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GOVERNMENT MOTOR CARRIER

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HEARINGS
BEFORE THE
COMMITTEE ON POSTAL OPERATIONS
OF THE
COMMITTEE ON
OFFICE AND CIVIL SERVICE
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH CONGRESS

SECOND SESSION

ON

H.R. 13925

A BILL TO AMEND CHAPTER 95 OF TITLE 39,
UNITED STATES CODE



MAY 18, 25; JUNE 1, 8, AND 9, 1966

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MAIL TRANSPORTATION BY REGULATED MOTOR CARRIER
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MAIL TRANSPORTATION BY REGULATED MOTOR CARRIER

WEDNESDAY, MAY 18, 1966

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 346, Cannon House Office Building, Hon. Thaddeus J. Dulski (chairman of the subcommittee) presiding, for the consideration of H.R. 13925, a bill authorizing the use of regulated motor carriers engaged in the transportation of property for the transportation of mail.

(H.R. 13925 follows:)

[H.R. 13925, 89th Cong., 2d sess.]

A BILL To amend chapter 95 of title 39, United States Code

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the title of chapter 95 of title 39, United States Code, is hereby amended to read as follows: "**TRANSPORTATION OF MAIL BY RAILROAD AND REGULATED MOTOR CARRIER**".

SEC. 2. Section 6201 is amended by striking out everything contained therein except the title and substituting the following language: "As used in this chapter, unless otherwise specified, 'railroad' means a railway common carrier, including an electric urban and interurban railway common carrier and 'regulated motor carrier' means any motor carrier engaged primarily in the transportation of property as authorized by a certificate of public convenience and necessity, a certificate of registration, or a permit, issued by the Interstate Commerce Commission."

SEC. 3. Section 6213 is amended by striking out everything contained therein except the title and substituting the following language:

"(a) The Postmaster General is authorized to make use of the services of any regulated motor carrier for the transportation of mail and the services connected therewith over the routes or within the territory such motor carrier is authorized to serve, if such motor carrier has submitted, on forms and in the manner prescribed by the Postmaster General, a tender of availability.

"(b) The Postmaster General may grant the request of any regulated motor carrier to withdraw a tender of availability if, in his discretion, such motor carrier has given reasonable notice and shown good cause for such request.

"(c) The Interstate Commerce Commission shall, not earlier than the first day of the eighteenth month, nor later than the last day of the twenty-fourth month, following enactment of this section, initiate a proceeding to classify motor carriers and fix rates or compensation, pursuant to section 6028 and section 6209 (a) and (b), for mail transportation service performed by regulated motor carriers on and after the date on which such proceeding is initiated, except that compensation for services under any contract authorized by law shall be that provided in such contract.

"(d) Initial rates or compensation for mail transportation service by any regulated motor carrier or carriers shall be those agreed to by the Postmaster General and the duly designated agent or agents of such motor carrier or carriers, and such rates or compensation shall continue in effect for not less than twelve months, except that such initial rates shall not be effective on and after the date on which the Interstate Commerce Commission shall institute proceedings

under subsection (c) of this section. The fact that rates or compensation to be fixed by the Interstate Commerce Commission are not in effect on the date of this enactment shall not operate to prevent the Postmaster General from negotiating special contracts authorized by section 6215, at rates or compensation he deems fair and reasonable.

"(e) The Postmaster General may fine any regulated motor carrier \$500 for each day such carrier refuses to perform mail transportation service while a tender of availability is in effect.

"(f) The Postmaster General may make deductions from the compensation due any regulated motor carrier for failure to perform mail transportation service under the conditions, and in the manner, required by the Postmaster General. If such failure is due to the fault of such motor carrier, he may deduct a sum not exceeding three times the compensation applying to such service.

"(g) The Postmaster General may permit a railroad to perform mail transportation by motor vehicle over highways in lieu of service by rail at rates or compensation not exceeding those allowable for similar service by rail."

SEC. 4. (a) Subsection (a) of section 6208 is amended by inserting after the word "railroad" the words "or regulated motor carrier".

(b) Subsections (b) and (c) of section 6208 are amended by inserting after the word "railroads" the words "or regulated motor carriers".

(c) Subsections (a) and (b) of section 6209 are amended by inserting after the word "railroad" the words "or regulated motor carrier".

(d) Section 6214 is amended by inserting after the word "railroad" the words "or regulated motor carrier".

(e) Section 6215 is amended by inserting after the word "railroads" the words "or regulated motor carriers".

(f) The title of chapter 101 of title 39 is amended to read as follows: **"TRANSPORTATION OF MAIL OTHER THAN BY RAIL, AIR, HIGHWAY POST OFFICE OR REGULATED MOTOR CARRIER"**.

(g) Section 6402 (a) is amended by adding thereto the following new subsection (7):

(7) transportation of mail by regulated motor carrier, as defined in section 6201, shall be procured as provided in chapter 97, or as provided in this chapter.

Mr. DULSKI. The committee will come to order.

This morning we are commencing hearings on H.R. 13925, a bill authorizing the use of regulated motor carriers engaged in the transportation of property for the transportation of mail.

Last year this subcommittee held extensive hearings on a bill, H.R. 6472, which sought to accomplish the same basic result as the present bill—to provide greater flexibility in the transportation of mail. H.R. 6472 was rejected by this subcommittee last year because it was felt that further hearings should be held on alternative proposals.

A new bill has been drafted which I sponsored, H.R. 13925, and will be the basis for these hearings. The present measure is a more practical legislative vehicle than last year's. It is a permissive grant of authority to the Postmaster General in broadening his choice of transportation facilities.

In 1935, the trucking industry came under the regulatory supervision of the Interstate Commerce Commission. However, the scope of the regulation did not extend to the transportation of mail. It is apparent that the present law relating to the transportation of mail is unfair to motor carriers of property. They are a vital and important part of our transportation system, and no valid basis exists for discriminating against this segment of the shipping industry. These carriers are able to carry mail as economically, expeditiously, and efficiently as railroads, airlines, and buses. They should be allowed to transport mail on the same general basis as the other carriers.

The bill we are considering will accomplish this result and provide the Post Office Department with the widest possible latitude of flexibility in selecting which service to use.

This legislation will permit transportation of the mail on regulated motor carriers which are defined as motor carriers primarily engaged in the transportation of property under a certificate or permit issued by the ICC. Only those motor carriers who filed a tender of availability, an evidence of desire to serve, could be called upon by the Postmaster General to render service. Once the tender is filed, the carrier would be obligated to render service as requested by the Postmaster General.

As a protective measure for the Post Office Department, the carrier would be required to provide the mail service once it evidenced a desire to perform the services. It could not withdraw the service without the permission of the Postmaster General. For refusal to provide the service, the carrier would be liable for \$500 a day. If it failed to perform in the manner required, deductions from pay may be imposed.

The other basic features of the bill permit the Postmaster General to initially negotiate rates with the truckers. These initial rates would continue in effect for at least 12 months in order to give the carriers and the Postmaster General an experience base upon which to evaluate the agreed compensation. These rates would cease to have effect after the ICC institutes rate proceedings as prescribed in this measure. The ICC would be authorized to start a review proceeding and to establish classifications for the motor carriers and their services to be rendered. These proceedings could not begin sooner than 18 months nor after 24 months from the date the initial rates were set by the Postmaster General. The Postmaster General could still negotiate special contracts for 4-year periods with any regulated motor carrier in addition to the above-mentioned authority. This would not be subject to review by the ICC.

Without objection, a summary of H.R. 13925 will be made a part of the record at this point.

(The summary follows:)

SUMMARY OF H.R. 13925—TRANSPORTATION OF MAIL BY TRUCK

H.R. 13925 is designed to permit the Postmaster General to use the services of regulated motor carriers under the same general terms and conditions as he secures mail transportation service from the railroad. This bill supersedes H.R. 6472, on which extensive hearings were held in 1965.

The bill will authorize the Postmaster General to use motor carrier services. The measure is a permissive grant of authority and would not require him to use such services. It is intended merely to broaden the Postmaster General's choice of transportation facilities.

The legislation will permit transportation of the mail on regulated motor carriers which are defined as motor carriers primarily engaged in the transportation of property under a certificate or permit issued by the Interstate Commerce Commission. Only those motor carriers who file a tender of availability, an evidence of desire to serve, could be called upon by the Postmaster General to render service. Once the tender is filed, the carrier would be obligated to render service as requested by the Postmaster General.

Rates for the carriage of mail would be established initially by agreement between the Postmaster General and the carrier. The Interstate Commerce Commission would be authorized to review the initial rates and establish new rates and new classifications under proceedings in accordance with existing law.

In addition, the Postmaster General would be authorized to negotiate special contracts with any regulated motor carrier for the carriage of mail.

The legislation will preserve the Postmaster General's right to use regulated motor carriers in star route service. There would be no changes whatsoever in existing star route law.

Mr. DULSKI. The witnesses this morning are Mr. Berry Meyer, counsel-public affairs, American Trucking Associations, Inc.; Mr. P. T. Beardsley, general counsel of the American Trucking Associations, Inc.; and Mr. Orrin H. Fraley, vice president of the Consolidated Freightways, Inc., of Menlo Park, Calif.

We extend a cordial welcome to you gentlemen and are pleased to hear from you at this time.

**STATEMENT OF P. T. BEARDSLEY, GENERAL COUNSEL,
AMERICAN TRUCKING ASSOCIATIONS, INC.**

Mr. BEARDSLEY. Mr. Chairman and members of the committee, my name is P. T. Beardsley. I am general counsel of the American Trucking Associations, Inc., 1616 P Street NW., Washington, D.C., an organization of the trucking industry representing all forms of motor carriers of property, and having affiliated State associations in 49 States and the District of Columbia.

This morning we wish to discuss H.R. 13925, a bill to make regulated motor carrier service available to the Post Office Department in the same manner that railroad and air carrier service has been made available.

We seek, through this proposed legislation, to be placed in a position of equality with rail and air competitors—and to give to the Post Office Department a fair and appropriate means of utilizing the carefully planned, fast, flexible, and efficient service which the regulated trucklines of this country now provide for private shippers and for Government agencies other than the Post Office Department.

Following my very brief remarks I will introduce our witnesses, Mr. Barry Meyer, an American Trucking Associations counsel, who will cover the legal and technical aspects of the bill, and Mr. Orrin H. Fraley, vice president of Consolidated Freightways, Inc., Menlo Park, Calif., who will deal with the main questions you gentlemen and others have asked in the past about mail-truck transportation. Mr. Fraley is an officer of one of the largest regular route common carriers in America and his company has, in the past, had considerable experience in moving and in attempting to move mail under the present star route bid procedures.

Before presenting these witnesses, let me reiterate that we seek almost exactly the same type of authorization, if that be the right word, to move mail as that of the railroads.

The only points of difference are those made necessary by peculiar points of difference between the rail and the trucking industries. For example, the operations of many truck common carriers, such as heavy haulers, automobile transporters, and the movers of bulk commodities, are generally not adaptable to the type of service required by the Post Office Department, although even some of these operators might wish to and may be able to adapt to the transportation of mail. Therefore, the bill provides that regulated carriers should first submit to the Postmaster General tenders of availability. Once having submitted such a tender, a trucking company will then stand in almost exactly the same position to the Post Office Department as does a common carrier railroad insofar as its obligations to serve are concerned.

In this regard, there are over 15,000 regulated motor carriers in the United States, including the specialized carriers. It is our best estimate that not more than 2,000 or 3,000 of these carriers conduct the type of operations which would be suitable for mail movements.

However, let me add that the operations of these 2,000 or 3,000 carriers provide a network of truck common and contract carrier service which will make directly accessible to the Post Office Department every community in the Nation.

The device of a "tender of availability" will reduce the administrative problem of the Post Office Department in its negotiations for truck mail service by pinpointing the scope and nature of usable truck service. This procedure is also consistent with the Post Office Department's actual practice of dealing with the railroads. As I understand it, the Department has never required a railroad to continue mail service against its wishes.

Unless there are questions on this opening statement, may I present Mr. Meyer.

**STATEMENT OF BARRY MEYER, COUNSEL, PUBLIC AFFAIRS,
AMERICAN TRUCKING ASSOCIATIONS, INC.**

Mr. MEYER. Mr. Chairman and members of the subcommittee, I am Barry Meyer, counsel, public affairs, appearing on behalf of the American Trucking Associations, Inc., the national trade association of the trucking industry composed of 50 State trucking associations and 13 conferences, representing all forms of motor freight carriers in the United States, private and for hire.

We are appearing today in support of H.R. 13925, a bill which would permit the Postmaster General to use regulated motor carriers under the same general terms and conditions that apply to transportation of mail by rail.

Our industry has been seeking the right to participate in the transportation of mail since the late 1940's. We have been before this committee previously, and before the Senate committee on one occasion, seeking enabling legislation.

The legislation before you is different from anything which has been presented for congressional consideration in prior years. No element of compulsion on the part of the Post Office Department to use motor carriers is contained in this legislation. This bill would permit, not require, the Postmaster General to use regulated motor carriers in the transportation of mail. The bill would merely enable the Postmaster General and the motor carriers to establish rates pursuant to which mail would be moved by regulated motor carriers of freight, if the Postmaster General felt that their service would improve the Post Office Department's ability to serve the public.

