Jacksonville, Fla.	\$107,199	\$421,373	\$270,599	\$799,171	52.7	\$501,380	(\$123,582)
Gulf Coast Special, Nos. 75, 76	Richmond, Va., and Tampa, Fla.	825,464	1,234,756	454,737	2,514,957	49.1	2,330,750	(1,050,549)
Palmetto, Nos. 77, 78	Richmond, Va., and Florence, S.C.	317,163	367,065	121,887	806,135	46.5	833,767	(394,697)
Dixie Flyer, Nos. 94, 95	Atlanta, Ga., and Jacksonville, Fla.	76,807	749,080	127,898	953,785	78.5	675,559	(470,854)
Everglades, Nos. 375, 376	Richmond, Va., and Jacksonville, Fla.	347,771	723,644	670,415	1,741,831	41.5	1,515,203	(497,016)
Nos. 96, 275/97, 276	Lakeland, Fla., and Fort Myers, Fla.	5,130	125,228	39,609	169,967	73.7	214,304	(169,565)
Nos. 37, 38	Jacksonville, Fla., and St. Petersburg, Fla.	15,345	328,478	92,348	436,171	75.3	387,611	(279,918)
Nos. 20, 29	Richmond, Va., and Petersburg, Va.	5,872	35,712	5,346	46,930	76.1	19,798	(8,580)
Nos. 42, 49	Rocky Mount and Wilmington, N.C.	33,370	99,383	32,352	165,105	60.2	208,611	(142,889)
Nos. 50, 51	Florence, S.C., and Augusta, Ga.	118,628	143,968	71,358	333,954	43.1	324,644	(134,658)
Nos. 54, 55	Wilmington, N.C., and Augusta, Ga.	88,454	231,329	75,190	394,973	58.6	414,997	(251,353)
Nos. 180, 189	Montgomery, Ala., and Waycross, Ga.	117,328	78,659	84,629	280,616	28.0	421,271	(219,314)

NOTE.—() Denotes loss.

PREPARED STATEMENT OF WILBUR F. BURKE, GENERAL PASSENGER TRAFFIC MANAGER, BURLINGTON LINES, CHICAGO, ILL.

Mr. Chairman and members of the committee, my name is Wilbur F. Burke, and my business address is 547 West Jackson Boulevard, Chicago, Ill. I entered the service of the Chicago, Burlington & Quincy Railroad Co. in 1926 in the accounting department. I transferred to the passenger department in 1937, and on December 1, 1959, was appointed general passenger traffic manager of Burlington Lines, which include the Chicago, Burlington & Quincy Railroad Co., as well as the Colorado & Southern Railway Co., and the Fort Worth & Denver Railway Co.

I appreciate this opportunity to appear before your committee. Alike many of the other witnesses that are presenting testimony to show the large part the railroads have played in the handling of U.S. mail in passenger train service, we are very much concerned about H.R. 6472 which would remove the handling of mail from passenger train service and divert these revenues from the railroads to the motor carriers.

Burlington Lines provides common carrier freight and passenger service extending from Illinois and Missouri as far west as Colorado, and from Texas as far north as Minnesota and Montana, operating some 11,000 miles in 14 States, with through passenger train service between Chicago and northern California, and between Chicago and the Pacific Northwest (Spokane, Seattle, and Portland).

Burlington Lines operate in each direction three passenger trains (all daily), between Chicago to Omaha and Denver, three additional trains between Chicago and Omaha, two trains between Chicago-Galesburg-Quincy and Kansas City, five trains between Chicago-St. Paul-Minneapolis, three trains between Kansas City-St. Joseph and Omaha, one train between St. Louis, Mo., and Burlington, Iowa, one train between Omaha-Lincoln-Alliance and Billings, one train between Denver and Alliance, one train between Alliance and Casper, one train between Denver and Billings. We also operate two trains between Denver and Fort Worth-Dallas. In addition to these strictly passenger-type train operations, many of our so-called "mixed" train service on branch lines handle both freight and passengers and mail; all of this mixed train service does not operate on a daily basis, but only as needed.

All of these passenger-type train operations either handle U.S. mail, or stand available to handle this type of traffic.

Early in 1949, our line in connection with the Denver & Rio Grande Western and Western Pacific Railroads purchased six new stainless steel streamlined trains to operate between Chicago-Denver-Salt Lake City and Oakland (San Francisco), at a cost of approximately \$10 million, providing a 2-day service between Chicago and north California. During late 1956, we also purchased two new additional trains at a cost of approximately \$7.5 million, for the Denver Zephyr operation between Chicago and Denver-Colorado Springs that provide overnight service between Chicago and Colorado. In addition, since 1950, we have purchased a number of additional lightweight passenger and mail cars for our other operations that provide late overnight service between Chicago-Kansas City, Chicago-Omaha-Lincoln, and Chicago-St. Paul-Minneapolis. All of these trains carry U.S. mail and the loss of important mail revenues to these trains might make it necessary eventually to consider asking for the complete removal of this passenger train service.

In the year of 1964 the Chicago, Burlington & Quincy Railroad's total passenger train revenues were \$38.5 million of which mail contributed \$13.5 million, or about 35 percent. On the Colorado & Southern-Fort Worth & Denver Railroads total passenger train revenues were \$4.9 million, of which mail revenues contributed \$2.5 million, or 51 percent. These figures leave no doubt as to the importance of mail revenues in regard to the continuation of the operation of Burlington Lines passenger trains.

One of the most famous trains in the history of the United States known as Fast Mail, No. 29, is operated by the Chicago, Burlington & Quincy Railroad from Chicago to Council Bluffs transfer and Omaha, Nebr. The Burlington agreed to operate this train after several other railroads had turned down the offer received from the Postmaster General back in March of 1884. After receiving connections of important mail from the principal cities in the East, this train departs Chicago at 9 p.m. and makes connections at the transfer at 5:20 a.m. the next morning for same-day delivery in Council Bluffs, Iowa, and Omaha and Lincoln, Nebr., and provides for connections with other train service for delivery to other western cities, including the west coast.

Originally the trip from Chicago to the transfer consumed about 19½ hours, but now, because of the modern high-speed diesel locomotives the same service is accomplished in about 8 hours, which includes stops at Galesburg, Ill., Burlington, Ottumwa, and Creston, Iowa, and several other stations along the route.

We have trains Nos. 42 and 43, operating between Omaha-Lincoln via Alliance, Nebr., and Billings, Mont., in both directions. During the year of 1964 this pair of trains provided good mail service into a more or less remote area, and fortunately produced about \$266,000 more in revenues than their out-of-pocket cost of operation. The mail revenues on this pair of trains for the year of 1964 amounted to about \$984,000, without which we would have lost about \$718,000.

Trains 33 and 34 operate between Denver and Brush, consolidated with main line trains 7 and 8, but operate independently between Brush, Colo., and Alliance, Nebr. For the year 1964, southbound train, No. 33, from Alliance to Brush lost money, but northbound train, No. 34, from Brush to Alliance had slightly more revenue than the out-of-pocket expense, and in combining the round-trip operation this pair of trains lost \$11,075 for the year. The mail revenues on both of the trains just between Brush, Colo., and Alliance, Nebr., amounted to about \$135,000. While the loss on this pair of trains was about \$1,000 a month, we were willing to sustain this loss as we are told by the Post Office Department that these trains were important to the mail service in this remote area, and were a part of our overall train service in moving the U.S. mail traffic into this area, with connections which provide service to other areas.

Nebraska Zephyr Trains Nos. 11 and 12 provide daytime service between Chicago, Ill., and Lincoln, Nebr., and various intermediate stations. During the year 1964 this pair of trains produced about \$1.3 million in revenues above their out-of-pocket cost of operation. The mail revenues on this pair of trains for the year amounted to approximately \$2.2 million. If it were not for the revenues derived from the transportation of U.S. mail traffic we would have suffered a loss of about \$900,000 for the year.

Trains 3 and 30, the Ak-Sar-Ben Zephyr, also operate between Chicago and Lincoln, Nebr., furnishing night sleeper service, and in the year 1964 produced about \$370,000 more than the out-of-pocket cost of operation. The mail revenues for the year were about \$720,000. If it were not for the mail revenues we would have suffered a loss of about \$350,000.

Twin City Zephyr Trains 21 and 24, operating between Chicago and Minneapolis for the year 1964, produced about \$100,000 more revenue than their out-of-pocket cost of operation. The mail revenues amounted to about \$250,000. If it had not been for the mail revenues we would have suffered a loss of about \$150,000 for the year.

Kansas City Zephyr Trains 35 and 36, operating between Chicago and Kansas City, Mo., for the year 1964 produced about \$150,000 more revenues than their out-of-pocket expenses and the mail revenue amounted to about \$200,000. If it had not been for the mail revenues we would have suffered a loss of about \$50,000 for the year.

Trains 55 and 56, the American Royal Zephyr, operating between Chicago and Kansas City, furnishing night sleeper service, for the year 1964 produced about \$240,000 more revenues than the simple out-of-pocket expenses, and the mail revenues for the same period produced about \$370,000. Without the mail revenues we would have lost \$130,000 for the year 1964 in this operation.

Texas Zephyr Trains 1 and 2 provide service between Denver, Colo., and Fort Worth-Dallas, Tex., furnishing sleeper service. During the year 1964, this pair of trains produced about \$230,000 more revenue than the out-of-pocket expense of operation and included \$828,000 in mail revenue. Without the mail revenue in 1964, there would have been a loss of almost \$600,000.

C. & S.-F.W. & D. Trains 7 and 8, also providing service between Denver and Fort Worth-Dallas, produced about \$78,000 more revenue than out-of-pocket operating expense, and included \$1,247,395 mail revenue in 1964. Without the mail revenue in 1964, this pair of trains would have shown a loss considerably in excess of \$1 million.

More than 2,300 Burlington Lines employees are working at positions related to passenger train operation. This does not include employees of the Postal Department, Pullman Co., or Railway Express Agency, who also perform duties on the majority of our passenger trains.

Your committee, I am certain, will want to give serious consideration to any legislation that would allow a substantial diversion of the mails from our railroad.

Mr. GROSS. Mr. Chairman, could I ask one quick question?

Mr. DULSKI. Yes, Mr. Gross.

Mr. GROSS. I would ask the representative of the Santa Fe this question: Do you have the Flexivan operation in use?

Mr. THOMAS. We do not. The Flexivan is the particular type of operation of the New York Central. We are handling mail in containers in flatcars. Some of our trains, particularly to San Francisco, do this. A flatcar holds several containers, and each container has mail for a particular area in California, and we haul those containers. It is another method.

Mr. GROSS. This has been used with success on the Illinois Central crossing Iowa. I wondered if you used it. Thank you.

Mr. DULSKI. Thank you very much.

Next we have Mr. Giles Morrow, general counsel for the Freight Forwarders Institute. You may proceed.

STATEMENT OF GILES MORROW, GENERAL COUNSEL, FREIGHT FORWARDERS INSTITUTE

Mr. MORROW. My name is Giles Morrow. I appear on behalf of the Freight Forwarders Institute, of which I am general counsel. The institute, which has its offices at 1012 14th Street NW., Washington, D.C., is the national association representing freight forwarders subject to regulation under part IV of the Interstate Commerce Act.

Freight forwarders are common carriers who are best described as coordinators of transportation. They do not provide their own facilities for transportation over the road between terminals, but utilize the services and facilities of other common carriers. They use all forms of carriage—rail, motor, and water. Forwarders also are authorized to function as indirect air carriers under the Federal Aviation Act and as nonvessel-owning carriers under the shipping acts.