Recently, a number of articles have appeared in the daily press and national periodicals on the plans and programs of the Post Office Department to, among other things, mechanize its operations and to establish regional distribution centers. These undertakings have been designed to improve the Department's service capabilities. These news stories quote the Postmaster General and his chief advisers on the Department's need for greater flexibility and greater speed in the handling and delivery of mail. This is just the kind of service our industry stands ready, willing, and able to deliver.

We are experts in tailoring the services we can render to meet the needs of our customers. For most of our carriers, not a night passes without at least one priority shipment being dispatched for delivery early the next morning at a point hundreds of miles away. This type of door-to-door delivery is our specialty. We know what services we render to the shipping public and what services we have rendered to other Government agencies. We believe we could make a significant contribution to improving the distribution of mail in the United States.

It is strange that the only agency of the Federal Government barred from using the services of independent regulated motor carriers, operating as such, is the Post Office Department. We think that restriction borders on the absurd.

Going back to the basic element of H.R. 13925—there is no requirement that the Post Office Department use motor carrier service.

The Post Office Department would be involved in the establishment of initial rates which later would be subject to ICC review. It seems obvious that if the Postmaster General felt the rates established were too high or too expensive, he would merely forgo the use of motor carriers. If the rates were comparable to rail rates, he would have an alternative service to consider. If motor carrier rates were less than rail rates, he would not only have proven service advantages, but he would be able to meet his transportation needs at lower costs. What those rates will be, we cannot say, but unless this legislation is passed we will never be able to make a legitimate estimate of what is involved in the way of cost.

As we said at the outset, this bill is a totally new approach—unlike anything which our industry has supported in the way of enabling legislation in the past. First of all, the idea behind it arose out of last year's hearings. As you remember, Deputy Assistant Postmaster General Frederick E. Batrus, in response to a question from one of the members of the committee said:

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 railroads.

H.R. 13925, the bill before you, uses that idea as its basic theme.

To begin with, it would amend chapter 95, title 39, of the United States Code known as the postal code, to carry out the intent of the legislation, which is to put the motor carriers at the disposition of the Postmaster General on the same terms and conditions as the railroads. Chapter 95 contains the provisions governing transportation of mail by railroad. One of the side reasons for using chapter 95 is that, as it is presently drawn, section 6213 of that chapter provides for transportation of mail by railroad-owned motor carriers in lieu of transportation by railroad train facilities. We feel, in simple justice, that we are entitled to no less.

Regulated motor carriers, as used in this legislation, refers to any carrier engaged, primarily, in the transportation of property as authorized by a certificate of public convenience and necessity, a certificate of registration or a permit issued by the ICC pursuant to the Interstate Commerce Act.

The heart of the bill is section 3, which amends section 6213 to which we have already referred. Under it, the Postmaster General is authorized to make use of the services of any regulated carrier for

the transportation of mail, if the motor carrier has submitted a tender of availability. The carrier would be limited to the routes or territory over which he is authorized by the ICC to render service to the public or to other Government agencies.

The tender of availability, which once made would be binding upon the carriers, would be made on forms and in the manner prescribed by the Postmaster General. Release from the tender of availability could only be given by the Postmaster General at his discretion and only for good cause.

What has been described to you so far, we believe, is simple and clearly indicates the different obligations of the parties involved. The Postmaster General could make use of motor carriers, if he so desired, while the carriers who indicate a willingness to serve would be required to serve until released.

Rates would be initially established by agreement between the Postmaster General and the motor carriers involved or their duly designated agents. Neither party could be harmed because there would be no change in the existing situation, unless, and until, an agreement had been reached which would make it worthwhile for the Postmaster General to use regulated motor carriers. At the same time, it would insure reasonable compensation for service to the motor carrier involved. The reference to duly designated agents would enable the motor carrier to operate through existing rate bureaus or to establish a separate mail rate bureau so that negotiations could be handled by experts with reasonable dispatch. This would be comparable to the system by which railroad rates are established.

Once the rates had been established, they would be continued in effect for not less than 12 months, in order, we think quite properly, to give the Postmaster General and the carriers the opportunity to gain experience under the rates. This would provide an experience factor upon which to gage the cost of the service being rendered and received, and would facilitate an intelligent evaluation of the service.

The ICC would first become involved between 18 and 24 months after enactment of the legislation. By that time sufficient experience would have been gained by both sides to enable them to make a reasonable presentation to the Commission for a determination of compensation under the existing provisions of chapter 95. These are the same provisions pursuant to which the Commission now determines and sets rail compensation.

The legislation provides penalties for any carrier who refuses to render service once the obligation to render service has been undertaken. The penalties are substantially similar to those applicable to rail transportation, although the amounts are not the same since the size of the mail shipments which would be involved is significantly different. With railroads, you are dealing with many cars of mail at one time and with the motor carrier—single vans.

In addition to establishing a rate procedure, H.R. 13925 would permit the Postmaster General to make special contracts with motor carriers for the rendering of service under language which is the same as the Postmaster General now uses for special railroad contracts.

There are also a number of technical amendments to existing sections of chapter 95.

The bill would continue the railroads' right to substitute rail-owned motor carriers for railroad train service, as is now provided for by law.

In addition, any rail-owned motor carrier which is certificated by the ICC as a motor carrier, and there are many, would be eligible under all the provisions of H.R. 13925 to make service available to the Post Office Department.

The availability of the star route system remains intact and unchanged under the terms of the legislation.

We sincerely believe that this is a good bill; that it will enable the Post Office Department to render better service to the public; that it will not result in any increased costs in rendering that improved service and that, in view of the continued growth of mail volume, especially second-, third-, and fourth-class categories and the shrinkage of available passenger trains, existing relationships will not be disturbed. We believe, with equal sincerity, that star route carriers, who have rendered service to the Post Office Department under a long and honorable tradition, will continue to increase their participation in mail transportation and that the needs of the Post Office Department are such that all forms of transportation, and divisions within those forms, will have a great deal of opportunity to prove their merit. We seek no special treatment, no privileged niche, no guarantees—all we seek is the opportunity to render service in an atmosphere of equality and reasonable treatment and that the artificial barrier which has barred the Post Office Department from availing itself of our service be lowered. We are convinced that the success of motor freight carriage in rendering transportation service for other Government agencies, as well as private industry, will be repeated with respect to the Post Office Department if H.R. 13925 is enacted into law.

Thank you very much for your kind attention and your consideration.

Mr. DULSKI. Thank you, Mr. Meyer. First I would like to commend you for a very fine statement. I think you have covered every phase of the legislation, which is very simple. It just gives equity to the trucking industry that has been given to the railroads.

Last year we had extensive hearings on H.R. 6472. Our subcommittee did not report out the bill because of the objections of the Post Office Department. It is my understanding you have had some discussions with the Post Office Department on this matter. Could you elaborate on this?

Mr. MEYER. Yes. We have had a number of conversations and meetings with the Post Office Department. As you know, you introduced legislation in similar form, H.R. 13257, earlier in the year. Based on that legislation we had extensive discussions with the Post Office Department and I believe the language contained in H.R. 13925 is a rather detailed result of those meetings. This bill, we believe, indicates the desires of both the motor carriers and the Post Office Department of what is needed in the way of legislation. We have had a number of conversations and this is the result.

Mr. DULSKI. Thank you very much, Mr. Meyer.
The next witness is Mr. Fraley.

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

Mr. FRALEY. Mr. Chairman and members of the Subcommittee on Postal Operations, my name is Orrin H. Fraley. I appear here in support of H.R. 13925. I am vice president of Consolidated Freightways Corp. of Delaware, a general commodity motor common carrier operating in most of the United States, and also into Alaska.

I am also chairman of the Government Traffic and Defense Liaison Committee of the Regular Common Carrier Conference of American Trucking Associations. This committee under my chairmanship and others has been seeking mail legislation for many years.

My associate is R. Edwin Brady, assistant executive director of the Regular Common Carrier Conference. An attorney, he has participated in recent industry meetings with the Post Office Department. Both of us will be available for your questions following my testimony.

It is a pleasure to appear again before you. Today we have a new bill before your subcommittee and before our industry. H.R. 13925 is major postal legislation, and it is the product of long effort to provide motor carrier service to the Post Office Department without injuring other modes of transportation. It recognizes the principle that the Postmaster General should determine Postal Department transportation requirements.

In general, therefore, the regulated motor carrier industry supports this particular legislative approach as being practical, realistic, and more workable than any earlier approach. However, the hearings held last year on this same matter served a useful purpose. As Chairman Dulski remarked, they helped to clear the air. It should be remembered by the subcommittee that the trucking industry and individual trucklines began serious consideration of mail transportation legislation shortly after World War II. Nor was the idea then new to the Post Office Department, which had recommended to Congress the use of the motor carrier industry in the 1930's. In short, the legislation covered by the bill before us, while new, has actually been in the making for many years.

The task before us now is to properly evaluate the factors which require enactment of H.R. 13925 this year. My testimony, therefore, is aimed at answering the main questions that have been asked of our industry by legislators and others as we have sought enabling legislation. Briefly, these questions are summarized as follows:

- (1) Is mail truck transportable?
- (2) Can regulated motor carriers provide mail transportation service as required by the Post Office Department?
- (3) Will the cost of regulated motor carrier compare favorably with other mail transportation costs?
- (4) What benefits can be expected by mail patrons?

By way of answering the first two questions, it is important to realize that the mail-using public and the Post Office Department are eager for improvement in the postal service.

H.R. 13925, if enacted, will make available to the Post Office the modern, nationwide system of highway transport which will help to improve the transportation arrangements involved in the movement of mail. We sincerely desire to help in improving postal transportation.

The question, "Can the regulated motor carriers provide the service required by the Post Office Department?" leads to a description of our service and a comparison with the service needs of the Post Office Department. This can be done very briefly.

The regulated motor carriers provide the primary freight service today that the Nation depends upon. Industrial, commercial, and military establishments rely heavily upon the regulated motor carrier service for their day-to-day transportation requirements. No modern city could live for long without the constant flow of regulated truck service. Under present laws, the Post Office is unable to readily use this system of motor transport.

The regulated motor carrier service picks up the shipment 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 promptly, 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 up mail at the post office or truck facility, at one or as many points as the postal transportation managers might require. The mail would then be transported in sealed vehicles and delivered to a central post office, to a truck facility, sectional centers, or to sub post offices along the route as the Department might require.

The daily needs of many of our present shippers are quite similar to those of the Post Office Department. They use the regulated carriers on predetermined plans, having instructions in our hands as to exactly how their shipments are to be handled, routed, and delivered. As far as we can determine, the Post Office Department does not have any transportation requirements that are basically different, or more complex, than those of our industry's many commercial shippers. Operations of the regulated motor carrier are extremely flexible. Overnight service with early next morning delivery is routine. We know we can readily meet the needs of the Post Office Department and we have the ability to respond quickly to the special situations which will most assuredly arise.

The purpose of H.R. 13925 is, simply stated, to make available to the Post Office Department this modern system of highway transportation.

Mr. Chairman, your subcommittee is familiar with the consist of U.S. mail. It contains personal correspondence, business mail, advertising, magazines, and thousands of articles of commerce. More than 90 percent of the mail is exactly the same kind of merchandise, goods, publications, and other property which we motor carriers are already handling in our trucks today—and have been handling for years. Less than 10 percent of the mail by volume is either letter mail or preferential mail. The overwhelming volume of mail—including first-class surface mail—is 100-percent truck transportable today.

Our regulated carriers are handling all commodities for the general public on an expedited service basis. No segment of the shipping public has any responsibility for filling our vehicles or giving us a

particular volume of these same commodities. The same would be true of the Post Office Department under this bill. It would pay only for the amount of transportation service actually performed.

One of the articles which we have recently read, with great interest, appeared in the March 14, 1966, issue of U.S. News & World Report. The statistics contained in that article bear heavily on what we have been saying here. According to the story, in the past 20 years, the annual mail volume has gone from 37.9 billion pieces to 71.9 billion. Postal officials estimate that by 1970 the Post Office Department will handle 90.3 billion pieces of mail—an increase at the rate of 3.5 billion pieces a year.

Railroads which, for many years, have carried the bulk of the mail have been able to render less and less service. According to this same story, there were more than 10,000 passenger trains carrying mail 30 years ago. Today there are fewer than 1,000 such trains available for mail transportation. There has been a continuing shift of mail carriage to highways and airways, but regulated motor carriers, as such, cannot participate in the movement of mail. If the Postmaster General is to meet his obligations he will need H.R. 13925, so that he can make use of the thousands of pieces of equipment which federally regulated motor carriers of freight have to offer in this transportation service.

True, the Postmaster General can use the star route carriers to take up part of the slack. Transportation of mail by these carriers has increased over the years and will, without question, continue to increase in the years to come, regardless of what happens to the legislation before you. But the problem with the star route procedure is that it does not permit the application of the inherent advantage of regulated motor carriers of freight—the advantage of flexibility of service to meet the needs of the customer.

The number of star route carriers available to render service to the Post Office Department in the transportation of large quantities of mail is limited. We might almost say that the kind of line haul transportation of mail of which we are talking cannot be rendered by such carriers. They do not have the necessary equipment capacity available to them. The regulated motor carrier industry does. There are thousands of tractors and tens of thousands of trailers which could be made available to the Post Office Department if this legislation, and the procedures which it would establish, were to become law.

Going back to the U.S. News & World Report article; in the past 20 years, since the end of World War II, postal costs have risen from \$1,400 million to \$5,600 million. Transportation represents about 10 percent of the total cost. We do not know for sure, and we would not venture a guess, as to how much money the Post Office Department would save if it were able to use motor carriers. We do know this—as this legislation is drawn it certainly would not cost any more—and we can guarantee better service.