There are about 60 class A—large—freight forwarders authorized to operate in domestic transportation by permits issued by the Interstate Commerce Commission under part IV of the Interstate Commerce Act. In 1964 these forwarders handled over 4 million tons of freight for which they received revenues of approximately \$471 million. They operate in all States of the Union.

In a limited number of instances forwarders are today transporting mail matter for the Post Office Department under contracts as provided for in the postal laws. We believe that forwarders are in a position to render service to a much greater extent, to the mutual advantage of the Post Office Department and themselves.

When the Deputy Assistant Postmaster General, Mr. Frederick Batrus, testified before your subcommittee on H.R. 6472 on May 25 he pointed out a number of respects in which the bill would not provide the flexibility which is needed. Mr. Batrus referred to the fact that under legislation enacted in 1963—section 6402a of title 39, United States Code—the Postmaster General was authorized to enter into agreements, without advertising for bids and without bond, for the transportation of mail by buslines, and said that under such legislation the Department has obtained flexibility to use the services of buslines whenever that service is advantageous for postal purposes.

The Post Office Department is in the best position to determine the extent to which the use of any particular medium of transportation will serve the needs of the Department. Under section 6402a,

title 39 of the United States Code, the Postmaster General may prescribe such terms and conditions for the transportation of mail by buslines as he deems appropriate to the situation. We believe that if that section is expanded to extend the authorization for agreements to freight forwarders, whether regulated under the Interstate Commerce Act, the Federal Aviation Act, or the Shipping Acts, it would greatly facilitate the use by the Post Office Department of the transportation services of such forwarders and at the same time would give the Postmaster General the flexibility which he needs. We recommend that course of action. We are not in a position to speak for the motor carrier industry, but this approach would seem far simpler and less cumbersome than the approach represented by H.R. 6472.

If, however, this subcommittee and the Congress should deem the method represented by H.R. 6472 to be the better approach, then we recommend that freight forwarders be embraced within the scope of the bill. This could be accomplished by including freight forwarders within the definition of "regulated carrier" in section 2(d) of the bill. That section already covers common, contract, and certain exempt motor carriers regulated by Federal or State authority. Freight forwarders are also "regulated carriers" and any such legislation should embrace freight forwarders, both because there is a practical need for their services, and because that would make for uniformity of treatment.

We agree with the Post Office Department that any legislation enacted should leave the Department free to continue to obtain transportation under contracts. We also agree that the bill, if enacted, should be modified in other respects. Our industry does not, at this time, have detailed recommendations to present to your subcommittee regarding the changes which we would recommend in H.R. 6472 if that bill should be adopted in lieu of our alternative proposal for the amendment of 39 U.S.C. 6402a. We strongly recommend that whatever course is decided upon, freight forwarders will be included in the legislation.

Mr. DULSKI. Thank you very much, Mr. Morrow. I have no questions.

Mr. Henderson?

Mr. HENDERSON. No questions.

Mr. DULSKI. Mr. Cunningham?

Mr. CUNNINGHAM. I have no questions.

Mr. DULSKI. Mr. Green?

Mr. GREEN. No questions.

Mr. DULSKI. Mr. Gross?

Mr. GROSS. No questions.

Mr. DULSKI. Thank you very much.

Mr. MORROW. Thank you very much, sir.

Mr. DULSKI. Is Mr. Donald Beattie here?

Mr. BEATTIE. Yes, sir.

Mr. DULSKI. You are the executive secretary of the Railway Labor Executives' Association. Am I correct?

Mr. BEATTIE. Yes.

Mr. DULSKI. You may proceed.

STATEMENT OF DONALD S. BEATTIE, EXECUTIVE SECRETARY-TREASURER, RAILWAY LABOR EXECUTIVES' ASSOCIATION

Mr. BEATTIE. Thank you, Mr. Chairman.

My name is Donald S. Beattie. I am executive secretary-treasurer of the Railway Labor Executives' Association. I appear here today on behalf of that association which consists of the chief executive officers of the 21 standard, national, and international railway labor organizations and the president of the Railway Employees' Department, AFL-CIO, and as spokesman for that association speak for virtually all of railroad labor. A list of the organizations affiliated with the association through the membership of their chief executive officers is set forth in my written statement which, if I may, I would like to file with the reporter.

American Railway Supervisors Association.
American Train Dispatchers Association.
Brotherhood of Locomotive Firemen and Enginemen.
Brotherhood of Maintenance of Way Employees.
Brotherhood of Railroad Signalmen.
Brotherhood of Railroad Trainmen.
Brotherhood Railway Carmen of America.
Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees.
Brotherhood of Sleeping Car Porters.
Hotel and Restaurant Employees and Bartenders' International Union.
International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers.
International Brotherhood of Electrical Workers.
International Organization of Masters, Mates, and Pilots.
National Marine Engineers' Beneficial Association.
Order of Railway Conductors and Brakemen.
Railroad Yardmasters of America.
Railway Employees' Department, AFL-CIO.
Seafarers' International Union of North America.
Sheet Metal Workers' International Association.
Switchmen's Union of North America.
Transportation-Communication Employees Union.

The standard railway labor organizations for which I here speak are opposed to the enactment of H.R. 6472 for, we are convinced, the enactment of this bill into law would result in the withdrawal from the passenger trains of this country the revenue which they must have if they are going to continue to serve the public. The result of the loss of this revenue would be the loss of the passenger service itself together with the disemployment of some 100,000 railroad employees now engaged in railroad passenger service operations.

Evidence which has been adduced at many hearings before the Interstate Commerce Commission involving the discontinuance of passenger trains demonstrates beyond question that, in most instances, passenger train service cannot be operated without mail revenues. Mail revenue historically has been used to bolster passenger revenues, thereby enabling the railroads to provide needed rail passenger service. If the passenger train operations of this country are to be preserved, as they must be preserved, the revenue realized from the transportation of mail must not be diverted from the railroads.

It has been our experience, in participating before the Interstate Commerce Commission in cases involving the discontinuance of passenger trains, that the most effective way to achieve the dis-

continuance of such trains is to remove the mail revenue from the train. Mail revenue is the most important single factor in determining the abandonment or the continued existence of a passenger train.

H.R. 6472 would extend to the motor carriers of this country the right to transport mail. It would extend this right in a manner most disadvantageous to the railroads. The railroads face extensive regulation and must assume many statutory obligations in the transportation of mail. H.R. 6472 would seem to permit the motor carriers to enter the field with a free hand, so to speak, on rates, carriage obligations, and term of service. If the purposes of this bill were to be carried out and mail were to be transported by regulated motor carrier, that mail would have to be diverted from the mode of transportation presently carrying it. This diversion would not affect the air carrier transportation of mail since "air mail" must be transported by air carrier and the amount of first-class mail transported by air is relatively minor. The mail would not be diverted from the so-called gypsy truckers as the mail handled by them is short haul and the amount inconsequential. Therefore, the only substantial amount of mail which would be susceptible to diversion by interstate motor carriers under H.R. 6472 would be mail that is presently carried on the passenger trains of the Nation's railroads. The diversion of this mail from passenger trains would end railroad passenger service in the United States. Since the enactment in 1958 of section 13a of the Interstate Commerce Act literally hundreds of passenger trains have been discontinued. Some of the railroads of this Nation desire to withdraw entirely from passenger service and devote their energies to relatively more profitable freight operations. Diversion of the mail from the railroads of this country would provide these railroads with a readymade opportunity to cease serving the traveling public. Diversion of this mail would also render the continued operation of passenger services most difficult even on those railroads which desire to continue such operations. Cessation of passenger service would not only deprive many millions of citizens of rail service but would hinder, if not prevent, the mass movement of personnel throughout this country in times of national emergency.

To our knowledge there has been presented to this Committee no evidence to justify the passage of legislation which is not necessary in the public interest and which would do such great harm to that interest both in time of peace and in time of national emergency.

For the foregoing reasons, the Railway Labor Executives' Association most strongly and emphatically opposes the enactment of H.R. 6472.

I appreciate this opportunity to appear before you and express the views of the Railway Labor Executives' Association. I thank you for your attention to my remarks.

Mr. DULSKI. Mr. Beattie, you say the result of the loss of this revenue will be the loss of the passenger service and the disemployment of some 100,000 railroad employees. If there are only 100,000 people employed in there, do you think they would be laid off at once?

Mr. BEATTIE. Of course, it would not occur at once, because the Interstate Commerce Commission Act governs the abandonment of passenger trains. But the process, even though it would take time, would have the end result of this displacement of upward of 100,000 railroad employees.

Mr. DULSKI. Don't you think the railroads would still be in the mail business if this bill were enacted, with proper amendments, and agreeable with the Postmaster General and governed under the Interstate Commerce Commission? Don't you think there would still be some people working in transporting mail and the railroads would still be in business?

Mr. BEATTIE. It is impossible to predict.

Mr. DULSKI. You made the prediction on this 100,000 employees.

Mr. BEATTIE. It is impossible to predict the extent to which and the duration of time in which the displacement would occur. But we have no hesitation in saying that loss of mail revenues will result in the loss of trains—

Mr. DULSKI. You make the prediction on the 100,000.

Mr. BEATTIE. And the result of the loss of the passenger trains will be the loss of this employment.

Mr. DULSKI. But you used the figure of 100,000.

Mr. BEATTIE. That is the approximate number of employees now engaged in the passenger service.

Mr. DULSKI. I just wanted to verify there are 100,000 people employed.

Mr. BEATTIE. Yes.

Mr. DULSKI. And you say 100,000 people would be disemployed. You don't say in the years. You made the statement they will be disemployed. I don't think the statement that this legislation is such that they would disemploy 100,000 people in 1, 2, 3, 5 years, is so.

Mr. BEATTIE. It would take some time, because the law now provides a procedure through which the abandonment application must be processed, but loss of revenue from mail means loss of passenger trains.

Mr. CUNNINGHAM. Will the gentleman yield?

Mr. DULSKI. Yes.

Mr. CUNNINGHAM. Mr. Beattie, upon the point that the chairman was speaking of, would you have any estimate as to how many employees have lost their jobs, we will say, over the past 10 years because of the discontinuance of mail-carrying passenger trains?

Mr. BEATTIE. Mr. Cunningham, I am sorry I don't have that figure, but it would be a very sizable figure, several thousand, perhaps as many as 100,000. Offhand, I don't know. But we do know we have lost a great number of employees who were engaged in passenger service.

Mr. CUNNINGHAM. Has it been your experience when the Post Office Department takes off an RPO car that in the majority of instances results in the discontinuance of that passenger train?

Mr. BEATTIE. Yes, sir. And the situation in recent years has been more pronounced than it was in the past. In recent years we find that even in the applications which the carriers make to the Interstate Commerce Commission they are now stating that the threatened loss of their mail contracts or the actual loss that has just taken place has resulted in, or will result in, a deficit of a certain size which forces them to come to the Commission applying for abandonment. And when they come and produce the figures that the train or trains are losing this amount of money, under section 13(a) of the Interstate Commerce Act it is a foregone conclusion that the Commission will approve the abandonment.

Mr. CUNNINGHAM. It is your experience that the little profit that is made on a passenger train can be attributed in major part to the revenue that is received from the RPO contracts?

Mr. BEATTIE. In the majority of cases I think it would be safe to say yes, the revenue from mail is the major factor.

Mr. CUNNINGHAM. Are you familiar with the RPO operation in the mail service?

Mr. BEATTIE. I am not thoroughly familiar with the operation itself.

Mr. CUNNINGHAM. Would you venture an observation as to whether or not the mail service is as efficient if an RPO car is taken off or not where the mail is handled en route than otherwise?

In other words, does your knowledge include any observation that there is any substitute for en route distribution of the mail?

Mr. BEATTIE. I am not an expert in the operation of the RPO. From the discussion that I have heard by our people who are very familiar with the operation, I would say that this service is a much better service than you get otherwise.

Mr. CUNNINGHAM. One final thing referring to what I asked the previous witness. You say some of the railroads of this Nation desire to withdraw entirely from passenger service and devote their energies to relatively more profitable freight operations. This is a kind of a chicken-and-egg proposition. The Post Office Department has maintained over the years that it is the railroads that have discontinued their passenger operation and, therefore, they had to seek other means to deliver the mail, whereas the railroad people have said in the majority of instances that the removal by the Post Office Department of the RPO has caused the discontinuance of the passenger trains. Which would be more likely to be the truthful statement?

Mr. BEATTIE. Both have occurred on many occasions, I am sure.

Mr. CUNNINGHAM. I understand that.

Mr. BEATTIE. I would say that in recent years there has been more likely an inclination on the part of the Post Office to take mail off the trains and thereby cause the abandonment rather than the other way around. We have, just this week, two cases that have come to my attention. One is the Central Railroad of New Jersey which, as of this week, will lose its mail contracts for several trains, and I think the revenue amounts to about a million dollars a year. This railroad, the Governor of the State, the State senators, and the State delegation, did everything they could to keep the Postmaster General from doing this, and to try to get him to change his mind about taking off the mail. But as of this week I believe the mail is coming off, creating a million dollars a year loss.

Mr. CUNNINGHAM. There are many instances around the country. We have been fighting this battle the last couple of months. Two major trains in my area, Nebraska and Wyoming, are going to lose their RPO's, and we have had hearings, and so on. The Post Department is doing more of this now in these last few months than all of the 9 years I have been here.

Mr. BEATTIE. That is correct. I think it is related to the sectional center concept now being placed in operation.

Mr. CUNNINGHAM. Yes; it is.

Mr. BEATTIE. We have differences of opinion with them on it.

Mr. HENDERSON. I wonder if you could tell us to what mode of transportation are they going in the New Jersey area?

Mr. BEATTIE. This I do not know, but I assume it must be truckers and possibly some bus operation. I do not know who will get the mail contracts. All I know is that as of this week they are terminating the contract with the railroad. The same thing is taking place this week on the Central of Vermont, which is another railroad which wanted to carry the mail and did everything it could to preserve its mail contract, but that mail is being removed this week, too.

Mr. HENDERSON. Could you tell us whether the Department in either case contends they are saving money? Or is it because of the necessity of the sectional center change?

Mr. BEATTIE. I believe their contention is they are contracting for the most economical and efficient service. On both counts we disagree with them. They have never produced the figures to prove their cost analyses or to indicate to us whether they have holes in their figures and their methods, but they make these decisions and then tell you the reason is cost and efficiency.

Mr. HENDERSON. If the gentleman will yield for one more comment, I think we are all very concerned on this subcommittee about this problem, and it might be that the subcommittee would render a real fine public service if we would take one of these, or other typical cases, and go into this cost and efficiency test that they are using, because it is very obvious, from the testimony we have had, this is a continuous diversion of mail from passenger trains which is going to inevitably result in the curtailment of the passenger service. Everything else being equal, the subcommittee and the Congress might want to have some expression as to what its intent is here. And I certainly would be in a bad position to argue against a cheaper and more efficient method of transporting mail. But, on the other hand, I think Mr. Beattie has indicated what many others have told us, that we are not able to always be sure a decision to set up a sectional center in one particular place does not absolutely decide the fact you are going to have to divert mail from trains and therefore you lose the passenger train. So that the decision by the Department on some of the sectional centers has the inevitable result here. I wonder if it might not be well for us to take a case and look into it.

Mr. CUNNINGHAM. Mr. Beattie, in your statement you refer to the loss of employees, and I believe you estimated 100,000.

Mr. BEATTIE. Approximately 100,000 are employed now in the passenger service.

Mr. CUNNINGHAM. Do you refer to men working the mail?

Mr. BEATTIE. No; to men engaged in the passenger service.

Mr. CUNNINGHAM. In all types of railroad employees?

Mr. BEATTIE. Yes.

Mr. CUNNINGHAM. In other words, there would be a certain number if the RPO car is taken off, but that is not the end of it?

Mr. BEATTIE. That is correct.

Mr. CUNNINGHAM. It would affect a lot of other workers.

Mr. BEATTIE. Many others—maintenance employees, clerical employees. Aside from the train crew there are many other employees adversely affected.

Mr. CUNNINGHAM. Thank you. Thank you, Mr. Chairman.

Mr. DULSKI. Mr. Gross.

Mr. GROSS. Mr. Beattie, I want to make it plain I carry no torch for the railroads, the trucking industry, or the airlines in this matter.

All I want to see is fair competition. There is a fourth party, if you want to call it that, the public, which is paying the bill, and the public will pay the bill for the transportation of mail in the end in one way or another. This is my interest in this legislation, and I would hope that the railroad employees would be doing their part toward keeping the railroads competitive with others who have the service available for the transportation of mail.

That is all I have to say.

Mr. BEATTIE. I would like to comment on that just one bit. That is, the cost and expense to the public in the transportation of mail, of course, is very important, but I do not think that enough attention is paid to the quality of the service that is provided when decisions are made about how the mail is to be handled, whether by a contract star-route operator or a common carrier railroad. I do not think at the present time, or during the last few years, that the quality of service has been taken into consideration to the extent it should be or was in the past.

Mr. GROSS. I thank you for the suggestion. I should have added the quality and efficiency of the service as well. I take that for granted.

Mr. DULSKI. Mr. Green?

Mr. GREEN. I have no questions.

Mr. DULSKI. I have no questions.

We have statements from the Brotherhood of Locomotive Firemen & Enginemen, by C. N. Monaghan of the Legislative Board of Vermont; the Chamber of Commerce of the United States; the Chain Store Traffic League; and the Middlewest Shipper-Motor Carrier Conference, which will be placed in the record at this time.

(The statements referred to follow:)

BROTHERHOOD OF LOCOMOTIVE FIREMEN AND ENGINEMEN,
St. Albans, Vt., June 27, 1965.

Hon. TOM MURRAY,
Chairman, House Post Office and Civil Service Committee,
Washington, D.C.

HONORABLE SIR: Here is a statement that we ask be incorporated in the record and be considered as testimony in the House Post Office and Civil Service Subcommittee hearing upon H.R. 6472, June 29, 1965.

It is a story of the ill that can befall innocent people through ill-considered action by the Post Office Department.

House Resolution 6472 can be the vehicle for further deliberate destruction of railroad passenger service. It can be, as in this case, destruction that neither the carrier or its employees want.

In addition to its evidential status, this statement seeks the relief that your committee, in its wisdom, can give.

Respectfully,

C. N. MONAGHAN.

PREPARED STATEMENT OF CARLETON N. MONAGHAN, CHAIRMAN OF THE VERMONT LEGISLATIVE AND EDUCATION BOARD OF THE BROTHERHOOD OF LOCOMOTIVE FIREMEN & ENGINEMEN

STATEMENT OF FACTS

The Post Office has given notice that on July 1, 1965, the mails now being carried by Central Vermont trains 33 and 34 between White River Junction, Vt., and St. Albans, Vt., will be diverted to eight highway storage runs. The effect of this diversion will be the immediate destruction of these passenger trains with the attendant ills hereinafter related. The Post Office alleges that it destroys these trains to obtain more "efficiency" and more "economy." The Post Office will incur, for 4 years, the payment for 24,400 cubic feet of space, to be paid for, used or not, a liability that it does not have under railway carriage.

The Post Office alleges that it can save \$92,000 a year. The Central Vermont Railway received \$193,426.35 for mail carriage upon these trains in 1964. Thus the Post Office alleges a cost cut of 47.56 percent. To make clearer to your honorable committee certain pertinent facts, exhibits setting them forth are incorporated.

EXPLANATION OF THE EXHIBITS

For easy identification the exhibits have been numbered and will be explained in sequence.

Exhibit No. 1 is a map, not to scale, of the Central Vermont Railway as it appears upon the employees timetables. It shows the line of the railway and particularly that part of it where the diversion is going to take place. A comparison of it, with exhibit No. 2 will make this clearer. The relationship of the area distribution centers with the railway is intended to be demonstrated, also the relationship of the satellite communities to the area distribution centers.

Exhibit No. 2 is the area herein concerned taken from the Post Office "ZIP code map." The black squares are the area distribution centers. It will be noted that this map sets out eight area distribution centers for the State of Vermont, of which five are on the line of the Central Vermont Railway; Brattleboro, Bellows Falls, White River Junction, Montpelier, and Burlington. The Central Vermont Railway passes through Brattleboro, Bellows Falls, White River Junction; it passes within a mile and a half of Montpelier and within 9 miles of Burlington.

Exhibit 3 is the correct employees timetables in terms of standard time; they set forth the schedules of trains 33 and 34. Train 44 takes the place of train 34 on Sundays. The mileages between White River Junction and St. Albans are also shown.

Exhibits 4A, 4B, 4C and 4D are the advertisements for bids exhibited by the Post Office, they provide for eight highway storage runs for a period of 4 years, with a contracted for capacity of 24,400 cubic feet of space.

Exhibit No. 5 shows the Central Vermont Railway's statement of its earning in 1964 from mail carriage by its trains 33 and 34.

Exhibit No. 6 is a 10-day mail count for trains 33 and 34 that unfortunately fell into a slack period; another and later count has been made but not tabulated. It is a more normal period.

Exhibit No. 7 indicates that, contrary to what the Post Office alleged before the Senate Post Office and Civil Service Subcommittee on June 18, there are railroads that do want to retain their passenger trains, indeed want to increase that service.

Exhibit No. 8 describes a plan that has been extensively used in Canada by the Central Vermont's parent, the Canadian National Railways, for long enough to demonstrate its merit and effectiveness. By this "red, white, and blue" plan, the CNR has been able not only to hold its former passenger business but to materially increase that business. Since the pamphlets speak for themselves their contents won't be dwelt upon. The reason for the production of this is that the Central Vermont Railway recently tried to institute this plan for Vermont, New England, and New York State. The Boston & Maine and the New Haven Railroads refused to cooperate. (Retained in committee files.)

Exhibit No. 9 is a letter setting forth a slight insight into the Post Office's attitude.

Exhibit No. 10 is another letter giving additional facts about the impact of the Post Office's diversion plan.

DISCUSSION

Will there be economy?

The Post Office asserts that the destruction of these passenger trains is justified for two reasons, one of which is economy. Under the present arrangement the Central Vermont gets paid for only 9,840 cubic feet, used or not, of the total 24,640 cubic feet furnished. The Central Vermont Railway furnishes an additional 24,640 cubic feet that is paid for, only if used, and only in the amount actually used. The unit of measure for payment is 3 cubic feet, if only 3 cubic feet are used only that amount is paid for. This means that only 37.5 percent of the Central Vermont Railway space needs to be paid for, used or not. The majority of the space or 62.5 percent is paid for only as actually used.

Under the highway storage plan 100 percent must be paid for, used or not. The entire 24,400 cubic feet has to be paid for whether or not it is needed.

The Central Vermont Railway in 1964 (exhibit No. 5) received \$193,426.35 for the carriage of mail. Since the Post Office contends that it can save \$92,000 by diverting the mail to the highways, it is saying that it is going to save 47.7

percent. This is a most unusual contention. But when you have to pay for space that isn't used it's hard to see the existence of economy.