In essence, all we are seeking is an opportunity to make available to the Post Office Department a proven transportation service. From our personal knowledge and discussions with postal officials, we believe there is a strong desire on the part of the Post Office Department to make improvements in its service, especially by speeding

up delivery of mail. This is something which our industry, over the last 50 years, has proven that it can do and do well.

Question 3, "Will the cost by regulated motor carrier compare favorably with other mail transportation costs?"

We believe that motor carrier costs will compare very favorably. During the first 12 months of operation, the Post Office Department and the carriers would establish rates by negotiation for the transportation of mail. Such rates would obviously have to be competitive in order to be attractive to the Post Office Department. A schedule of permanent rates would then be established by the Interstate Commerce Commission in a formal rate proceeding.

We believe that use of regulated motor carrier service will produce substantial economies. We also believe that the Post Office Department will respond to the overall service and transportation value offered by the motor carrier industry in the same manner that commercial shippers have responded—by their continuously increasing use of this service in recent years.

We are living in an increasingly mobile economy; we can anticipate the need for better mail facilities located along metropolitan circumferential highways. These facilities will be easily and directly serviced by motor vehicles. Under the Post Office Department policy of seeking next day delivery of mail to any point within the United States, it certainly will require much greater flexibility and intermodal coordination.

The answer to question 4, "What benefits can be expected by mail patrons?" will take time to work out. We believe the first benefit will be reduced in-transit time where the regulated motor carrier system is used. All classes of mail would benefit. If any one class of mailer stands to benefit more than any other, we would think that the fourth-class mailer would benefit most. The movement of mail by regulated trucks will reduce loss and damage, and there is no more magic phrase than that to the fourth-class mailer.

Another specific group likely to benefit from modern truck transport is the smalltown daily or weekly newspaper publisher. For him, regular and dependable mail delivery is as necessary as advertising revenue. Through their associations, the newspaper publishers have indicated that they are badly in need of delivery improvements, and we believe improvements can be effected through the use of regulated trucks.

Possibly the great benefit to the general patron will be an indirect one. As mentioned earlier, we know that well-managed truck movements can, in many instances, place mail at the destination post office overnight more than 300 miles from point of origin. Such mails will include large volumes of letter mail. Direct routings moving out when the mail is ready should place much of the overnight mail in the destination post office in time for next day delivery.

Overall, I wish to emphasize the general benefit to mail patrons; however, I have indicated specifics because they are much more readily understood.

To summarize my testimony, Mr. Chairman and members of the subcommittee: Mail is 100-percent truck transportable. The enactment of H.R. 13925 would make available to the Post Office Department the nationwide system of regulated carriers used by all other types of shippers.

I believe that the responsiveness and flexibility of regulated highway carriers will materially aid the Post Office Department in its continuing efforts to improve mail service to the public.

The Post Office Department wants to provide a modern postal service second to none. To do this, it must have available every mode of public transport as well as intermodal cooperation. This bill will add the nationwide regulated motor carrier mode to all other means of transport already available to the Department. This legislation will give the Postmaster General the widest choice of the means of transportation ever enjoyed by the Post Office Department.

And finally, Mr. Chairman, the regulated trucking industry supports H.R. 13925 because it strongly believes the U.S. postal service should have complete access to the world's finest system of surface transport.

Mr. DULSKI. Thank you very much, Mr. Fraley, for your thorough and fine statement. You have touched many points of interest to those who are reluctant to enact legislation of this nature, giving truckers the privilege of the regulations to carry mail. Secondly, I would like to quote one of my colleagues who says there is nothing more perishable than yesterday's newspapers. Your statement points out that this legislation would be of great interest to people in the publishing field.

Would you please elaborate on how many of your carriers presently have star-route contracts?

Mr. FRALEY. I am sorry I cannot give you a number, Mr. Chairman. Many of our carriers do have star-route contracts and have had for a number of years, but the number of these—I have never seen any figure that would indicate it.

Mr. DULSKI. Could you make those figures available at a later date?

Mr. FRALEY. We will provide this information.

Mr. DULSKI. We would appreciate it. It would help the committee in the consideration of this bill.

(The following information was provided by Mr. Fraley.)

EXCERPT FROM "TRANSPORTATION OF MAIL," BY REGULAR ROUTE MOTOR COMMON CARRIERS, PREPARED FOR REGULAR COMMON CARRIER CONFERENCE, AMERICAN TRUCKING ASSOCIATIONS, OCTOBER 1964

SURVEY CARRIERS PARTICIPATION IN MAIL TRANSPORTATION

The survey indicates that 65 of the survey carriers had transported or were transporting mail for the Post Office Department. (Six conference member carriers failed to submit a completed survey although they are, or have in the recent past, transported mail. They are: Basse Truck Line, Del Rio, Tex.; Chief Freight Lines, Kansas City, Mo.; Dennis Truck Lines, Chicago, Ill.; Howard's Express, Geneva, N.Y.; Lee Way Motor Freight, Oklahoma City, Okla.; and Smith's Transfer of Staunton, Va.) Of these survey carriers only 20 are currently transporting mail intercity for the Post Office Department either as a star route contractor or as a mail messenger (16 class I carriers, 1 class II carrier and 3 class III carriers).

The survey carriers are operating 40 star routes and 5 mail messenger routes, 13 of the survey carriers operate only a single route while one carrier operates 14 routes, 9 star routes and 5 mail messenger routes. The 40 star routes include 26 regular and 14 temporary star routes. These star routes include 8 so-called large truck routes and 32 routes on which tractor-trailer equipment was required. Of the tractor-trailer routes, 21 provided for furnishing the service on an as-required basis, with 5 routes being once a week one-way routes. Only six of the tractor-trailer star routes provided for daily service over a round trip route.

More significant are the experience of the other 45 survey carriers who have transported mail in the past. More than half of the carriers furnished transportation under temporary conditions such as during railroad strikes, to handle mail during the peak Christmas volumes, or short periods of temporary service. (A frequent complaint was that after they had been asked to provide a new service over a temporary route the route was opened for competitive bidding. The carrier bid was slightly higher than the low bidder. However, within a short period of time the low bidder would negotiate an increase in contract which would result in an annual compensation for the lower bidder which was higher than the carrier's bid.) There were 23 other carriers who had transported mail but not within the past 5 years.

The remaining carriers fall into two categories. First, three carriers who have or are providing intracity transportation of mail. Second, there are four carriers who are handling mail as a subcontractor by interline agreement with the route contractor. In each instance the latter routes were those requiring the star route contractor to provide service as required.

Regular route motor common carrier participation in the transportation of mail has been generally limited to temporary, emergency, irregular, and highly seasonal movement. The Department has no plans for making effective use of the vast potential of the regulated highway common carrier industry. The Department, in effect, has discouraged, if not actually prevented, motor common carrier participation in the movement of mail.

Mr. DULSKI. Mr. Meyer, in your statement you refer to the provision of H. R. 13925 establishing a rate procedure that would permit the Postmaster General to make special contracts with motor carriers for the rendering of service under language which is the same as the Postmaster General now uses for special railroad contracts. What effect will this provision in the bill as a whole have on the star-route contracts?

Mr. MEYER. The inclusion of special contracts in the bill was part of the effort to establish as complete equality of law with the railroads as possible. The Post Office Department does have some of those special contracts with railroads and they were the ones who felt it was necessary in special instances to have this authority. I do not think that would be of such a large scale that it would have any effect on the star-route system, because I think it would be the kind of thing that would be used on a sometime basis.

Mr. DULSKI. Another thing I would like for you to clarify is a term used in your industry referred to as "gypsy" truckers.

Mr. MEYER. The gypsy trucker is an unregulated carrier and he would not be eligible under this legislation to participate with the Post Office Department. To the extent to which the gypsy is a hauler of agricultural products, which is perfectly legal, he is as eligible as anyone else who submits a bid for a star route to transport mail in a specific area, but as such he is not covered by the terms of this legislation. Only carriers who have a certificate issued by the Interstate Commerce Commission are eligible.

Mr. DULSKI. Under this measure, the Postmaster General will be permitted to deduct compensation from a carrier for any violation. It is not limited merely to mail lost, damaged, or destroyed, but also to slow service. Will you comment on that?

Mr. MEYER. The penalty provisions included in this legislation are identical with those which are included for railroads with the exception of the dollar amount of fine for refusal to perform. We think, again, since what we are talking about is being put on the same terms as the railroads, once undertaking the obligation we should live up to it. This is the provision that has applied to railroads and should apply to us.

Mr. DULSKI. In substance, the testimony given by you three gentlemen is that you are not asking for special privileges. Rather, you are asking to be treated on the same basis as other modes of transportation and to be governed by the Interstate Commerce Commission. Is that correct?

Mr. MEYER. Exactly.

Mr. DULSKI. I have no further questions. I want to thank you three gentlemen for giving the subcommittee this very much-needed information. Perhaps some members of the subcommittee were rather dubious about the legislation last year because of the Postmaster General's position. I am sure, after reviewing the testimony given here this morning, and reading over the bill, it will be readily seen this would give the Postmaster General a much-needed vehicle that he needs in transporting mail.

I commend you gentlemen for your statements and thank you for appearing here this morning.

Mr. MEYER. Thank you very much.

Mr. DULSKI. Without objection the statement of Mr. Stoney Stubbs, chairman of the board of Frozen Food Express of Dallas, Tex., and a letter dated May 4, from Hon. William E. Minshall to the chairman of the full committee, with enclosure, will be made a part of the record at this point.

(The statement and letters follow:)

STATEMENT OF STONEY STUBBS, CHAIRMAN OF THE BOARD OF FROZEN FOOD EXPRESS, DALLAS, TEX.

Mr. Chairman and members of this subcommittee, I am Stoney Stubbs, chairman of the board of Frozen Food Express in Dallas, Tex. I am certificated by the ICC as a common carrier over irregular routes to serve in an area from the Gulf of Mexico to the Great Lakes and west of the Ohio River to the Pacific Ocean.

This statement is filed in support of H.R. 13925, a bill which would facilitate Post Office Department use of regulated motor carriers in the transportation of mail. My company has equipment which can be used in this service, to the advantage of the Post Office Department and the public, and we earnestly request the opportunity to render the service of which we know we are capable on behalf of the Post Office Department.

The bill before you would give my company, and companies like it all over the Nation, equality with the railroads in handling mail. It would give us no greater right to carry mail than they possess and under the same general terms and conditions. The Post Office Department would not be required to use my company or any other motor carrier but would only do so if it felt that the rates and the service were attractive to them.

My company has been in business for 16 years. We have grown because we have been able to help our customers serve the public. We would do no less for the Post Office Department as we believe that we can render a valuable service to them.

HOUSE OF REPRESENTATIVES,
Washington, D.C., May 4, 1966.

HON. TOM MURRAY,
Chairman, Committee on Post Office and Civil Service,
House of Representatives.

DEAR MR. CHAIRMAN: The enclosed copy of a letter from G. F. Ravenstine of Cleveland, Ohio, is respectfully submitted for your consideration and possible inclusion in the record of the hearings on H.R. 13925.

Any comments you care to make will be welcomed. Thank you for your kind attention.

Sincerely yours,

WILLIAM E. MINSHALL,
Member of Congress.

Enclosure.

NORWALK TRUCK LINES, INC.,
Cleveland, Ohio, April 20, 1966.

HON. WILLIAM E. MINSHALL,
House of Representatives,
Washington, D.C.

HONORABLE SIR: On March 23, 1966, Hon. Thaddeus J. Dulski introduced H.R. 13925 which is designed to permit the Postmaster General to use the services of regulated motor carriers which includes Norwalk Truck Lines, Inc., under the same general conditions as he now secures mail transportation service from the railroads.

The bill is permissive in its grant of authority to the Postmaster General and is an attempt to broaden his choice of transportation facilities to improve postal service.

Specifically it would amend chapter 95 of title 39, United States Code and change the title from "Transportation of Mail by Railroad" to "Transportation of Mail by Railroad and Regulated Motor Carrier."

No change is made in star route legislation and the proposal would merely broaden the Postmaster General's choice of available transportation services resulting in overall lower costs to the Federal Government in rendering mail service to the public.

The proposed legislation meets the conditions set out by Deputy Assistant Postmaster General for Transportation Frederick E. Batrus at a hearing on another mail-by-truck bill last year.

Norwalk Truck Lines and its employees believe this to be a good bill both for the Federal Government, the public, and the trucking industry, and request that you give it favorable consideration when the opportunity arises.

Yours very truly,

G. F. RAVENSTINE,
Terminal Manager.

Mr. DULSKI. The next hearing on this legislation will be next Wednesday, May 25.

The committee stands adjourned subject to the call of the chair.

(Thereupon, at 11 a.m., the subcommittee adjourned until Wednesday, May 25, 1966, at 10 a.m.)

MAIL TRANSPORTATION BY REGULATED MOTOR CARRIER

WEDNESDAY, MAY 25, 1966

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

The subcommittee met, pursuant to adjournment, at 10:05 a.m., in room 346, Cannon House Office Building, Hon. Thaddeus J. Dulski (chairman of the subcommittee) presiding, for the consideration of H.R. 13925, a bill authorizing the use of regulated motor carriers engaged in the transportation of property for the transportation of mail.

Mr. DULSKI. The committee will come to order.