EFFICIENCY

The second justification is efficiency. By this, reasonably construed, is meant getting the mail to its addressee quicker. Everyone of the highway storage runs are subject to Vermont's rugged weather. Seldom does one see a railway passenger train stuck in a snowbank. Or creeping along because of ice, fog, or rain. But these are common highway sights. One characteristic of the highway storage runs is the carry-in of mail right by the place where it belongs. This entails backhauling. No plan for this backhauling has been made known but clearly enough it must be done.

Take for example Northfield, Vt., northbound train No. 33 arrives there at 3:57 a.m. daylight saving time. Mail is put off and mail is taken on. The mail for Northfield is at Northfield. But under the highway storage plan Northfield mail goes right past Northfield to Montpelier, some 15 miles away. It must then be segregated and returned to Northfield. Any mail that was ready at Northfield at 3:57 a.m. daylight saving time must wait until the mail from Montpelier arrives or the run is ready to return if that is the plan.

Another example is Richmond, northbound train No. 33 arrives there at 5:01 daylight saving time, mail is put off, and mail is taken aboard, Richmond mail is left where it belongs, at Richmond. But under the highway storage run it goes right by Richmond to Burlington some 20 miles away arriving there at 5:30 a.m. daylight saving time. It still has to be segregated, then returned to Richmond. There can hardly be any efficiency in this sort of thing.

Still another example is the mail for St. Albans about 30 miles north of Burlington. Mail from White River Junction arrives in Burlington at 5:30 a.m. (exhibit No. 4B) then it leaves Burlington for St. Albans at 6 a.m. daylight saving time getting to St. Albans at 7 a.m. daylight saving time. Train 33 arrives at St. Albans at 6 a.m. daylight saving time, an hour earlier and with the mail already segregated. The mail for the rest of Franklin County, Sheldon, Enosburgh Falls and Richford is ready to leave for those places at 6 a.m. daylight saving time, not an hour later as with the highway storage runs.

The most inexplicable run of all is the one that leaves its initial terminal, White River Junction at 10 a.m. daylight saving time (exhibit No. 4C). This is at an hour when city mail carriers are already on their routes. Mail on this run will not be delivered that day but the next. Where there is any increased efficiency or getting the mail to its addressees quicker is hard to see, instead the contrary seems most likely.

The coincidence of the highway storage runs with the train schedules of trains other than 33 and 34 will not escape the honorable committee. While the Post Office stoutly denies having any designs upon the other Central Vermont Railway trains, there is certainly a strange coincidence provided.

VARIOUS OTHER EFFECTS—RAILWAY EXPRESS AGENCY SERVICES

Trains 33 and 34 carry on a very good Railway Express Agency business, its patrons are industries like Union Carbon & Carbide, Standard Packaging, General Electric, and so forth. Besides many businessmen send and receive things by this service. The only remaining express messenger in northern New England, Vermont, and northern New York State is on trains 33 and 34. This will soon be no more if the mails are taken off trains 33 and 34 for these trains will slip into history. The revenue from mail carriage is a very significant part of passenger train earnings without it hardly any train like 33 and 34 can exist. Trains 33 and 34 are scheduled for the expedition and convenience of mail and have been so for a long time. Train 33 leaves White River Junction ahead of train 21, a through train from Washington and New York City. Being ahead it cannot perform local passenger service. But that's not what is intended, it is intended that it cater to the mail instead.

The Champlain Valley through which trains 33 and 34 run is a growing area as the two studies published in the State's largest newspaper, the Free Press, proves. These studies might well have been made exhibits. Any loss of the means of communication or its delay would most certainly adversely effect this valley.

The Champlain Valley has been selected for the receipt of evacuees from southern New York State and southern New England in the event of hostilities. It would be extremely difficult to evacuate these places promptly without railway passenger service.

The Champlain Valley is a natural corridor, it was the route of the Indians, the colonists and today, of the modern American. It is the natural corridor between Montreal, Boston, and New York City. It will be the natural corridor that will be traveled by those who attend the 1967 World's Fair in Montreal. It is the area where most of Vermont's largest communities are located. It is the area in which Vermont's famous ski resorts like Stowe, Vt. are located. It is the gateway to institutions of higher learning, and highly rated colleges like the College of Medicine of the University of Vermont. It is the route over which Boston's and other seaboard communities, whole milk supply is sent.

The sovereign State of Vermont, through its legislature has petitioned Congress, so has the railroad terminal city of St. Albans, Vt. These petitioners know full well the meaning of the destruction of Central Vermont Railway trains 33 and 34, they are acutely aware that this can be the forerunner of the destruction of all of the rest of Vermont's railroad passenger service.

The hopes of the Central Vermont Railway's parent, the CNR, to expand the railroad passenger service or to institute the Red, White & Blue travel plan will be dashed hopelessly to pieces by the removal of the mails from trains 33 and 34. Without the splendid service now being accorded the growth of the Champlain Valley will be irreparably stunted.

SUMMARY

Under the highway storage run plan the space, used or not is paid for 100 percent.

Under the present use of trains 33 and 34 only 37.55 must be paid for.

Under the highway storage runs system there will be no Railway Express Agency messenger service, no milk moved, nor any of the other side benefits enjoyed.

Keeping the mails upon the rails is urged because:

It will be cheaper.

It will get the mail there quicker, more directly, more consistently.

It will preserve to the public rail transportation service.

It will preserve to industries and to businessmen, railway express service.

It will preserve to the skier and vacationist a direct route to his fun.

It will preserve to the Nation a corridor of evacuation for its largest city.

It will preserve many jobs directly, many more indirectly.

It will save further congestion of the highways.

It will save backhauling the mail.

It will avoid the effects of snow, ice, fog, and rain.

It will preserve a route direct to the 1967 World's Fair.

It will once again demonstrate the wisdom of Congress.

Your honorable committee is urged to examine carefully the inevitable destruction of Vermont's remaining railroad passenger service. It is not necessary to ask for specific relief for your honorable committee knows best what it should be and will provide it.