This morning we are continuing hearings on H.R. 13925, and we have the Interstate Commerce Commission, Hon. John W. Bush, Chairman.

Mr. BUSH. I would like to ask Mr. Al Corbin, our Deputy Director, Section of Rates and Practices, and Mr. George Meyer, the Director of the Bureau of Operations and Compliance, to sit with me.

Mr. DULSKI. We will be glad to have them.

STATEMENT OF HON. JOHN W. BUSH, CHAIRMAN, INTERSTATE COMMERCE COMMISSION, ACCOMPANIED BY AL CORBIN, DEPUTY DIRECTOR, SECTION OF RATES AND PRACTICES, AND GEORGE MEYER, DIRECTOR, BUREAU OF OPERATIONS AND COMPLIANCE

Mr. BUSH. I have a statement that is not too long and I would like to read it if I may. We think the information in it is something that will be helpful to the committee.

Mr. DULSKI. Go right ahead.

Mr. BUSH. Mr. Chairman and members of the committee, my name is John W. Bush. I am the Chairman of the Interstate Commerce Commission and have served in that capacity since January 1, 1966.

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. 13925, introduced by Congressman Dulski, "To amend chapter 95 of title 39, United States Code."

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 the 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, coordi-

nating, 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 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.

As a matter of fact, intercity truck transportation of mail has grown even under statutes which were not designed to encourage it. Railroads, for example, are permitted to substitute truck service for rail service pursuant to contracts negotiated with the Post Office Department (39 U.S.C. 6213). Railroad revenues derived from 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 1951 to 712 at the end of fiscal 1961.

Accordingly, there is every reason to believe that if the technological and economic developments of the trucking industry in 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.

On May 25, 1965, when the Commission testified before this committee on H.R. 6472, a bill to provide for the transportation of mail by motor vehicles, we favored the basic objectives of the bill, but stated that its specific provisions were neither fair nor workable.

In our opinion, the principal defect in H.R. 6472 was its inclusion of all motor common and contract carriers of property licensed by the Federal Government 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)). Section 2 of H.R. 13925 defines regulated motor carrier as, "any motor carrier engaged primarily in the transportation of property as authorized by a certificate of public convenience and necessity, a certificate of registration, or a permit, issued by the Interstate Commerce Commission."

This definition would include all motor carriers of property regulated by the Interstate Commerce Commission. These carriers would include tank truck carriers, heavy haulers, dump truck carriers, oil field haulers, automobile carriers, mobile home haulers, and other specialized carriers not equipped to handle mail.

Also, there are literally thousands of irregular-route carriers who operate suitable equipment, but who do not have terminal and other facilities required for the economical and efficient handling of mail in less-than-truckload quantities. Approximately 15,000 motor carriers would be eligible to transport mail under the provisions of H.R. 13925, but only about 2,000 of these carriers are now able to render a daily, dependable, and expeditious service in transporting the various quantities of mail that might be tendered.

Under the provisions of the bill, the Commission would be required to classify motor carriers and fix rates for compensation for mail transportation service performed by regulated motor carriers. The number of regulated motor carriers which would be authorized to make a tender of availability would be so great that it would be nearly impossible for the Commission, initially in one proceeding, to classify all these motor carriers and to fix rates for the many routes over which they would travel.

In our opinion, 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 that would 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 unnecessary administrative burden for the Government agencies concerned.

Accordingly, we believe the proposed legislation 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.

We suggest that, if the legislation does not restrict the number of eligible carriers to provide service for the transportation of mail, there should be a substantially modified procedure for establishing rates for the large number of carriers involved.

Section 3(a) of the bill provides that the Postmaster General is authorized to make use of the services of any regulated motor carrier for the transportation of mail over the routes or within the territory such motor carrier is authorized to serve, if such motor carrier has submitted a tender of availability.

We believe that the Postmaster General should give notice describing the services required of regulated motor carriers for transportation of mail. Each statement of service should include the units of service upon which compensation would be based, the rates of compensation he deems to be fair and reasonable for the services required, and such other information which may be material to such mail transportation and the establishment of rates of compensation therefor.

We make this suggestion in order that the carrier would have specific information upon which to base its tender of availability.

We also believe that the Postmaster General should inform each carrier whether he accepts its tender of availability. This would put a carrier on notice that the Postmaster General may call upon him to provide mail transportation service. Absent such a provision, the Postmaster General could call upon a carrier to provide mail service as long as a tender of availability was on file with the Post Office.

Section 3(b) of the bill gives the Postmaster General discretion to permit a carrier to withdraw a tender of availability. We suggest that the Postmaster General should establish rules and regulations setting forth the conditions by which a motor carrier may withdraw its tender of availability.

Section 3(c) of the bill would require the Commission, between 18 and 24 months following the enactment of this section, to initiate a proceeding to classify motor carriers and fix rates for compensation for mail transportation service performed by regulated motor carriers. We feel that this provision is unworkable. This would require the Commission to set rates for all carriers transporting mail throughout the United States over the many diverse routes which they would operate.

We suggest that some provision should be made for the initial rates to be established by some procedure, such as suggested in our comments under section 3(d). Proceedings before the Commission should be limited to petitions filed by either the Postmaster General or by individual carriers for the reformation of the established rate.

Section 3(c) of the bill would also make rates established by the Interstate Commerce Commission retroactive to the time when such proceeding before the Commission was initiated. We believe that this would result in a hardship for both the Postmaster General and

the individual carriers. We suggest that rates of compensation fixed by the Commission should have effect only for the future and only from the effective date of the Commission's order fixing such rates of compensation.

Section 3(d) provides that initial rates for small transportation service would be those agreed to by the Postmaster General and the individual carriers. These rates would remain in effect for at least 12 months and until the Interstate Commerce Commission should institute proceedings under subsection (c).

We suggest that the Postmaster General should issue a statement of service. This procedure would enable the carriers to know what compensation they would be paid for mail transportation service prior to filing a tender of availability. We believe this would provide a more workable means by which initial rates could be established.

Section 4(c) of the bill, in effect, would provide that at anytime after 6 months from the entry of an order stating the Commission established rates, the Postmaster General or any interested regulated motor carrier may apply for a reexamination. Although section 4(c) amends the railroad statute to include motor carriers, the equality of treatment is questionable. Although only about 75 railroads transport mail, any one of thousands of motor carriers would be permitted to request a reexamination of the Commission order fixing the rates for the transportation of mail, which the Commission would be required to grant, no matter how unjustified.

In the interest of limiting litigation, the Commission should be given discretion in granting or denying petitions for reconsideration of mail pay orders. Otherwise, section 4(c) of the bill would result in continuous and endless proceedings on mail rates for motor carriers.

Turning now to general comments on the proposed legislation, it should be recognized that under the present law (39 U.S.C. 6203), railroads are required 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. Of course, they are entitled to receive fair and reasonable compensation for their services.

The proposed legislation does not require eligible motor carriers to provide mail transportation service, unless they have on file with the Postmaster General a tender of availability. This raises the question of whether the bill creates an inequality between rail and motor carriers.

On several occasions the President has indicated the importance of revitalizing essential rail passenger service. Intercity rail passenger traffic has declined each year for the past 10 years. In 1965, class I railroads showed a passenger service loss of \$410 million. If the number of rail passengers continues to decline and the passenger train service deficits continue to increase, it can be expected that railroads will seek to discontinue more and more passenger trains.

In passenger train discontinuance proceedings before the Commission, one of many factors to be considered is the comparison of total passenger service revenues to the avoidable cost of providing the passenger service.

One important element of passenger train revenues—the most important—is revenue from the transportation of mail. Mail rail revenues accounted for \$310 million in 1965, which is approxi-

mately 30 percent of the total rail passenger service revenues. The mail revenues' contribution to the continuation of essential passenger train service should not be overlooked. In many instances the removal of mail from trains results immediately in the filing of applications to discontinue service under the provisions of section 13(a) of the Interstate Commerce Act.

This concludes our statement, Mr. Chairman. We have put in everything we could think of that we thought might be helpful to the committee in its consideration of the bill, and subject to the qualifications and points we have tried to make, we favor the basic objectives of H.R. 13925.

Mr. DULSKI. It is a very fine statement and I am sure the benefit of your experience in that field of transportation is going to be a great asset to us in our deliberations and final decision on this bill.

Do you think this legislation is in accord with present national transportation policy?

Mr. BUSH. Yes, sir; I do.

Mr. DULSKI. You state this measure will include all motor carriers of property regulated by the ICC. Do you have any suggestions that would help us in clarifying the definition of a regulated motor carrier?

Mr. BUSH. I will ask my staff members who have the greatest expertise and are our strong, efficient right arm and who developed this. But I do not think offhand of anything additional that is not in there.

We are simply pointing out there are types of trucks which would not be adaptable, and we are pointing out, generally, that we want to take every precaution to close the door to an avalanche of unnecessary procedures before the Commission. Those are the two basic objectives. The rest we have put in there is general comment we felt should be available to the committee.

I would like to ask Mr. Meyer or Mr. Corbin if they could answer your question.

Mr. DULSKI. We would be happy to hear their recommendations.

Mr. MEYER. I think as to the motor carrier part of it, not the rates, that the regular route general commodity carriers who provide a service with some degree of regularity would probably be, as suggested by Chairman Bush, the only type of carrier who would really fit into this scheme of things as far as we can see.

The others are all either specialists or on an irregular service—just when they have a load. They would not seem to fit into the pattern of a regular mail service.

Mr. DULSKI. We wanted to encompass everyone that was available for the transportation of mail. Of course, we would not expect an oil dealer to deliver mail, nor some other vehicle such as the automobile carrier, to open up the doors and throw mail into the cars.

I imagine out of 15,000 that are eligible there would probably be 2,000 eligible as far as the Postmaster General is concerned.

It is my judgment that the Postmaster General would not hire anyone unless he conformed with the rates, the schedule, and the availability of the vehicles at the time they were needed.

Let's take, for instance, a railroad strike. The burden to move the mail would probably be transferred by the Postmaster General to the trucking industry or the airlines. All of these factors are part of the

legislation. I am sure before the legislation is drawn into a final state we are going to do a little meditating to make sure the Postmaster General has everything he needs to take advantage of all the mail transportation services.

Mr. BUSH. Mr. Meyer's comments, of course, were directed more to the type of equipment and operation.

I would like to ask Director Corbin if he might make a short summary statement of our thoughts on the rate part of it—on one side is equipment and on the other is the rates—and how rates are presently adopted and presented to the Commission.

Mr. CORBIN. At the present time most of the carriers initiate the rates and we pass on rates if they are protested.

The summary which the chairman made I think would be one which the Post Office, or the Postmaster General, would agree with. I am sure that they are not interested in us having an avalanche of proceedings involving rates because that means that their staff as well as our staff is going to be tied up. They would have to come in and be an adversary party in such a proceeding, because they would want to defend the Postmaster General's position against increased rates.

At the same time, I know from their testimony on similar bills in the past that they want to know what the cost of transporting the mail is going to be at the time the mail moves. They would want any orders or any change in rates to be effective only at the time that the Commission issues its order, rather than having a proceeding which might run for 12 or 18 months, and then put them in a position where they would have to go back and pay the carriers additional sums of money for a period of a year or a year and a half.

Their testimony in the past has been that they want to know what it costs them to move the mail at the time the mail is moving, and any changes they want would be for the future.

Mr. DULSKI. Thank you. One last question. Would you please describe the procedure in setting the initial rate for transporting the mail under this bill?

Mr. BUSH. What our thought has been on this matter was this, sir: The Postmaster General, when he made known to the carriers what type of service he wanted, would make known at that time what the Postmaster was willing to pay for this particular service. If at that time this amount was not satisfactory to the motor carriers, then naturally they would not come in and make a tender of availability. It was our thought that the Postmaster General and the carriers were to get together and come up with some amount which would be agreeable to both of them.

This is where we thought that the initial rate should start, on some agreed basis between the Post Office and the motor carrier. This would be the agreed basis and the initial basis for rates, and at that time we would not be called upon to look into the entire rate structure on mail, so to speak, for all of the motor carriers over the entire country. But at such times as either the motor carriers or the Postmaster General thought there should be a change in the rates, then they could come in and file a petition with us and we would look into the matter at that time.

Mr. DULSKI. I think you have covered the subject very well.

I have no further questions. Thank you very much, Chairman Bush.

Mr. BUSH. Thank you.

Mr. DULSKI. Our next witness is from the National Star Route Mail Carriers Association, Mr. L. E. Ernst, general manager.

Mr. ERNST. Thank you, Mr. Chairman.

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

Mr. ERNST. 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 Capital Street, in Washington, D.C.

First, I wish to thank you for giving me this opportunity to appear before this committee to express the views of the Mail Carriers Association, with respect to enactment of a new law to be known as transportation of mail by railroad and regulated motor carriers.

This proposed legislation was introduced under date of March 23, 1966, as H.R. 13925, and proposes to amend sections 6201 and 6213, of chapter 95, title 39, United States Code, to authorize the Postmaster General to make use of the services of any regulated motor carrier for the transportation of mail and the services connected therewith over the routes or within the territory such motor carrier is authorized to serve.

It is our opinion that, if this bill is approved, the motor common carrier will not be limited to operation of his route over the highway, for which he holds a certificate of public convenience, but instead, he can operate anywhere in the State as directed by the Postmaster General. Webster's dictionary defines territory as "the extent of land within the jurisdiction of a State," et cetera.

In other words, the Postmaster General can, and no doubt will, direct the selected motor common carrier to serve any post office in the State without regard to his authorized line of travel as called for in his certificate of authority. It is doubtful that other motor common carriers operating in the area will look very favorably on an operation of this kind.

It is proposed that the Interstate Commerce Commission shall, not earlier than 18 months, nor later than 24 months following enactment of this law, initiate a proceeding to classify motor carriers and fix rates.

In our opinion, such procedure will be a long, drawn out, and expensive operation, similar to that experienced in fixing rates for railroads, and naturally the negotiated rate, or rates, may continue in effect for several years. However, the proposed law is confusing since it provides that the fixed rates, or compensation, shall continue in effect for not less than 12 months, except that such initial rates shall not be effective on and after date on which the Interstate Commerce Commission shall institute proceedings.

Does this mean that the certified carrier will continue to handle the traffic without compensation until a decision is reached by the Commission after instituting proceedings, and then be paid for such service after the rate is established, even though it may take 2 or 3 years to complete hearings and establish an acceptable rate?

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.

I have been employed in my present position for the past 10½ years, and, prior to that, was under civil service in the Bureau of Transportation, Post Office Department, for more than 37 years. I served as a clerk, and an official in the postal field service, and prior to my retirement, I was Director, Railway Transportation, Post Office Department, here in Washington, D.C. I believe that my 48 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.

To want something, and need something, is two different things. Several times in the past the motor common carriers have appeared before legislative groups seeking a law that would permit them to negotiate contracts with the Post Office Department to transport mail over the highway without competitive bidding, as required under present law. They claim that they want to help the Postmaster General improve the mail service. Perhaps the mail service does need to be improved, but the use of the motor common carrier is not the answer. Motor common carriers can now assist the Post Office Department under our competitive bidding system, if they are truly interested in transporting mail over the highway at a reasonable rate.

To date they have not justified their position by citing a single case where such authority would have benefited the Post Office Department or improved the postal service.

As early as 1956 the motor common carriers predicted better postal service for the public and new business for highway common carriers could be obtained if hampering legal restrictions in the Post Office Department could be removed. A statement that such authority would reduce the cost to the Post Office Department of handling the mail is not supported by existing records.

At the end of my statement is an abstract of bids, exhibit A and exhibit B, clearly indicating that the motor common carrier is not willing to transport mail at a reasonable rate. Last year it was stated that use of the motor common carrier could save the Post Office Department some \$90 million, if they could negotiate contracts for providing transportation of mail over the highway over their established routes. If this were true, why are they not now providing such service under the competitive bidding system?

They are privileged to bid on all star routes advertised for bid, and in some cases they do bid, as reflected in the exhibits, but their price is usually double or triple that of the private carrier.

If H.R. 13925 is approved, we strongly urge Congress to establish rates for the motor common carrier, to remain in effect in the interim of rates being fixed by the Interstate Commerce Commission. This

would relieve the Postmaster General of the responsibility of having to fix the rates, would insure equitable rates for the industry, and would be in the interest of protecting the postal budget.

The motor common carriers have told you they need this law in order that they may make available to the Post Office Department the services of regulated motor carriers now operating over the highways. They have told you there is nothing in this bill that will take away from any other mail carrier, or other transportation agency, any mails or obligations they now have in handling U.S. mail. Yet, they want this law passed in order that they may negotiate for contract service to handle mail over the highway. How can this be done without taking away from those that are now providing the required service?

The services of the motor common carrier can now be made available to the Post Office Department if management is interested in providing mail transportation to the Department at a reasonable rate. This, of course, means competitive bidding, the tried and tested method of getting the service performed at the most reasonable price.

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 have enabled the Post Office Department to provide good and efficient 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. However, the motor common carrier has referred to our present bidding system as being archaic, even though it now meets every requirement of the Post Office Department.

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, with shipments of freight, et cetera.

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.

The schedules of present contractors have been expedited to the point where it is necessary for many carriers to exceed the posted speed limit on the highway, and if they operate as much as 30 minutes late, they are assessed a fine.

Furthermore, 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, without favoritism being shown?

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 the present—first, service; second, economy; and third, 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 star routes, and members of the association. We are not opposing the motor common carrier, but we do oppose any law that would give them exclusive rights without competitive bidding. This, we believe, would be discrimination in every respect.

The motor common carrier, as a rule, has not been able to compete with the private contractor through competitive bidding; or should it be stated, they are not willing to compete since the unit price they want cannot be secured when competing with the private carrier.

Apparently this is the reason the motor common carrier keeps coming back requesting Congress to pass legislation that will enable them to get the price they want for transporting mail over the highway, and under their own terms, instead of conforming to present star route laws and regulations.

Any service that the motor common carrier can now provide can be provided by a private contractor, whether it be a straight truck or tractor-trailer operation. Since all roads are post roads, we cannot understand how a certificate of authority could in any way insure improved mail service to the Post Office Department.

Present star route contractors are meeting all requirements of the Post Office Department, schedulewise, as well as equipment needed. Again it must be stated that neither the motor common carrier nor the Post Office Department can cite a single case that would refute this statement.

Furthermore, enactment of H.R. 13925 can, and no doubt will, result in empire building, thereby eliminating local employment. Also, there would no longer be the local supervision and interest now given to contract service as is required by the Post Office Department.

Please take a very close look at the power that will be placed in the hands of one man if this bill becomes law. H.R. 13925 places no restrictions on the amount to be paid to motor common carriers through negotiation and if the motor common carrier cannot now compete with the private contractor, it is evident that the negotiated rate would be in excess of what is now being paid for such service.

It should be pointed out that present star route contractors furnish free services to millions of people in this country who live outside the large metropolitan areas. They have no one to depend on for special daily and emergency needs. These people do not have the money to pay for delivery of medicines, emergencies, equipment parts, and many other small services too numerous to mention. But they are able to get this service from the star route mail carrier who understands their problem.

Present star route laws provide local employment. If this bill is passed, it will not only help to inflate the economy of our country, but it will remove a small payroll from many small towns throughout the country. It will also disrupt the lives of many poor people who have always been able to depend on their star route mail carrier for personal assistance.

Under date of May 5, 1966, the Postmaster General published an article in the Postal Bulletin stating, "that shabby postal service will not be tolerated."

We are in agreement with the Postmaster General, and star route mail carriers are doing everything in their power to improve the mail service by operating their routes on a schedule authorized by the Post Office Department.

The motor common carrier has stated many times that the motor common carriers are not subsidized as railroads are, yet enactment of H.R. 13925 would place them in the exact position that they claim railroads are in today. Mail transportation is a special-type service with strict schedules, and the schedules will not permit commingling of mail with freight and express, which is another reason why our present bidding system for star route contracts must be continued.

There is no provision made in H.R. 13925 to protect present star route contractors, indicating that when their present contract term expires, the Postmaster General will negotiate with the motor common carrier for future service. There are about 10,000 star route contractors vitally interested in this bill, since the future of most of them depends on the outcome of this proposed legislation.

All the Post Office Departments needs to do to obtain over-the-highway service required is to follow present laws and advertise for bid. 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.

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.

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 contractors are established and controlled by the Post Office Department, which in itself should confirm the excellent service the private contractor is providing.

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 under existing laws and regulations. The private carrier has been called upon many times to take over the handling of the mail due to a railroad strike. They have always met the challenge, and in many cases have provided improved mail service to the areas they were called upon to serve, and at less cost.

This brings up the question of what will happen in case of a Teamsters Union strike similar to the one that occurred in the Western States a few years ago when 11 States, namely, California, Arizona, New Mexico, Colorado, Utah, Nevada, Oregon, Washington, Idaho, Montana, and Wyoming, were without truck service for several weeks. Sure, the Post Office Department can call upon the private carrier to take over, but why should the Department want to place themselves in a position of not knowing when another far-reaching truckers' strike will occur, when they now have the most dependable service available—that of the private carrier. Private carriers cannot strike, and if for any reason any one of them should abandon their route, all the Post Office Department needs do is call upon their surety company or private bondsmen, to take over the operation.

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.

To single out the motor common carrier, exclusively, to do the job on the highway, as this bill, H.R. 13925, 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, thereby spreading

employment throughout the country. 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, 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.

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 present star route contractors be granted a certificate of public convenience and necessity from the Interstate Commerce Commission, or State regulatory body. This would permit present star route carriers 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, and place them in a position to negotiate with the Postmaster General for new contracts as a certificated carrier. Perhaps the motor common carrier would not want this request approved, since it would result in competition with him in handling freight. If this law is good for the Post Office Department, then it would appear that the greater number of certificated carriers there are, the greater the flexibility would be for providing the needed service required by the Postmaster General.

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.

Furthermore, 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?

It must be pointed out that the 10,000 star route contractors who are now providing service on the highway for the Post Office Department, on an authorized schedule by the Department, cannot be wrong. The Post Office Department is constantly changing schedules of star routes, and the contractor has always made the required adjustment in the schedule to meet the needs of the Post Office Department. What better service can be expected, and why should the star route contractor be excluded from this law in the interest of providing financial assistance to the motor common carrier?

Statements made in *Transport Topics*, national newspaper of the motor freight carriers, indicate that there is a steady increase in the

earnings of the motor common carrier, and we ask the question: Why must those that have, get?

Motor common carriers are privileged to bid on any star route that is advertised—and no one can say that the handling of U.S. mail over the highway is excluded from this group of carriers. All the motor common carrier need do is to meet competition and he's in the U.S. mail business. No new law, or laws, are needed to place the carrier in this position. He has all the authority he needs now, and why should this group be appearing before Congress requesting their assistance in this matter?

In conclusion, may I call your attention to a statement made by the Postmaster General under date of May 25, 1965, addressed to Hon. Tom Murray, chairman, House Post Office and Civil Service Committee, concerning H.R. 6472, a motor common carrier bill proposing legislation that would require the Postmaster General to use the services of all regulated modes of transportation, including the motor common carrier. His statement is quoted below:

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.

Mr. Frederick E. Batrus, Deputy Assistant Postmaster General, Bureau of Transportation, appeared before the committee and presented a prepared statement concerning H.R. 6472, in which he pointed out that the bill would unduly complicate mail transportation problems and greatly increase the cost of moving mail. When he was asked what would be the effect of this legislation upon star route contract carriers, he had this to say:

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 that are available, it would definitely reduce the number of star route-type contract operations we would have.

Since the Post Office Department has pointed out in previous testimony, before this committee, that the use of motor common carriers to transport mail over the highway will be considerably higher than those procured by competitive bidding, and that a law to use the motor common carrier would definitely reduce the number of star route contracts, we, therefore, request this committee take no action on H.R. 13925, in the interest of economy for the Post Office Department, if for no other reason. Furthermore, we feel that present star route contractors should be protected in their jobs, many of whom have been providing efficient service for the Post Office Department for many years.

In our opinion, H.R. 13925 is discriminatory against star route contractors in that no provision is made for continuance of their service and is proposed in total disregard of their best interest and the best interest of the public.

(Exhibits A and B follow:)

EXHIBIT A

POST OFFICE DEPARTMENT ABSTRACT OF PROPOSALS RECEIVED				
<input checked="" type="checkbox"/> STAR ROUTE <input type="checkbox"/> MAIL MESSENGER <input type="checkbox"/> HPO <input type="checkbox"/> WATER ROUTE <input type="checkbox"/> CONTRACT MOTOR VEHICLE ROUTE				
TERMINI AND ROUTE NO. 38951 - Cincinnati, Ohio Annex to Zanesville, Ohio				
PERIOD OF SERVICE Dec 5, 1964	ADVERTISEMENT DATED Nov 25, 1964	CLOSING DATE Dec 2, 1964	DATE OPENED Dec 3, 1964	
(Not to exceed one year)				
NAME OF BIDDERS			RATE OF BID	
Robert M. Neff 132 Shamrock Avenue South Zanesville, Ohio			31,895.00	
Vogel Trucking 6072 Cleves-Warsaw Pike Cincinnati, Ohio 45238			40,624.50	
Dennis Truck Line of Ohio 11 Plaza Street Cincinnati, Ohio			44,743.13	
Peoples Cartage, Inc. 2035 South Erie Street Massillon, Ohio 44646			45,529.99	
C. F. Waite, Inc. 1592 S. Arlington Street Akron, Ohio 44306			51,163.73	
Gollers Express, Inc. Box 41027 Cincinnati, Ohio 45241			64,050.00	
Dieckbrader Express, Inc. 5391 Wooster Road Cincinnati, Ohio 45226			107,016.00	
This abstract, prepared immediately after opening the bids, is subject to change after detailed examination of the bids. Low bidders must NOT assume contract will be awarded automatically on the basis of information in this abstract.			FROM: Acting Director, Transportation Division, Post Office Department, Box 1999 Cincinnati, Ohio (45201)	
BID OPENING COMMITTEE (Signatures)				
<div style="display: flex; justify-content: space-between;"> <div style="width: 45%; border-bottom: 1px solid black; margin-bottom: 5px;"> <i>P. C. Bennett</i> </div> <div style="width: 45%; border-bottom: 1px solid black; margin-bottom: 5px;"> <i>E. N. Stuckels</i> </div> </div>				