EXHIBIT No. 1

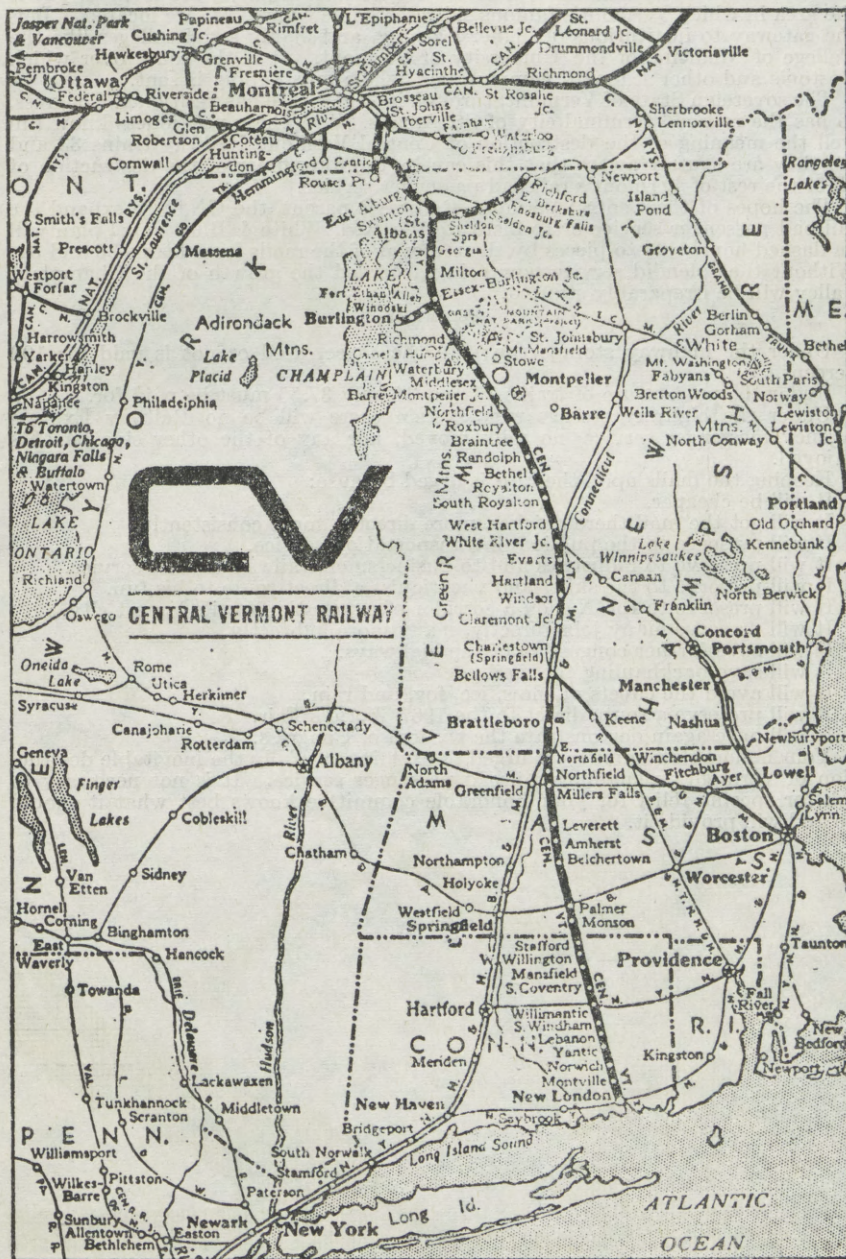


EXHIBIT No. 2

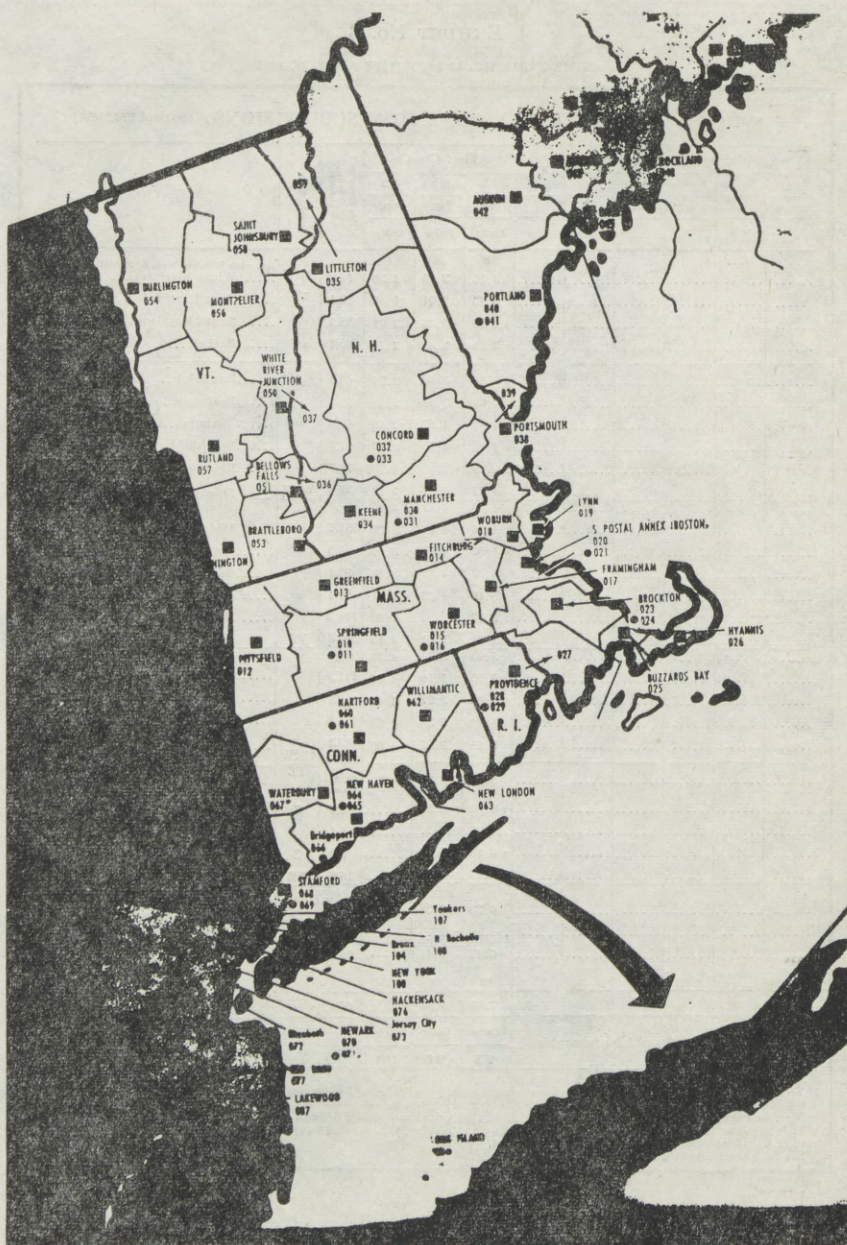


EXHIBIT No. 3

TIME TABLE No. 65 EFFECTIVE APRIL 25, 1965

NORTHWARD				ROXBURY AND SWANTON SUBDIVISIONS			SOUTHERN DIRECTION		
				First Class			Miles from and to Windsor	Symbol	STATIONS
				75	21	33			
				Pg.	Pg.	Pg.			
				Daily	Daily	Daily			
				PM	AM	AM			
				3.15	3.10	1.30	14.8	CWK	Jct. with Windsor Sub. & B. & M. R. R.
								Z	White River Jct. 7.3
				3.26	3.21	1.42	22.1		West Hartford 10.4
				* 3.30	3.33	2.01	32.5		South Royalton 6.9
				* 3.49	3.41	2.11	39.1		Bethel 7.0
				* 3.59	3.50	2.21	46.4		Randolph 5.7
				4.07	3.57	2.38	52.1		Braintree 8.5
				* 4.17	4.07	2.49	60.6		Roxbury 7.1
				* 4.25	* 4.15	2.57	67.7		Northfield 4.0
							71.7		Riverton 4.7
				4.37	4.27	3.13	76.4	WYZ	Montpelier Jct. 4.7
				4.40	4.31	3.26			
				4.46	4.37	3.32	81.1		Middlesex 4.8
				* 4.52	* 4.43	3.39	85.9		Waterbury 7.2
				5.03	4.52	3.52	93.1		Bolton 5.3
				* 5.10	4.59	4.01	99.1		Richmond 4.0
				5.17		4.09	104.3		Williston 4.0
				5.22	5.10	4.15	108.3	YZ	Essex Jct. 3.6
				5.25	5.14	4.28			Jct. with Winooki Sub. 7.2
				5.30	5.19	4.33	111.9		Colchester 7.2
				* 5.38	5.27	4.42	119.1		Milton 5.3
				5.48	5.38	4.53	126.8		Oakland 5.3
				5.55	5.45	5.00	132.1		V-St. Albans 4.0
				5.59	5.53	AM		CKW	
				6.03	5.57		1.5	YZ	*St. Albans 1.5
							5.4	Z	Jct. with Richmond Sub. 3.9
				* 6.13	6.07		9.0	Z	*North Jct. 3.6
				* 6.27	6.23		15.6	YZ	Fonda 6.6
									Swanton 2.4
				6.30	6.28		18.0		East Alburgh 5.0
							23.0		Rogers 2.4
									Noyan 2.4
				6.42	6.41		25.4	BYZ	Cantic 2.4
				PM	AM				Jct. with C. N. Valleyfield and
				7.45	7.55		65.8		Rouses Point Subs.
				Daily	Daily	Daily			Montreal
See pages 4, 5, 6, 7 and 8 for footnotes				75	21	33			Times shown at Montreal are for information only.

No. 33 effective June 1, flag stop Roxbury.

No. 21 will stop at Northfield to discharge revenue passengers from Springfield or beyond, and at Waterbury to pick up or discharge revenue passengers to or from Montreal, Concord, Springfield or beyond.

No. 75 will stop to handle revenue passengers as follows: Richmond and Milton daily to discharge from White River Jct. or beyond. Effective June 1, will stop at Roxbury every Saturday and Sunday, and on other days will stop at Roxbury to pick up or discharge to or from Montreal, Concord, Springfield or beyond.

See St. Albans Terminal Footnotes.

EXHIBIT No. 3—Continued

TIME TABLE NO. 65 EFFECTIVE APRIL 25, 1965

SOUTHWARD		ROXBURY AND SWANTON SUBDIVISIONS										SUPERIOR DIRECTION	
STATIONS		Office Signals	Car Capacity		First Class								
					76	34	44	20					
					Pgtr.	Pgtr.	Pgtr.	Pgtr.					
					Daily	Daily Except Sunday	Sunday Only	Daily					
Jct. with Windsor Sub. & B. & M. R. R.	VN	Yard			PM	PM	PM	AM					
White River Jct.					2.35	11.25	11.30	12.01					
West Hartford		115			2.25	11.13	11.18	11.49					
South Royanton	DG	101	44	s 2.10	s10.59	s11.05	11.37						
Bethel	FW	78	34	s 1.59	s10.47	s10.53	11.29						
Randolph	AX	88	91	s 1.48	s10.35	s10.42	11.20						
Braintree		101	6	1.39	10.24	10.32	11.13						
Roxbury		96	17	* 1.29	F+10.14	F+10.22	11.03						
Northfield	HU	66	93	s 1.19	s10.03	s10.11	10.55						
Riverton													
Montpellier Jct.	KD	101	165	1.06	9.48	9.57	10.44						
				1.02	9.33	9.52	10.41						
Middlesex		61	12	12.56	9.27	9.46	10.35						
Waterbury	W	100	128	s12.50	s 9.21	s 9.40	*10.29						
Bolton		93	10	12.39	9.09	9.28	10.20						
Richmond	RN	102	25	*12.32	s 9.02	s 9.21	10.13						
Williston		70		12.26*	8.53	9.13	10.07						
Essex Jct.	SX	121	166	12.21	8.48	9.08	10.01						
Jct. with Windsor Sub.				12.17	8.33	9.03	9.58						
Colchester		65	6	12.12	8.28	8.58	9.53						
Milton		83	82	*12.04	8.20	8.50	9.45						
Oakland		103		11.54	8.08	8.38	9.36						
V. St. Albans	SA		Yard	11.47	8.00	8.30	9.28						
*St. Albans	SA		Yard	11.43	PM	PM	9.25						
Jct. with Richmond Sub.													
*North Jct.				11.39			9.21						
Fonda													
Swanton	V	97	179	s11.29			9.12						
East Alburgh			71	11.15			9.00						
Rogers		89		11.11			8.56						
Noyan		17											
Cantic	VA			11.01			8.44						
Jct. with C. N. Valleyfield and Rouses Point Subs.				AM			PM						
Montreal				9.50			7.55						
Time shown at Montreal are for information only.				Daily	Daily Except Sunday	Sunday Only	Daily						
See Pages 4, 5, 6, 7 and 8 for footnotes.				76	34	44	20						

No. 76 will stop to handle revenue passengers as follows: Milton daily to discharge from Montreal or beyond. Richmond daily to discharge from St. Albans and to pick up for White River Jct. or beyond. Effective June 1, will stop at Roxbury to discharge from Montreal or beyond and to pick up for Concord, Springfield or beyond.

No. 34 and 44, effective June 1, flag stop Roxbury.

No. 20 will stop at Waterbury to pick up or discharge revenue passengers to or from Montreal, Concord, Springfield or beyond.

See St. Albans Terminal Footnotes.

EXHIBIT No. 4-A

INVITATION

SEALED PROPOSALS will be received at the above office until 4:30 o'clock P., M.,

June 9 1965, for carrying the United States mails for the term from July 1 1965
(or such subsequent date as may be ordered) to June 30, 1969, on the following-described route by the
schedule stated, or such other schedule of like running time as may be prescribed:

STATEMENT OF SERVICE

From Montpelier, Vermont to White River Junction Truck Terminal, 55.8 miles
and back, 7 times a week.

SCHEDULE

Lv. Montpelier daily at 8:30 P.M.
Ar. White River Junction Truck Terminal by 10:00 P.M.
Lv. White River Junction Truck Terminal daily at 2:45 A.M.
Ar. Montpelier by 4:15 A.M.

SERVICE NOTES

Daylight Saving Time to be observed when in effect.
Box delivery and collection service NOT REQUIRED.
Contractor may be required to perform extra trips as directed by the Director,
Transportation Division or other postal official. Compensation for extra trips
will be at pro rata.

VEHICLE REQUIREMENTS

Contractor will be required to furnish one (1) tractor and two (2) trailers
to perform this service. Trailers must provide 2100 cubic feet capacity to carry
all classes of mail.

Equipment furnished must be in good condition and adequately maintained.
Trailer doors must be equipped with suitable locking device and secured with a
padlock while enroute.

SPOTTING OF TRAILERS

One trailer will be spotted at White River Junction Truck Terminal at all
times for continuous loading. Trailer arriving Montpelier at 4:15 A.M. will be
spotted at the post office until departure time at 8:30 P.M.

Contractor will assist in unloading at both installations but loading will
be performed by Post Office employees.

SPECIAL REQUIREMENTS

The contractor will be expected to observe certain minimum requirements
outlined in Transportation Handbook Series T-3. A copy of Handbook, Series T-3,
entitled "Motor Carrier Safety Regulations for Star Route and HPO Contractors"
may be obtained by writing the Director, Transportation Division, Post Office
Department, Boston, Massachusetts 02109.

The Contracting Officer may require any bidder under this Advertisement,
as evidence of his responsibility, to submit within 48 hours of being so notified
proof that he has successfully owned or operated a transportation enterprise of
approximately equal scope and responsibility to that required under this

BOND REQUIRED WITH BID, \$ 10,000.00

Completed Proposal Should Be Mailed to the Address Shown Above, Except as Provided in Paragraph 17 of
Attached Form 5435-A. See Instructions to Bidders and Contract General Provisions Attached Which are Made
Part of this Advertisement. For Further Information, Contact Chief, Highway Transportation Branch
Post Office Department, Boston, Massachusetts 02109
(ADDRESS)

Each Proposal Should Be Sent in a Sealed Envelope. Mark on Outside of Envelope "MAIL PROPOSAL,
ROUTE FROM MONTPELIER, TO WHITE RIVER JUNCTION
STATE OF VERMONT, BULLETIN ADVERTISEMENT."

THE POSTMASTER WILL PLEASE POST THIS WHERE IT MAY BE SEEN BY EVERY
PERSON ENTERING THE POST OFFICE

EXHIBIT No. 4-B

INVITATION

SEALED PROPOSALS will be received at the above office until 4:30 P.M. June 9, 1965.

June 9, 1965, for carrying the United States mails for the term from July 1, 1965 (or such subsequent date as may be ordered) to June 30, 1969, on the following described route by the schedule stated, or such other schedule of like running time as may be prescribed:

STATEMENT OF SERVICE

From Burlington, Vermont via Routes 2, 302, 110 and 14 to White River Junction Truck Terminal, 95.0 miles and back, 7 times a week.

SCHEDULE

Lv. Burlington daily at 8:30 P.M.
Ar. White River Junction Truck Terminal by 11:30 P.M.
Lv. White River Junction Truck Terminal daily at 2:30 A.M.
Ar. Burlington by 5:30 A.M.