EXHIBIT B

TERMINI AND ROUTE NO.			
35722 Albany - Utica			
PERIOD OF SERVICE	ADVERTISEMENT DATED	CLOSING DATE	DATE OPENED
5-18-63 to 6-30-65	4-5-63	2:00 pm 5-6-63	2:00 pm 5-7-63
NAME OF BIDDERS			RATE OF BID Per Annum
Leslie F. Hicks, 180 Tompkins St., Cortland, N. Y.) William Cimpi, 115 Lake St., Auburn, N. Y.)			\$104,176.00
Frod J. Lewis, Durhenville, N. Y.			104,254.00
Merritt J. McCasland, RD #5, Mariaville Rd., Box 280, Schenectady, 6, N. Y.			104,999.00
Furdie Express Lines, Inc., 1758 Central Ave., Albany, N. Y.			105,662.30
Mercury Transportation Co., 527 Gifford St., Syracuse, N. Y.			116,159.30
Potsdam Trucking Co. Inc., Route #4, Potsdam, N. Y.			125,305.00
W. Gary Greeley, 37 Ten Broeck St., Albany, N. Y.			126,800.00
W. J. Casassa, Inc., 2 Park Ave., Albany, N. Y.			135,000.00
New York Central Transport Co., 230 Park Ave., New York 17, N. Y.			135,810.43
Lake Erie Transport Co. Inc., P. O. Box 1945, Buffalo 19, N. Y.			181,987.50
TERMINI AND ROUTE NO.			
35972 Utica Truck Term. - Raquette Lake, N. Y.			
PERIOD OF SERVICE	ADVERTISEMENT DATED	CLOSING DATE	DATE OPENED
4-27-64 to 9-0-64	3-31-64	10.00 a.m. 4-20-64	2.00p.m. 4-20-64
NAME OF BIDDERS			RATE OF BID
Leslie F. Hicks, Box 427, Cortland, N. Y. 13046			\$ 4,300.00
Louis Beretta, 772 Elizabeth Street, Utica, N.Y. 13502			4,356.00
Peter J. Ambrose, 878 Route Five, Utica, N. Y. 13502			4,900.00
Clifford Thomas, Main Street, Verona, N.Y. 13478			5,740.00
William E. Knudsen, Elmer Hill Rd., Rome, N.Y. 13440			5,781.00
Richard J. Riedell, 1210 Cedarbrook Drive, Rome, N. Y. 13440			6,127.44
(Mercentile Services Inc.) (Dominick A. Timpano) } 51 North Genesee St., Utica, N.Y. 13502			7,392.00
Warren E. Jones, 2605 Genesee St., Utica, N. Y. 13502			7,739.84
Potsdam Trucking Co. Inc., Route 4, Potsdam, N.Y. 13676			7,920.00
Clarence Taylor, 750 Blossack St., Utica, N. Y. 13502			8,635.00
George S. Dougherty, 65 Whitesboro St., Yorkville, N.Y. 13495			9,100.00
Belmers Peal & Trucking, Main St., Old Forge, N.Y. 13420			10,499.00
Robert E. Burrows, 27 Moseley St., Whitesboro, N.Y. 13492			11,880.00
Sheldon T. Otis, 8 Burley Ave., Lake Placid, N.Y. 12947			15,099.00
Anthony Centolilla, Box 402, Old Forge, N.Y. 13420			.22 per mile
This abstract, prepared immediately after opening the bids, is subject to change after detailed examination of the bids. Low bidders must NOT assume contract will be awarded automatically on the basis of information in this abstract.		FROM: Director, Transportation Division, Post Office Department New York Region New York, N. Y. 10111	
BID OPENING COMMITTEE (Signatures)			
/s/ Carl E. Abrahamson		Suggestions Specialist	
/s/ E.S. Horton		Regional Budget Officer	

Mr. DULSKI. Thank you very much, Mr. Ernst, for a very enlightening statement.

I respect your views in this. The least of my motives would be to hurt any of the people in the star routes. You have made many suggestions which will be brought before the full committee. I am sure the service the star routes have given over the years will not go by the wayside. Every consideration will be given to the protection of the wonderful people in that field. You have my assurance of that.

Mr. ERNST. Thank you. I might say, Congressman, I certainly do respect your judgment and your interest in the star route service. I appreciate the legislation you have introduced in their behalf. I felt it was necessary for me to cry my heart out at this time to point out to the committee the position in which this bill would place the star route contractors.

Mr. DULSKI. As you so ably stated, you want to provide better service to the public. With the elimination of so many different rail routes, it is hoped the Postmaster General will have an opportunity to expand the service of the trucking industry, which in my opinion has been discriminated against. Also, this committee will attempt to provide safeguards in the legislation for the people that you represent. Thank you very much for being a witness on this bill.

Mr. ERNST. Thank you, Congressman.

Mr. DULSKI. The committee stands adjourned until the call of the Chair.

(Whereupon, at 11:15 a.m., the subcommittee adjourned, subject to the call of the Chair.)

MAIL TRANSPORTATION BY REGULATED MOTOR CARRIER

WEDNESDAY, JUNE 1, 1966

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

The subcommittee met, pursuant to call, at 10 a.m., in room 346, Cannon House Office Building, Hon. Dominick V. Daniels (acting chairman) presiding.

Mr. DANIELS. The Postal Operations Subcommittee will come to order.

We are continuing hearings this morning on H.R. 13925, a bill authorizing the use of motor carriers engaged in the transportation of property for the transportation of mail.

Our Chairman, Mr. Dulski, is attending the unveiling of a postal stamp at the Postmaster General's office. He expects to return to this hearing as soon as the ceremony is completed.

The official report of the Postmaster General will be placed in the record at this point.

(The report follows:)

THE POSTMASTER GENERAL,
Washington, D.C., May 31, 1966.

HON. TOM MURRAY,
Chairman, Post Office and Civil Service Committee,
Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your request for a report on H.R. 13925, amending chapter 95 to title 39, United States Code, to authorize the Postmaster General to use the services of regulated motor carriers for the transportation of mail.

This measure would enable the Department to move the mails by means of any motor carrier engaged primarily in the transportation of property, if the carrier is properly certificated, and submits to the Department a tender of availability in the manner prescribed by the Postmaster General. The Interstate Commerce Commission would be required, within a prescribed period of time, to initiate a proceeding to classify motor carriers and to fix appropriate rates or compensation. Pending such determination, however, initial rates or compensation would be established by agreement between the Postmaster General and the carrier or carriers concerned.

The Postmaster General would on request be permitted to grant withdrawals of tenders of availability when good cause is shown by the applicant motor carriers for not continuing the mail transportation service. Otherwise, refusal by motor carriers to perform mail transportation service without the tender of availability withdrawal could result in a fine and deduction of compensation.

The proposed legislation would increase the flexibility of the Department to manage its postal transportation service by making more readily available the services of regulated motor carriers. It would also continue the Department's present authority to advertise for competitive bids for such services under the existing star route laws.

The Department favors this legislation, and accordingly recommends the enactment of H.R. 13925.

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,

LAWRENCE F. O'BRIEN.

Mr. DANIELS. Our first witness this morning is Hon. William J. Hartigan, Assistant Postmaster General, Bureau of Transportation and International Services, accompanied by Mr. Frederick E. Batrus, Deputy Assistant Postmaster General, Bureau of Transportation and International Services, and Mr. Thomas F. Meagher, Jr., Assistant General Counsel, Litigation Division.

Mr. Hartigan, you may proceed.

Mr. HARTIGAN. Thank you very much, Mr. Chairman.

STATEMENT OF HON. WILLIAM J. HARTIGAN, ASSISTANT POSTMASTER GENERAL, BUREAU OF TRANSPORTATION AND INTERNATIONAL SERVICES, ACCOMPANIED BY FREDERICK E. BATRUS, DEPUTY ASSISTANT POSTMASTER GENERAL, BUREAU OF TRANSPORTATION AND INTERNATIONAL SERVICES, AND THOMAS F. MEAGHER, JR., ASSISTANT GENERAL COUNSEL, LITIGATION DIVISION

Mr. HARTIGAN. On behalf of the Post Office Department I would like to extend our appreciation to the committee for the opportunity of testifying before it on this bill.

The legislation proposed in H.R. 13925, which would authorize the transportation of mail by regulated motor carrier would provide the Post Office Department with increased flexibility in obtaining expeditious transportation of mail, and its enactment is recommended. Unlike H.R. 6472, which was before this committee last year, the present bill continues, without qualification, the Department's authority to advertise for competitive bids, and award star route contracts to the lowest responsible bidder.

Some examples of how authority contained in H.R. 13925 would be helpful are as follows: First, for possible movement of plant-loaded mail. Such mail, generated principally by publishing houses, may involve the simultaneous movement of an many as 100 truck-trailers to various destinations throughout the United States within a limited period of time. Regular common carriers are usually better equipped to perform this type of service than the typical star route contractor. Such contracts could be used for the movement of plant-loaded mail at Nevada, Iowa; Mount Pleasant, Iowa; and Hinsdale, Ill. These movements are irregular, involving about 3 or 4 shipments per year, to as many as 100 different postal destinations.

Secondly, for movements where mail traffic flows more heavily in one direction than in the return direction. Certain truckers have routes over which their traffic is in substantial imbalance. If a contract can be negotiated for the transportation of mail in the direction in which other traffic is minimal, the Department can obtain a very favorable level of compensation. Such service is not readily obtained by advertisement for bids, but the Department has secured a temporary mail contract under which mail is transported from the North Jersey truck terminal to Jacksonville, Fla., by a citrus trucker who

would otherwise be returning his equipment to Florida empty. Contracts of these types involve expenditures of over \$75,000 a year, and it is principally in such areas that the Department expects to use the provisions of this bill effectively. This would involve less than 1 percent of the star route contracts.

Where H.R. 6472 would have required all regulated motor carriers to transport mail unless excused by the Postmaster General, and the great majority of such carriers, lacking equipment suitable for transporting mail, would have sought such excuse, H.R. 13925, on the other hand, provides that those carriers desiring to transport mail, will so signify by submitting a tender of availability.

Chairman Bush, of the ICC, in his testimony before this committee on May 25, 1966, indicated that only about 2,000 regulated motor carriers possess the capability of transporting mail, and proposed this pending legislation be limited to those regulated motor carriers who are restricted to regular routes, operate definite schedules, interline with connecting carriers, transport general commodities, utilize conventional trailer equipment, and operate their own terminal facilities. The Department supports Chairman Bush's proposal and believes that the staff of the Interstate Commerce Commission could readily provide amended language to embody that specific proposal.

Chairman Bush also recommended that the Department publish a notice which would include the conditions of service, units of service, and fair and reasonable rates of compensation. If this bill becomes law, the Department intends to utilize the lengthy experience acquired in negotiating trucking contracts with railroads over past years. Since postal requirements will vary from place to place and from time to time, publication of notices of the broad scope contemplated by Chairman Bush would not be feasible.

The fair and reasonable rates referred to by Chairman Bush would, under the proposed legislation, be those negotiated between the Department and the carriers, either for initial service pending rates to be prescribed by the Interstate Commerce Commission, or for the duration of special 4-year contracts, exactly as is the case with railroads. To publish in advance what the Department would characterize as fair and reasonable rates would defeat the purpose of negotiating for service, and would put the Department in the ratemaking business.

Chairman Bush would propose, in lieu of a Commission proceeding to classify carriers and prescribe rates for such classes, that the Postmaster General prescribe the initial rates, which would be subject to reexamination by the Commission on a carrier-by-carrier basis, if carriers concluded that such initial rates of compensation were unfair and unreasonable.

The Department finds this proposal objectionable on several grounds. First, the Department is not a regulatory agency, does not possess ratemaking authority, and lacks the personnel to discharge such a responsibility. Second, the business of ratemaking would divert effort from the Department's function, that of securing the transportation and delivery of mail. Finally, the Department believes that the 2,000 carriers, which Chairman Bush describes as capable of transporting mail, should be classified in groups for ratemaking purposes. For the purpose of reporting motor carrier costs, the Commission has organized motor carriers into classes. In addition, for tariff purposes, the carriers have classified themselves as groups.

We believe that the Interstate Commerce Commission can determine a suitable basis for classifying motor carriers in a manageable number of groups, in order to fix uniform rates which would apply to services performed by each member of the group. With the 18-month experience period provided in this bill, it is quite probable that the motor carriers and the Department would be enabled thereby to propose a classification system for adoption by the Commission.

Certain other recommendations made by Chairman Bush deserve comment. In regard to notice of the acceptance of a tender, such acceptance would be superfluous under the proposed law, but as a matter of courtesy, the Department would acknowledge receipt of each tender of availability. If this bill is enacted into law, the Department will prepare forms to be utilized for a tender of availability and request for withdrawal, and will publish regulations governing the same, relying on past experience. For example, 39 Code of Federal Regulations, section 92.5(c)(3) provides that any railway common carrier desiring to be relieved of transporting mail may apply for such relief, and that consideration will be given to granting the application, in whole or in part, as the needs of the postal service may permit.

Chairman Bush proposed that rates prescribed by the Commission be prospective only. Since a common carrier would be compelled to transport mail while a tender of availability existed, he would be entitled to fair and reasonable compensation. Such a carrier, in petitioning for reexamination of the existing rate, would, of necessity, be required to allege, as of the date of his petition, that such was no longer fair and reasonable. It appears to us that, unless the ultimate determination by the Commission related back to the date on which the proceeding was initiated, a serious legal problem would arise concerning the Government's right to compel service from a carrier at rates which are below a fair and reasonable level.