SERVICE NOTES

Daylight Saving Time to be observed when in effect.
Box delivery and collection service NOT REQUIRED.
Contractor may be required to perform extra trips as directed by the Director, Transportation Division or other postal official. Compensation for extra trips will be at pro rata.

VEHICLE REQUIREMENTS

Contractor required to furnish one (1) tractor and two (2) trailers to perform this service. Trailers must provide 2100 cubic feet capacity to carry all classes of mail.

Equipment furnished must be in good condition and adequately maintained. Trailer doors must be equipped with suitable locking device and secured with a padlock while enroute.

SPOTTING OF TRAILERS

One trailer will be spotted at White River Junction Truck Terminal at all times for continuous loading. Trailer arriving Burlington at 5:30 A.M. will be spotted at the Burlington Post Office until departure time at 8:30 P.M.

Contractor will assist in the unloading at both installations but loading will be performed by Post Office employees.

SPECIAL REQUIREMENTS

The contractor will be expected to observe certain minimum requirements outlined in Transportation Handbook Series T-3. A copy of Handbook, Series T-3, entitled "Motor Carrier Safety Regulations for Star Route and HFO Contractors" may be obtained by writing the Director, Transportation Division, Post Office Department, Boston, Massachusetts 02109.

The Contracting Officer may require any bidder under this Advertisement, as evidence of his responsibility, to submit within 48 hours of being so notified proof that he has successfully owned or operated a transportation enterprise of approximately equal scope and responsibility to that required under this

BOND REQUIRED WITH BID, \$ 10,000.00

Completed Proposal Should Be Mailed to the Address Shown Above, Except as Provided in Paragraph 17 of Attached Form 5435-A. See Instructions to Bidders and Contract General Provisions Attached Which are Made Part of this Advertisement. For Further Information, Contact Chief, Highway Transportation Branch Post Office Department, Boston, Massachusetts 02109

(ADDRESS)

Each Proposal Should Be Sent in a Sealed Envelope. Mark on Outside of Envelope "MAIL PROPOSAL, ROUTE FROM BURLINGTON, TO WHITE RIVER JUNCTION (TRAILER), STATE OF VERMONT, BULLETIN ADVERTISEMENT."

THE POSTMASTER WILL PLEASE POST THIS WHERE IT MAY BE SEEN BY EVERY PERSON ENTERING THE POST OFFICE.

EXHIBIT No. 4-C

INVITATION

SEALED PROPOSALS will be received at the above office until 4:30 o'clock P. M.,
June 9 1965, for carrying the United States mails for the term from July 1 1965
 (or such subsequent date as may be ordered) to June 30, 1969, on the following-described route by the
 schedule stated, or such other schedule of like running time as may be prescribed:

STATEMENT OF SERVICE

From White River Junction, Vermont Truck Terminal by Barre and Montpelier to
 Burlington 95.0 miles and back, 6 times a week, but no service required on holidays (8).

SCHEDULE

- Lv. White River Junction Truck Terminal daily, except Sunday and holidays (8) at
 10:00 A.M.
- Ar. Burlington by 1:15 P.M.
- Lv. Burlington daily, except Sunday and holidays (8) at 2:00 P.M.
- Ar. White River Junction Truck Terminal by 5:15 P.M.

SERVICE NOTES

Daylight Saving Time to be observed when in effect.
 Box delivery and collection service NOT REQUIRED.
 Contractor may be required to perform extra trips as directed by the
 Director, Transportation Division or other postal official. Compensation for extra
 trips will be at pro rata

VEHICLE REQUIREMENTS

Contractor required to furnish a vehicle providing 1000 cubic foot capacity
 to carry all classes of mail. Equipment furnished must be in good condition, fully
 enclosed and doors equipped with suitable locking device. Doors to be secured with
 padlock while enroute. Smaller vehicle may be used provided all mails are carried.
 Contractor will spot vehicle sufficiently in advance to load prior to scheduled de-
 parture time.

SPECIAL REQUIREMENTS

A copy of Transportation Handbook Series T-3, entitled "Motor Carriers Safety
 Regulations for Star Route and HPO Contractors" may be obtained by writing to the
 Director, Transportation Division, Post Office Department, Boston, Massachusetts
 02109.

The Contracting Officer may require any bidder under this Advertisement, as
 evidence of his responsibility, to submit within 48 hours of being so notified proof
 that he has successfully owned or operated a transportation enterprise of approximately

BOND REQUIRED WITH BID, \$ 10,000.00

Completed Proposal Should Be Mailed to the Address Shown Above, Except as Provided in Paragraph 17 of
 Attached Form 5435-A. See Instructions to Bidders and Contract General Provisions Attached Which are Made
 Part of this Advertisement. For Further Information, Contact Chief, Highway Transportation Branch
 Post Office Department, Boston, Massachusetts 02109
 (ADDRESS)

Each Proposal Should Be Sent in a Sealed Envelope. Mark on Outside of Envelope "MAIL PROPOSAL,
 ROUTE FROM WHITE RIVER JUNCTION, TO BURLINGTON,
 STATE OF VERMONT, BULLETIN ADVERTISEMENT."

THE POSTMASTER WILL PLEASE POST THIS WHERE IT MAY BE SEEN BY EVERY
 PERSON ENTERING THE POST OFFICE

EXHIBIT No. 4-D

INVITATION

SEALED PROPOSALS will be received at the above office until 4:30 o'clock P. M.,

June 9 1965, for carrying the United States mails for the term from July 1 1965
(or such subsequent date as may be ordered) to June 30, 1969, on the following-described route by the
schedule stated, or such other schedule of like running time as may be prescribed:

STATEMENT OF SERVICE

From Burlington, Vermont by St. Albans Railroad Station to St. Albans Post Office,
RETURNING direct to Burlington, equal to 27.3 miles and back, 7 times a week.

SCHEDULE

- Lv. Burlington daily, except Sunday at 6:00 A.M.
and on Sunday at 7:30 A.M.
Lv. St. Albans RR Station at 6:45 A.M. and 8:15 A.M.
Ar. St. Albans Post Office by 7:00 A.M. and 8:30 A.M.
Lv. St. Albans Post Office daily, except Sunday about 7:00 P.M. upon receipt of
mail from Richford
and on Sunday at 1:00 P.M.
Ar. Burlington by 8:00 P.M. and 2:00 P.M.

SERVICE NOTES

Daylight Saving Time to be observed when in effect.
Box delivery and collection service NOT REQUIRED
Contractor may be required to perform extra trips as directed by the Director,
Transportation Division or other postal official. Compensation for extra trips will
be at pro rata.

VEHICLE REQUIREMENTS

Contractor required to furnish a vehicle providing 900 cubic foot capacity to
carry all classes of mail. Equipment furnished must be in good condition, fully en-
closed and doors equipped with suitable locking device. Doors to be secured with
padlock while enroute. Smaller vehicle may be used provided all mails are carried.
Contractor will spot vehicle sufficiently in advance to load prior to scheduled de-
parture time.

SPECIAL REQUIREMENTS

A copy of Transportation Handbook Series T-3, entitled "Motor Carriers Safety
Regulations for Star Route and HPO Contractors" may be obtained by writing to the
Director, Transportation Division, Post Office Department, Boston, Massachusetts 02109.

BOND REQUIRED WITH BID, \$ 4,500.00

Completed Proposal Should Be Mailed to the Address Shown Above, Except as Provided in Paragraph 17 of
Attached Form 5435-A. See Instructions to Bidders and Contract General Provisions Attached Which are Made
Part of this Advertisement. For Further Information, Contact Chief, Highway Transportation Branch
Post Office Department, Boston, Massachusetts 02109
(ADDRESS)

Each Proposal Should Be Sent in a Sealed Envelope. Mark on Outside of Envelope "MAIL PROPOSAL,
ROUTE FROM BURLINGTON, TO ST. ALBANS,
STATE OF VERMONT, BULLETIN ADVERTISEMENT."

THE POSTMASTER WILL PLEASE POST THIS WHERE IT MAY BE SEEN BY EVERY
PERSON ENTERING THE POST OFFICE

EXHIBIT No. 5

CENTRAL VERMONT RY., INC.

U.S. mail revenue from Nos. 33-34, year 1964

	RPO	Storage	Total
No. 33.....	\$17,848.84	\$110,078.37	\$127,927.21
No. 34-44.....	17,848.84	47,650.30	65,499.14
Total.....	35,697.68	157,728.67	193,426.35

MAIL TRANSPORTATION BY MOTOR VEHICLES

EXHIBIT No. 6
Pieces of U.S. mail handled in storage service on train No. 33, May 1-10, 1965

	Central Vermont car No.	White River Junction		South Royakton		Bethel		Randolph		Northfield		Montpelier		Waterbury		Essex Junction		St. Albans	
		On	Off	On	Off	On	Off	On	Off	On	Off	On	Off	On	Off	On	Off	On	Off
May:																			
1.....	70 44003 33 69 44000 40 70 44003 33 69 44000 40 318 44003 33 273 44000 40 44000 316 354 69 240 40	482 604 443 288 206 246 272 219 231 354 316 349 394 273 434 267 412 493 375 372 463 386 457 518 380 346 321 246	13 8 10 14 11 8 19 12 13 10 11 5 19 19 12 19 10 10 7 24 24 24 16 117	41 25 21 29 23 24 40 24 19 10 19 19 10 19 10 10 7 24 24 24 24 16 24 246	36 22 26 25 17 25 29 23 17 25 29 41 18 14 25 29 38 41 375 48 336 13 380 49 246	51 443 12 246 33 231 38 240 41 223 46 26 41 375 48 336 13 380 49 246	19 17 16 15 18 14 25 18 14 25 61 25 18 17 15 3 17 15 174	51 604 17 396 35 319 48 316 54 394 56 434 61 493 60 453 17 518 48 321	255 179 122 177 135 197 178 162 320 158 183										
Total.....		10,890	118	117	275	273	3,357	174	3	4,695	1,883								

Pieces of U.S. mail handled in storage service on train No. 34, May 1-10, 1965

Central Vermont car No.	St. Albans		Essex Junction		Richmond		Waterbury		Montpelier Junction		Northfield		Randolph		Bethel		South Royton		White River Junction	
	On	Off	On	Off	On	Off	On	Off	On	Off	On	Off	On	Off	On	Off	On	Off	On	Off
May: 1-----	70		5		5				2											8
2-----	44003		39						61											39
3-----	69	1	5				1		2		2		1		1		1			61
4-----	70	82	26		5		8		11		9		1							10
5-----	44003		128								1		1							116
6-----	33																			128
7-----	69	47	23		4		2		10		2		1		1					197
8-----	44000		133				2		197		2									62
9-----	40																			133
10-----	70	48	18				2		108				1		2					168
11-----	44003		116						9		1		16				2			68
12-----	69	72	16		7		6		191		1									116
13-----	44000		111								1		1							191
14-----	40																			101
15-----	70	65	21		3		15		139		3		2							111
16-----	44003		119				1		12		1				1					139
17-----	33								226											89
18-----	69		6						4											119
19-----	44001		43																	226
20-----	40								19		2									2
21-----	70		5				1						1							43
22-----	69	83	22		2		2		2		1				1		1			19
23-----	44001		132						12				1							93
24-----	40								143											132
Total-----	398		968		26	2	37	7	1,144	72	29	7	18	7	2	4	2	2		2,523

EXHIBIT No. 7

[From the Messenger, June 23, 1965]

MAY ENLARGE PASSENGER SERVICE

NEW YORK.—In a statement at a recent subcommittee hearing of the U.S. Senate Post Office and Civil Service Committee, Carleton N. Monaghan, of St. Albans, railroad union representative stated, "The Canadian National and the Central Vermont Railways have committed themselves to the retention of passenger service, even to enlarging it."