In connection with Chairman Bush's statement that the present bill would engender an endless round of mail rate proceedings by myriad motor carriers, the Federal courts have held that, in classifying railroads for mail rate purposes, the Commission may fix fair and reasonable rates for the railroads as a class, and is not required to fix rates for the services of each individual railroad. Since the same statute, now 39 United States Code, section 6208(a), would apply to mail rates for regulated motor carriers, we believe, although such motor carriers constitute a more numerous group than railroad common carriers, that the Commission, utilizing this statute, could limit the number of proceedings which would arise under the present bill to a manageable level.

Chairman Bush concluded his testimony by referring to the importance of mail revenue to a continued passenger train service. We recognize that passenger train service is an important factor in the national economy, but over the past 35 years there has been a drastic decrease in the number of passenger trains available to carry mail. In 1930, 10,000 mail-carrying trains per day were available for the movement of mail. In July 1956 this number had dwindled to 2,627. By July 1, 1965, only 998 trains per day were available for use by the postal service. Furthermore, many existing passenger train schedules simply do not expedite the mail and, for that reason, cannot be utilized. While there may be a justifiable concern for passenger service, the Department, first and foremost, must constantly seek for the best

delivery service for mail that can be provided, and this requires a constant quest for faster, more reliable modes of transportation.

The Department's own motor vehicle service is employed to transport mail between a city and an adjacent airport where the distance does not exceed 35 miles, between points within a city, and between points in large metropolitan areas. The motor vehicle service, since it is Government-owned, and operated by Government employees, provides flexibility within the limited areas where it is employed. The authority provided in H.R. 13925 would be utilized to obtain transportation for substantial volumes of mail in long-haul intercity movements, which would complement the Government motor vehicle and star route systems, providing complete flexibility for the transportation of mail by highway. In the long run, in addition to enabling the Department to perform its job better, we believe that this proposed legislation will enable the Department to secure transportation of mail by truck more economically than is presently possible. In those instances in which the Department has negotiated special contracts with railroads, the Government has invariably obtained an economic benefit. We believe that, if the same law is extended to service by regulated motor carriers, the same benefit can be obtained.

In conclusion, with the proposed amendment which we have indicated as desirable, this bill would, if enacted, further improve the Department's ability to do its job and do it well.

Mr. Chairman, if there are any questions, the staff is here and we will be very happy to answer them for you.

Mr. DANIELS. Mr. Hartigan, do you approve of the mixture of mail with freight in the event that a contract is given to a common carrier?

Mr. HARTIGAN. The Post Office Department has and does at the present time approve the mixture of mail and freight providing that the freight is not injurious to the mail.

We have contracts currently, for example, the trip from Seattle to Anchorage, Alaska. We allow that carrier to top off his mail load with freight, providing that the freight is not injurious to the mail in any way. This is a practice which we allow now and we would allow in the future.

Mr. DANIELS. In such an instance would the mail be kept separate and apart from the freight, placed in containers or bags?

Mr. HARTIGAN. This would be an ideal way of doing it if that method is being used by a carrier. Presently we have trips now where the mail is being loaded, and space left available after all mail is loaded that carrier can top off the load with freight. The point being that in the case we cited, at no time, however, should the mail be delayed for the purpose of the freight because the primary purpose and function of that carrier is the transportation of mail. So long as it does not interfere with the mail we do permit mixed loading.

Mr. DANIELS. What effect does this bill have on the Post Office motor vehicle service now operated by career postal employees?

Mr. HARTIGAN. At the present time I cannot foresee where there would be any interference or conflict. The type of route and the type of case that would apply in this legislation would be a long haul, heavy movement of mail which would be in character different from the application, for which we use the motor vehicle service.

Mr. DANIELS. Do you contemplate there will be any reduction in cost?

Mr. HARTIGAN. No, I do not.

Mr. DANIELS. If the Post Office Department decides to use common carrier motor vehicles for transportation services now being performed by the Post Office motor vehicle service, will the Department make a cost comparison between the movement of mail by Government-owned vehicles and common carrier vehicles?

Mr. HARTIGAN. Well, we do not anticipate it interfering at this time. But the practice has been in the past and currently that if it is desirable to change from Government motor vehicle service, this is aside from whether the bill is passed or not, we do a complete cost study before such a change is made as a matter of policy.

Mr. DANIELS. As you indicated in your statement, the Department utilizes this trucking service for short hauls for a distance of 35 miles from point to point.

Mr. HARTIGAN. The 35 miles is with reference to airport facilities. That is in the law. That is governed by statute. Up to 35 miles, we, by statute, must use them.

Mr. DANIELS. Delivered to airport facilities?

Mr. HARTIGAN. To the airport facilities; yes.

Mr. DANIELS. Does the Department operate any longer runs and use its own vehicles in connection therewith?

Mr. HARTIGAN. I think we do operate them longer. The law that we are talking about is one that states that we must use them to the airport facilities up to 35 miles.

If, in the best interests of the Post Office Department, we find that a 100-mile trip can be best served by Government motor vehicle, there is no law preventing us from using that motor vehicle.

Mr. DANIELS. Do you propose to make a cost comparison between the hauling of mail by your own carriers with that of the common carriers?

Mr. HARTIGAN. If the situation were such that the application of this legislation would detract from the Government motor vehicles, we would as a matter of policy do a cost analysis to make sure that we were getting the best for our money and not interfering with the standard of service that would be provided by our own trucks.

Mr. DANIELS. Do you think the Department will adopt the policy of contracting out the hauling of the mail with the common carrier trucker and discontinue any Government-owned vehicle routes over which the U.S. mail is now transported?

Mr. HARTIGAN. I do not anticipate any such action.

Mr. DANIELS. In the event common carrier motor vehicles are utilized to replace Post Office Department vehicles, what utilization will be made of the existing Government-owned vehicles?

Mr. HARTIGAN. I still can't foresee any situation arising where we could substitute one for the other at this time, just by the mere nature and application of this legislation. I do not see it reaching the point where we have any excess vehicles.

Mr. DANIELS. Might it gradually phase vehicles out?

Mr. HARTIGAN. It would not as a result of this legislation. If hypothetically the Government motor vehicles are phased out, which I doubt very seriously, it will not be a result of this legislation.

Mr. DANIELS. Under this bill, no regulated motor carrier will have to transport mail unless and until it files a tender of availability. However, railroads are required by statute to transport mail. Since

the stated purpose of the bill is to provide equality between motor carriers and railroads, would you be willing to have this bill amended in order to place upon railroads no greater obligation than is placed upon motor carriers?

Mr. HARTIGAN. If the railroads file for relief of this particular part of the Railway Act, I do not think it would affect the Post Office Department service at all. If they were relieved of that responsibility, it would not affect the Post Office Department transportation.

Mr. DANIELS. In summation, this bill is acceptable to the Post Office Department subject to the amendments that you proposed in your statement.

Mr. HARTIGAN. The amendment we agreed upon that was proposed by Chairman Bush of the ICC as the one we cited—we are in favor of the legislation, that is right.

Mr. DANIELS. Mr. Green?

Mr. GREEN. No questions.

Mr. DANIELS. Mr. Pool?

Mr. POOL. Although I am not a member of the subcommittee, I have a special interest in this measure and would like to ask a few questions. Does this bill provide that any carrier can bid on these contracts?

Mr. HARTIGAN. This bill does not affect the statute. This bill would allow us more flexibility to include the motor carriers and negotiate with them on contracts where we find that it is not feasible to bid them out.

Mr. POOL. What about your irregular carriers such as a frozen-food carrier?

Mr. HARTIGAN. The original bill I understand includes regular and irregular. The amendment proposed by Chairman Bush is that it eliminates the irregular. The original bill includes both.

Mr. POOL. Is the amendment before the committee now?

Mr. HARTIGAN. I believe the amendment was suggested by Chairman Bush to eliminate the irregular carrier.

Mr. POOL. Suggested by whom?

Mr. HARTIGAN. The Chairman of the ICC.

Mr. POOL. The Chairman of the ICC?

Mr. HARTIGAN. In his testimony.

Mr. POOL. What was the reason for that?

Mr. HARTIGAN. The Chairman, as I recall, stated and I quote:

In our opinion 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 that would 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 unnecessary administrative burdens for the Government agencies concerned. Accordingly, we believe the proposed legislation 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.

Mr. POOL. Do you not think the Post Office Department could determine very readily as to whether or not they had the facilities to handle your requirements?

Mr. HARTIGAN. I think we could; yes. We do that now.

Mr. POOL. The amendment is not being proposed by the Post Office Department then, is it?

Mr. HARTIGAN. The amendment was proposed by the Chairman. We merely stated we find this would not be a factor in our opposing it to any great extent. We could live with or without.

Mr. POOL. You could take it either way?

Mr. HARTIGAN. That is right.

Mr. POOL. This is not important to the bill?

Mr. HARTIGAN. We have lived with this.

Mr. POOL. If we left the irregular carriers in, you could make the determination as to whether they had facilities to handle the mail?

Mr. HARTIGAN. We would have to do that if they performed the service with the equipment we think is necessary.

Mr. POOL. You might make some better deal if you left the irregular carriers in there, could you not?

Mr. HARTIGAN. It may be.

Mr. POOL. The Government might save money is what I am thinking about.

Mr. HARTIGAN. I would have to agree with the "might"; yes, sir.

Mr. POOL. Thank you.

Thank you, Mr. Chairman.

Mr. DANIELS. You are welcome.

Mr. Hartigan, I am not sure that you fully answered my last question. Under the proposed legislation a regulated motor carrier could avail itself of furnishing the services to the Post Office Department provided they filed a certificate of availability. Would you be willing to provide the same sort of a regulation for the railroads which today are compelled by law to transport the mail? Would you support an amendment to H.R. 13925 to permit the railroads likewise to file a certificate of availability and exclude all of those railroads for the transportation of mail which would not file a certificate?

Mr. HARTIGAN. If Congress relieves the railroads of this responsibility of carrying the mail under the conditions you mentioned, we would have no objections to it. I cannot see it affecting the service at all.

Mr. DANIELS. What is the Department's position on that question? Have you formulated a position?

Mr. HARTIGAN. I do not see that if this provision is in or out of the law it would affect the transportation of mail.

Mr. DANIELS. You do not think so?

Mr. HARTIGAN. It would not, as far as I can see. If the railroads decided tomorrow they want to have the privilege of refusing mail, I, at this point, feel we could live under those conditions without any serious delay—any delay—to the mail for that matter.

Mr. DANIELS. Are there any areas in the country where railroads would be utilized to greater advantage than motor carriers?

Mr. HARTIGAN. Certainly.

Mr. DANIELS. There are?

Mr. HARTIGAN. Certainly. There will always be areas where by the nature of the terrain, by the nature and characteristics of the route and run, type of mail hauled, that rail can do it better than truck. We will always have those areas.

Mr. DANIELS. If that is the situation, then why would you want the law to be amended to permit a railroad to refuse to haul?

Mr. HARTIGAN. I said if the law were changed we would not object to it. I cannot foresee the railroads refusing this kind of revenue any more than I can see a truck refusing it. I think the runs that are healthy runs, and the railroad is a healthy business, and I do not think they would refuse any business, any more than any other mode of transportation.

Mr. DANIELS. You do not envision that the Post Office Department would be placed at a disadvantage if such an amendment were adopted in this bill?

Mr. HARTIGAN. If the Congress made such an amendment, I do not envision any serious problems with the Post Office Department.

Mr. DANIELS. The star route carriers appeared before this committee and vigorously protested the enactment of this bill. If this bill were adopted, would it have a serious effect upon business now being handled by the star route carriers?

Mr. HARTIGAN. From the Post Office point of view we do not envision this bill having a serious effect on the star route carriers, because of the type of service that we would put in. The provision of this bill, the conditions under which we would put it to use—would be areas where at the present time it is a little too difficult to operate under a bid system. As we noted in our opening statement, we definitely do not want any legislation that would eliminate our using the bid system. We opposed the bill last time, because the bill did tie our hands. We think the bidding procedure in the star route law is an absolute necessity as far as the Post Office is concerned. We do, however, recognize there are some areas in which the bidding process is not the best way to handle it.

However, without legislation our hands are tied and we are not in a position to utilize a negotiating system for getting this type of service. The law does permit us to perform this type of negotiation if we are dealing with trucks that are operated by the railroads. We can do this. But at the present time, if we find a route that would require us to have three or four different types of bids in order to get one haul out of it, we felt that if we could negotiate a contract like that it would be to the advantage of the Department rather than going through two or three different types of bids to get a long-haul run for heavy movements of mail.

This type of negotiation would give us more flexibility and allow us to utilize this extra flexibility and give a better and more continuous type of service. We have this right now, for the trucks are operated by the railroads. We can sit down and negotiate a contract with them.

Mr. DANIELS. Do you believe that the hauling of mail by regulated motor carriers will result in a reduction of your star route contracts?

Mr. HARTIGAN. I do not believe it will result in a reduction as such. I think only to the extent that, if we are using star route carriers now over a particular run—I cannot think of one offhand, but it is possible—there may be a run now, that because of the current law, we were forced to put out bids where our best transportation judgment would have dictated, had we had this flexibility, that we would have put it on a negotiation. That would be the only area.

In general terms the answer is "No," because the type of contract we are talking about under this bill averages out to be about \$75,000.

The star route carriers today operating in that category are less than 1 percent of our star route carriers that hit \$75,000.

Mr. DANIELS. Does any other member of the subcommittee desire to ask questions?

If not, thank you, gentlemen.

Mr. HARTIGAN. Thank you very much, Mr. Chairman.