William Dewan, public relations director of the CNR, this morning confirmed this to the Messenger.

"We are at present midway through an extensive program of refurbishing and updating 725 passenger cars of all kinds.

"This, however, is somewhat in anticipation of the World's Fair of 1967, to be held in Montreal.

"Meanwhile, we are making a huge promotion to encourage travel by rail.

"Consider that a person can go from New York to Vancouver for \$100, this to include a lower berth and all meals during the journey.

"And in Canada we have our 'red, white, and blue fares' program, whereby rates for travel are reduced by as much as 50 percent during those periods, such as in winter, when passenger travel is light."

Regarding rumored further transfer of personnel from St. Albans to the Montreal office, Dewan said he had heard nothing of such contemplated movements.

(Exhibit No. 8 is retained in committee files.)

EXHIBIT No. 9

BROTHERHOOD OF LOCOMOTIVE FIREMEN & ENGINEMEN
ON THE CENTRAL VERMONT RAILWAY,
Washington, D.C., March 23, 1965.

MR. C. N. MONAGHAN,
Chairman, Vermont Legislative and Education Board,
St. Albans, Vt.

DEAR CARL: I was out of the city last week which will account for this belated reply to your correspondence relative to the Post Office Department discontinuing mail on trains throughout the New England States.

We met with Postmaster General Gronouski along with members of his staff including the Deputy Postmaster General last Friday, March 12. Along with the railroad groups was Mr. Harry T. Anglim, administrative vice president of the United Federation of Postal Clerks, and also his president, whose name has slipped my mind. Mr. Gronouski led the conference by stating he had received complaints from various groups regarding the discontinuance of RPO cars on passenger trains as well as complaints regarding forwarding first-class mail by commercial airlines instead of railroads.

He stated that it was his duty as Postmaster General to give the citizens of this country the best, quickest possible service at prices now being charged for shipment of mail. He also said the Post Office Department was making a survey now as to how to give better service to parcel post and he explained that the majority of this type of mail was being shipped by railroads and he felt in the near future that better service could be given to customers shipping by parcel post and the volume would grow.

It was explained to us that the Post Office Department was setting up a sectional center distribution points throughout the United States to speed up the handling of mail. There would be some 553 key points designated as area distribution centers and from these key points the mail would be handled by truck to other post offices in the surrounding areas.

The Postmaster General stated that he and his assistants had been meeting with railroad officials, especially in the eastern part of the country, seeking ways to speed up the handling of mail by railroads but from the conversation as I got it from Mr. Gronouski, the railroad officials did not seem to be too enthusiastic to handle the mail. If railroad management does not want to give the Post Office

Department the service that they will demand, there is little if anything employee or employer representatives can do to retain mail contracts if the railroads are not sincere in their endeavors to keep the mail contracts.

It was pointed out to members of the Postmaster General's staff that bad weather or other conditions could delay if not stop mail that was handled by any other means other than the railroads. The Postmaster said he was cognizant of the fact but the postal department has no law or regulation that requires the railroads to handle the mails if they do not desire to do so.

It was further pointed out to us that within the next few months the Post Office Department would probably ask Congress to fix one rate for first-class mail and not have mail designated as airmail. He explained that shipment of first-class mail would be handled by the fastest possible way which would be possibly by the airlines. This move you can be sure, Carl, we will fight.

We were told that mail handled in intracity and intrastate would possibly be continued to be handled by the railroads but first-class mail going across the country would probably be handled by airlines.

I am sending you under separate cover map I secured from the postal department setting up these distribution points which I feel may be of some help to you.

The Post Office Department was supposed to have prepared a memorandum for us on the highlights of Mr. Gronouski's talk as well as salient parts of statements made by other representatives present. To date this has not been received.

To this point, Carl, I have not been able to get the verbatim testimony regarding the Railway Labor Act as you requested some months ago. So far as I can find out there are no copies of this available except in the Archives which I cannot obtain.

Best wishes, kindest personal regards,

Sincerely and fraternally,

A. M. LAMPLEY, *Vice President.*

EXHIBIT No. 10

ST. ALBANS, VT., *March 29, 1965.*

Friends of the Mails on the Rails:

You are far too numerous to address individually even if we had the stenographic facilities to do so. While we don't like the impersonality of mimeographing, we are forced by reason of circumstance to use it, or not communicate at all.

A résumé of what the Postmaster General had to say to the Railway Labor Executives Association on March 12, together with a large map upon which the Post Office has delineated its "area distribution centers" is productive of some very interesting facts. Vermont is allocated eight "area distribution centers". They are:

Burlington.....	CV
St. Johnsbury.....	
Montpelier.....	CV
White River Junction.....	CV
Rutland.....	
Bellows Falls.....	CV
Brattleboro.....	CV
Bennington.....	

Of these eight centers, five are directly served by the Central Vermont Railway and are so marked. Rutland could be served by that same carrier via Bellows Falls or White River Junction. St. Johnsbury could also be served by the CV as we understand that the Post Office intends a HYPO run from Burlington to that point. The five points make up 62.5 percent of the total, with Rutland in the percentage rises to 75 percent; with St. Johnsbury, it reaches 87.5 percent. Three centers are shared between Vermont and New Hampshire. They are: White River Junction, and Bellows Falls, with Littleton, N.H., incorporating a part of eastern Vermont to the east of St. Johnsbury.

The airline service in Vermont is not too secure, to frequent, and is certainly subject to suspension when weather conditions are bad. We are told that our highways between New York and the border are becoming congested more and more. The effect of weather conditions upon them is well known; it ties up highway users or slows them down materially. These facts confirm the belief that the

mails should be kept upon the rails. We are best served by the retention of our remaining passenger service.

The theme of why the Post Office is doing this is standard; Washington expounds it; so does the Boston Regional Office; all are duty bound to do the best for us. The popular, though often elusive, economies of the Federal Government, play a major part in the Post Office's argument. It might be observed that all that we have substantiating the Post Office's claim of "efficiency" and "economy" is its bare assertion. No statistical study has been produced. Yet we know that as early as mid-December the Boston Regional Office was claiming that it had concluded a survey. But even if there were a study it would only reflect an idea or a hope at best, it would not reflect experience. The Post Office has not proven its case. Any "proof" that it might have would be only what the Post Office "hopes" to do; not what it has done. The House Postal Operations Subcommittee, according to the Times of March 29, is preparing the resumption of its inquiry into the "improved" mail service. The subcommittee wanted to know why the service is so wretched, so slow, so productive of "beat up" packages, and costs so much. We have the ridiculous incongruity of the Post Office's assertions that all is well, its mail service superb, while our Congressmen are listening to witnesses who tell about 1,000-mile excursions of letters sent, and packages that are received but don't contain their original contents. The Post Office tries to hide behind the very flimsy defense of voluminous mail and ineptly prepared packages. We had both of these plagues in proportion before, still we didn't have the delays, or the "beat up" packages. The "improved" service isn't at all impressive. Less emphasis upon what the Department "claims" it can do, and more upon what it is doing, will prevent our being sold wishful thinking for reality.

There seems to be an unholy trinity involved in this banning of the mails from the rails. The Department of Commerce, the Interstate Commerce Commission and the Post Office Department are the members. The interrelationship between the Post Office and the Commerce Department will be more evident when the latter's progress reports on "High Cost Allocation Studies Pursuant to Section 210 of the Highway Revenue Act of 1956" is examined. It is apparent right now that there is much enlightenment to be had from these reports. The blighting effect of the combined ministrations of these three agencies is more than Vermont can stand.

In this brief communication the economic impact is not stressed, the inconvenience left untouched upon, and the dubiousness of the alleged "efficiency" and "economy" only barely mentioned. These have heretofore been called to attention. What is being shown here is that Vermont already has just what the Post Office says it needs, an efficient, dependable route for the transport of "area distribution center" mail.

The network of carriers with which the Central Vermont Railway is in contact offers a splendid route either south or west. The Central Vermont Railway contacts the Canadian National Railways at Montreal where the mail to, and from, the west can be swiftly handled. Southward the Central Vermont Railway contacts the Boston & Maine at White River Junction, The Boston & Albany at Palmer, Mass., and the New Haven at Williamantic and New London, in Connecticut. Even mail to, and from, Boston is not in a bad case once it reaches White River Junction. We are in a corridor, or two corridors; one Montreal to New York; the other Montreal to Boston. These corridors are so natural that they were originally used by Indians, settlers, and the military. Their values are still available.

Our Congress will soon be entertaining a so-called corridor bill, the bill of U.S. Senator Ribicoff. Lately the concept of corridor has been expanded to include west coast areas and other areas. We, too, are a corridor-situated people. We are not on an offbeat route at all.

The Governors of New York, Connecticut, Massachusetts, and Rhode Island are asking the Federal Government to provide money to support interstate and long-haul passenger train service. This is an outright subsidy. True, we have no mass or suburban transit, but we are just as interested in interstate and long-haul passenger trains as are these States. There is a distinction, though. We are not asking for a subsidy; we are only asking for a chance to do a job, for pay; one that we have done for a long time without complaint from the Post Office. If keeping the mails upon the rails is not economically justified, it is no different in the final analysis than subsidies; subsidies are not economical either. The lesser populated areas like Vermont are still a part of these United States. The people of Vermont are no less entitled to governmental help than are the people in the big cities. If it is less economical to keep the mails on the rails than it is to subsidize nonsustaining commuter service, when the former also maintains

interstate or long-haul passenger trains, then something else motivates our Government besides commonsense.

The new single rate for both first-class mail and air mail is a cute gimmick for concealing the losses occasioned by diverting first-class mail from ground transport to air transport. The Government has absorbed the rate differential. It has caused deficit operation. This new single rate will be higher than the present first-class rate and will have the effect of forcing those who don't want to pay the air mail rate to help those who do.

It would seem that before we are led into error we should insist upon definite factual foundation for what is so broadly and generally claimed. This should be contrasted with our corridor status, our already existing superior rail transportation, and weighed with our needs. There is still no array of testable proof. Before Vermonters permit the destruction of their remaining passenger trains they should be certain beyond a doubt that it is in the best interests of Vermont.

Those who are filled with a defeatist attitude, who hesitate to act boldly or who are preoccupied with matters of lesser importance, can take heart from the fact that we are more than able to meet the specifications of the Post Office for the distribution of the mails to the area distribution centers. Vermont's passenger train service can be saved. Historically, the Post Office was for the public convenience, not profit. All that we need is resolution. However formidable the opposition, it will melt before the kind of militancy so well summarized by those whose chant is, "We will overcome." It is the kind of faith that moves mountains.

Slavish acceptance of governmental schemes, however glittering, is a very dangerous indulgence. The "hucksters" in Government are no different than those who peddle, from door to door, panaceas; both are playing upon the credulity of man.

Vain is the thought that our remaining railroad passenger trains can survive without mail pay any more than one can maintain a high standard of living on less income. There is no mystery or magic to this; it is but commonsense.

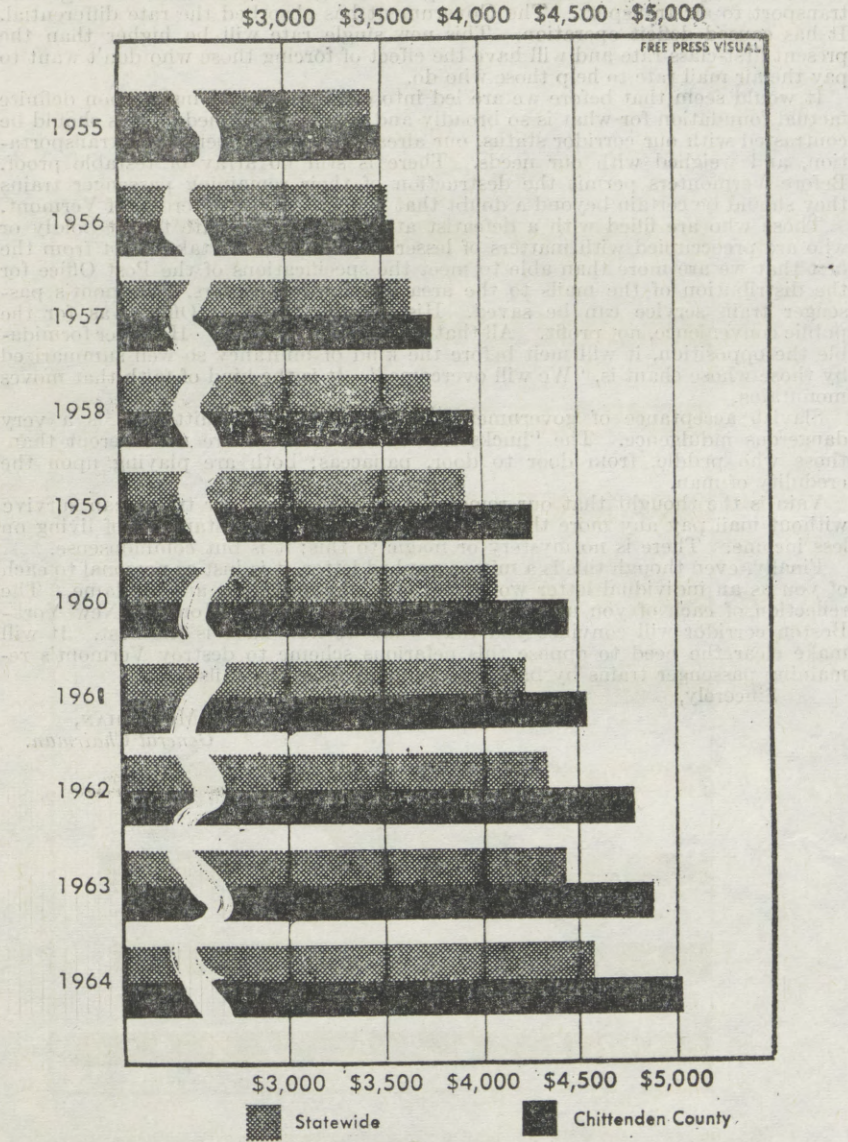
Finally, even though this is a mimeographed letter, it is just as personal to each of you as an individual letter would be; only circumstances are to blame. The reflection of each of you upon our unique position in the Montreal-New York-Boston corridor will convince you that what we now have is the best. It will make clear the need to oppose this nefarious scheme to destroy Vermont's remaining passenger trains by banning the mails from the rails.

Sincerely,

C. N. MONAGHAN,
General Chairman.

[From Free Press, Burlington, Vt., June 24, 1965]

Average Annual Wages In Covered Employment

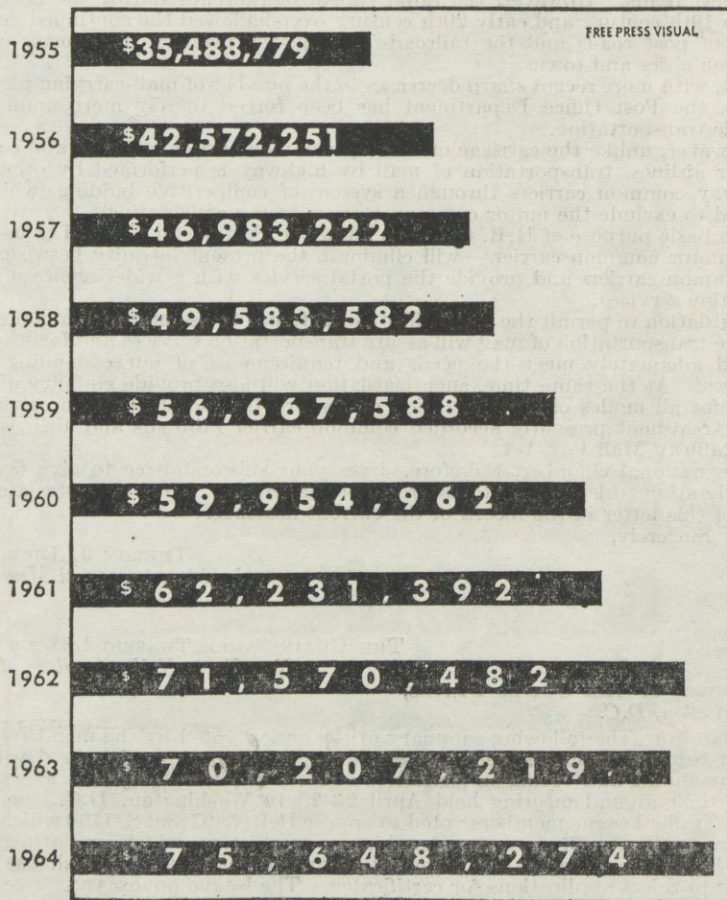


Average wages of persons in covered employment in Chittenden County increased at faster rate from 1955 through 1964 than did wages in state as a whole.

[From Free Press, Burlington, Vt., June 24, 1965]

Payrolls Grow

Total Chittenden County Wages In Covered Employment



Total wages received by Chittenden County workers employed by firms covered by unemployment insurance have increased steadily since 1955. Another significant increase is expected in 1965.

CHAMBER OF COMMERCE OF THE UNITED STATES,
Washington, D.C., June 25, 1965.

Hon. THADDEUS J. DULSKI,
*Chairman, Subcommittee on Postal Operations,
Post Office and Civil Service Committee,
U.S. House of Representatives, Washington, D.C.*

DEAR CHAIRMAN DULSKI: The Chamber of Commerce of the United States urges that the Postmaster General be given authority to use motor common carriers in the transportation of mail, at rates approved by the Interstate Commerce Commission, or at contract rates agreed to by the Department and the motor carriers, patterned after the Railway Mail Act. We, therefore, endorse what we understand to be the basic purpose of H.R. 6472.

Under the Constitution, the Congress has the power to establish post offices and post roads. However, the rapid spread of railroads during the latter part of the 19th century and early 20th century overshadowed the continued development of post roads and the railroads became the primary transporter of mail between cities and towns.

But, with more recent sharp decreases in the number of mail-carrying passenger trains, the Post Office Department has been forced to rely more upon motor vehicle transportation.

However, unlike the carriage of mail by common carrier railroads and common carrier airlines, transportation of mail by highway is performed by other than highway common carriers through a system of competitive bidding, which has tended to exclude the motor common carriers from participating.

The basic purpose of H.R. 6472—to allow the Postmaster General to use highway motor common carriers—will eliminate the present inequity between types of common carriers and provide the postal service with a wider choice of transportation services.

Legislation to permit the Post Office Department to use motor common carriers for the transportation of mail will assure transportation services and facilities that should adequately meet the needs and requirements of our expanding postal services. At the same time, such legislation will also provide equality of treatment for all modes of transportation and afford the motor common carriers the same treatment presently accorded common carrier railroads and airlines under the Railway Mail Pay Act.

The national chamber, therefore, urges your subcommittee to give favorable consideration to legislation to assure these objectives. We will appreciate insertion of this letter in the record of the current hearings.

Sincerely,

Theron J. Rice,
Legislative General Manager.

THE CHAIN STORE TRAFFIC LEAGUE,
New York, N.Y., April 28, 1965.

CONGRESS OF THE UNITED STATES,
Washington, D.C.

DEAR SIR: The following summary of the action voted by the members of the Chain Store Traffic League is presented for your consideration in developing, recommending and voting on legislative matters of interest to us:

At their annual meeting held April 20-23 in Washington, D.C., the Chain Store Traffic League members voted to oppose H.R. 5397 and S. 1730 which would require certificates of exemption for shippers associations which are not regulated. This legislation is seen as an attempt to extend regulation through use of the power to reject applications for certificates. The league opposes any attempt to shift the responsibility for proof from complainant to bona fide exempt operations.

Chain Store Traffic League members voted to support Post Office Department use of available forms of transportation, including motor common carrier as provided in H.R. 6472 and S. 1595. Full support was voted for H.R. 5869 and S. 1732 which would permit ICC and court reparations awards against motor carriers and freight forwarders on the same basis as railroad reparations are now permitted.

The members of the Chain Store Traffic League voted to oppose the recently added section 8 of H.R. 5401. This would permit injured parties in clear patent violations of section 410 of the ICC Act to apply to U.S. district courts for restraining injunctions. Such legislation would enable freight forwarders to harass bona fide shippers associations in attempts to force them out of business.

Other parts of H.R. 5401 which were criticized include sections 3 and 5 which fail to clearly require the retaining of ICC jurisdiction in applying the primary business test to determine legality of trucking operations. Sections 6 and 7 which permit court awards of reparations against motor carriers and freight forwarders are supported although found less desirable than H.R. 5869 and S. 1732 which would be fully consistent with existing laws on railroad reparations. The CSTL's position is that the Commission as well as the courts should be permitted to authorize reparations awards for all types of ICC regulated carriers.

The members of the Chain Store Traffic League hope that the undesirable features of H.R. 5401 and S. 1727 can be corrected or eliminated so that those parts which will benefit the shipping public can be supported.

Very truly yours,

C. W. BERGER,
Traffic Manager, Montgomery Ward & Co.

MIDDLEWEST SHIPPER-MOTOR CARRIER CONFERENCE,
Kenosha, Wis., May 28, 1965.

HON. THADDEUS J. DULSKI,
*Chairman, Subcommittee on Postal Operations,
U.S. House of Representatives, Washington, D.C.*

DEAR CONGRESSMAN DULSKI: Whereas the Middlewest Shipper-Motor Carrier Conference composed of representatives of shippers and motor carriers from a 15-State area, and,

Whereas the object of the conference includes the promotion of adequate motor transportation, and to develop and promote more efficient and economical transportation, and,

Whereas the conference at its 42d regular meeting at Lincoln, Nebr. on May 12, 1965, had under consideration the matter of Senate bill S. 1595 and House bill H.R. 6472 which establishes a requirement that the Postmaster General make use of the regulated motor carriers on same basis as he now uses regulated railroads and air carriers for transportation of the U.S. mail, now therefore, be it

Resolved, That this conference is on record as being in support of these bills and urges their passage by the Congress of the United States at the earliest possible date.

Very truly yours,

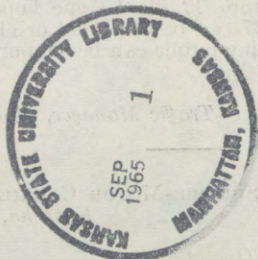
WM. J. KAZMER, *Secretary.*

Mr. DULSKI. If there are no other witnesses, the subcommittee stands adjourned. Thank you very much.

(Whereupon, at 11:55 a.m., the subcommittee adjourned.)

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The report of H. H. Davis, which was submitted to the committee on the 11th of June, 1935, is a very interesting one. It contains a number of facts and figures which are of great value in the study of the problem of mail transportation by motor vehicles. The report is a very thorough one and covers a wide range of subjects. It is a very valuable contribution to the study of the problem of mail transportation by motor vehicles.



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