Mr. DANIELS. Our next witness is Mr. Giles Morrow, general counsel of the Freight Forwarders Institute.

Mr. Morrow, you may proceed.

STATEMENT OF GILES MORROW, GENERAL COUNSEL, FREIGHT FORWARDERS INSTITUTE

Mr. MORROW. Thank you, Mr. Chairman. I have a very brief statement. I shall read it if it is all right with you.

Mr. DANIELS. You may read the statement or testify orally, and we will incorporate your statement in the record. Use your own judgment as to which manner you desire to proceed.

Mr. MORROW. Thank you.

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 provide coordinated transportation by employing the services and facilities of other carriers for the line-haul movement of the goods which they undertake to transport. Forwarders who operate within the United States by rail, motor, and water, were regulated by the addition of part IV to the Interstate Commerce Act in 1942. When forwarders use the services of the airlines, in domestic or foreign service, they are regulated under the Federal Aviation Act. Forwarders are also authorized to operate as non-vessel-owning common carriers by water under the Shipping Acts.

Freight forwarders are not presently authorized to transport mail except under the contract provisions of the postal laws which apply also to regulated motor carriers. While consideration is being given to legislation to facilitate the use by the Postmaster General of regulated motor carriers, we hope that your committee will consider also the situation of the freight forwarders. Freight forwarders would be the only regulated carriers not specifically authorized to transport mail if H.R. 13925 should be enacted and no authorization for the use of forwarders should be included.

Some of the freight forwarders have handled mail for the Post Office Department, under contract. I am not informed as to whether any forwarders are handling mail at the present time. We do believe that there are distinct possibilities for greater utilization of forwarders by the Postmaster General, to the advantage of both the Department and the forwarding companies. Forwarders are specialists in containerization. They have numerous terminal facilities throughout the United States. Some of them also have facilities as well as connections with local carriers at many places throughout the free world.

If forwarders are able to make the necessary arrangements with the underlying carriers, they can handle shipments from almost any

origin to almost any destination in the same container, without rehandling. In many instances this should be of material advantage to the Post Office Department. Forwarders do have some problems insofar as making arrangements with the underlying carriers is concerned. I am convinced that those problems can be worked out in time. It may be that some further changes in the statutes will be necessary in this regard, but I am not prepared to suggest any such changes at the present time. The first step is to provide a more workable statutory basis under which the Department may utilize forwarders.

While forwarder operations are very widespread in scope, a number of individual companies having authority to serve each of the 50 States of the Union, the forwarders are not equipped, and probably could not make arrangements, to handle mail between each and every one of their stations as a regular matter. They are, however, in a position to render specialized service, and service which we believe would be of great value to the Post Office Department, between many places in this country and abroad. Consequently, we suggest that the postal laws be amended so as to provide that the Postmaster General may make contracts with freight forwarders, on the same basis under which he now secures transportation from the motorbus lines.

As the committee knows, section 6402(a) was added to title 39 of the United States Code in 1963. That section authorizes the Postmaster General to enter into agreements with passenger carriers by motor vehicle, without advertising for bids and without bond, for the transportation of mail. We recommend that a new paragraph No. 6402(b), be added to title 39 of the Code, to read as follows:

6402(b). The Postmaster General may enter into agreements under such terms and conditions as he shall prescribe and without advertising for bids and without bond, for the transportation of mail by freight forwarders subject to regulation under the Interstate Commerce Act, the Federal Aviation Act, or the Shipping Acts, within the scope of the operating rights of such freight forwarders under such acts.

So far as we are advised the provision for contracts with the bus-lines has worked satisfactorily. We believe that this would provide a satisfactory vehicle for the use of freight forwarders by the Post Office Department. We do earnestly recommend that freight forwarders be authorized to transport mail for the Post Office Department, whether the method be by a provision for contracts, such as I have just outlined, or by the inclusion of forwarders along with motor carriers within the terms of H.R. 13925.

That concludes my statement, Mr. Chairman.

Mr. DANIELS. Mr. MORROW, how is a freight forwarder different from a regular licensed motor vehicle carrier?

Mr. MORROW. The freight forwarder is not permitted to operate his own vehicles from point to point. He can operate his vehicles within terminal areas. Forwarders do have large fleets of motor carriers, but they are limited to the terminal areas of the surface carriers or the air carriers, whichever way they operate. Then they must secure their transportation from the underlying carriers.

In the case of motor carriers for the assembly and distribution of the freight, freight forwarders are permitted by law to make a contract for those A. & D. hauls and for line hauls of 450 miles. In the case

of the other carriers, they must pay what are published as the tariff rates applicable to the freight they tender.

Mr. DANIELS. Are such freight forwarders licensed by the ICC and subject to its regulation?

Mr. MORROW. Yes, sir; they are regulated to just about the same extent as all other carriers as to their rates, service, and practices; and they must obtain operating authority from the Commission before they can operate.

Mr. DANIELS. Are freight forwarders usually lessees of the equipment?

Mr. MORROW. In some cases they are. In piggybacking, for example, where the forwarders ship the property of their customers in trailers or other containers, they either own or lease that equipment and then they give it to the railroad under a rate which the railroad publishes simply for hauling the boxes.

Mr. DANIELS. How would the Post Office Department be able to determine whether such a freight forwarder, as a lessee, is a dependable and responsible individual? The proposal in your statement is that they not be bonded. That being so, are you not placing a big responsibility on the Post Office Department?

Mr. MORROW. There would be a responsibility there. However, there are only about 60 class A freight forwarders. They are very responsible companies. They are large companies, with most of them having facilities around the world.

Somewhat over a year ago the Post Office Department negotiated a contract with one of the forwarders to handle a certain type of mail matter from the Chicago area to England, possibly other points in Europe. That was negotiated under a provision of the law which permits experimental contracts for a new type of service for a 1-year period.

At the end of the year's period it was required to be put out on bids under the star route provisions and some other company, I do not know whether it is a forwarder or not, made a lower bid but the forwarder who had pioneered this type of movement was wholly acceptable to the Post Office Department.

These forwarders are well known and responsible and I am sure that with the small number of them the Department would have no difficulty in determining that they are responsible people.

Mr. DANIELS. You mentioned that there are about 60 grade A freight forwarders in this country?

Mr. MORROW. Class A.

Mr. DANIELS. Are they classified as grade A? What are they?

Mr. MORROW. The Commission classifies them as class A and class B for accounting purposes. A class A forwarder has gross annual revenues of \$100,000 or more. There is a small number of class B forwarders, I think about a dozen of them, who have revenues less than that. The Commission simply did not want to impose the burdensome accounting requirements on those small carriers as it has on the large ones. They are so classified for accounting purposes only.

Mr. DANIELS. Totaling about 70?

Mr. MORROW. About 70 of them.

Mr. POOL. Mr. Chairman.

Mr. DANIELS. Mr. Pool.

Mr. POOL. Can you name a few of the forwarders that you are talking about?

Mr. MORROW. Yes, sir. The U.S. Freight Co. is a holding company which owns and operates seven or eight companies and the largest is Universal Carloading & Distributing Co., Inc. There is Acme Fast Freight, Inc., International Freight Forwarding Corp., and National Carloading Corp. Those companies all operate in all 50 of the States.

Going on down the line we have forwarders such as Lone Star Package Co., Western Carloading Co., and various others.

Mr. POOL. Thank you.

Mr. DANIELS. Mr. Green?

Mr. GREEN. No questions.

Mr. DANIELS. Mr. Morrow, in your statement you state and I quote:

Freight forwarders would be the only regulated carriers not specifically authorized to transport mail if H.R. 13925 should be enacted and no authorization for the use of forwarders should be included.

I do not understand why freight forwarders would not be included in this bill. If you will look at page 2 of H.R. 13925 you will see that the very first sentence says:

Regulated motor carrier means any motor carrier engaged primarily in the transportation of property as authorized by a certificate of public convenience and necessity.

Why is it that the freight forwarders would not be included?

Mr. MORROW. Simply because the freight forwarders are not regulated motor carriers. They are regulated carriers but they are not regulated motor carriers.

Mr. DANIELS. Would they transport mail other than by carriers?

Mr. MORROW. Yes, sir.

Mr. DANIELS. What other means of transportation is available?

Mr. MORROW. In the arrangement which I spoke of, the freight forwarders put mail in their own trailers which I suppose they own and they gave the trailers to the railroads to transport to New York and then they took the trailers from the railroad and put them on a steamship line and took them to England. They paid a charge which the railroads and steamship lines made for transporting that container.

Mr. DANIELS. That is a piggyback operation?

Mr. MORROW. Yes, sir.

Mr. DANIELS. You say that is not under the jurisdiction of the ICC?

Mr. MORROW. Yes, sir; it does come under the jurisdiction of the ICC, but under part IV as opposed to part II which applies to motor carriers.

Mr. POOL. Mr. Chairman.

Mr. DANIELS. Mr. Pool.

Mr. POOL. Do you operate the same system, over the road, through motor carriers?

Mr. MORROW. Yes, sir. We use motor carriers more for the shorter hauls than the longer. For the greater distance we would use mostly railroads but for shorter distances we would use motor carriers either to assemble our freight or to haul the consolidated freight, trailerload.

Mr. POOL. Under your use of motor carriers, do you come under this law?

MR. MORROW. No, sir. I do not think we would, because even there the service is regulated as freight forwarder service, part IV service, even though we are employing motor carriers to do it for us. It is still regulated as freight forwarding service.

MR. POOL. Can you point out in the bill where you are exempted?

MR. MORROW. No, sir. It is not in the bill. It has simply no reference to freight forwarders. If the bill said any regulated motor carrier, or any regulated freight forwarder, then we would be included. As I pointed out, I think it would be much simpler to have a contract provision, because there are so few freight forwarders, and I think it would be simpler for the Post Office Department if there were a provision for contracts.

MR. POOL. In other words, the use of the words "regulated motor carrier" in this bill does not cover a freight line that hauls your freight over the road? That is under the ICC interpretation?

MR. MORROW. There has been no interpretation of it so far as I know.

MR. POOL. There is a doubt about it? That is the main point, whether it is covered?

MR. MORROW. No, sir; I do not believe there is any doubt. I think it simply does not cover it. It is regulated as service—

MR. POOL. The company that hauls the material?

MR. MORROW. Yes, sir.

MR. POOL. Then why would it not be covered if it is going over the road with a truck or tractor?

MR. MORROW. It would not be covered because when we tender the material to the underlying carrier it is tendered as freight forwarder traffic. Of course, it is not tendered as Post Office Department traffic. That is the area where I indicated we will have some difficulty in making arrangements with these underlying carriers for mail. The railroads have—

MR. POOL. Is it possible that you can bid low enough to compete with the motor carriers?

MR. MORROW. I should think so; yes, sir. Because we would be—

MR. POOL. Why is that? It seems to me the motor carrier could underbid you.

MR. MORROW. On a specific point-to-point, he probably could, but our service is very widespread and forwarders use all types of carriers. I doubt if the forwarder would ever be able to underbid a motor carrier on a specific short run. The forwarders might take it to Tokyo or someplace else. It would be part of a through movement.

MR. POOL. The Post Office Department could make that determination?

MR. MORROW. Yes, sir.

MR. POOL. I think that is a valid reason.

MR. MORROW. Thank you, sir.

MR. POOL. Mr. Green?

MR. GREEN. I have one question.

It seems to me that you are really a middleman. Might not the Post Office be better off dealing directly with the carriers that you would utilize?

MR. MORROW. In many cases I should imagine they would. They do know our service. They have used it in the past and where they

determine that, call it a middleman or whatnot, we can provide better overall service.

Mr. GREEN. Could you give me a concrete example of where it would be more practical for the Post Office to use a freight forwarder directly?

Mr. MORROW. The only one I know of, and I do not know the practical working of this, is the situation I mentioned in my testimony where a freight forwarder made a contract with the Post Office Department to take mail from certain points outside of Chicago to, I believe, London, England, and possibly other points. The Post Office, I assume, would have had to negotiate a number of contracts or deals at least with a number of people to get the mail there.

Mr. GREEN. Does not the freight forwarder have to do the same thing?

Mr. MORROW. Yes.

Mr. GREEN. Why could not the Post Office do it cheaper?

Mr. MORROW. I do not know. But the story of freight forwarding has been precisely that. They have operated in the general freight field in exactly the same way. Shippers can do the same thing. They found it much more convenient to use freight forwarders and they have been doing it for, say, 100 years.

There is a place where it is valuable service. I think the Post Office Department would only have use for it in those situations.

Mr. POOL. Would you yield?

Mr. GREEN. Yes.

Mr. POOL. Is it not possible also that you might have equipment that you are not using that would be advantageous to your company to bid low enough to get the business to keep the trailers busy?

Mr. MORROW. Yes, sir.

Mr. POOL. Do you have that situation arising?

Mr. MORROW. We have trailers and other equipment around the world that we own.

Mr. POOL. It might be sitting idle? You might be able to use it where the motor carrier would not be in that same position, and you could underbid him.

Mr. MORROW. Precisely.

Mr. DANIELS. Mr. MORROW, a freight forwarder would not necessarily employ motor vehicles in the transportation of mail if given a contract?

Mr. MORROW. No, sir.

Mr. DANIELS. He could employ any means of transportation?

Mr. MORROW. Any means of transportation, that is right.

Mr. DANIELS. With respect to a freight forwarder's use of motor vehicles, what difference, if any, is there between a freight forwarder and a regular licensed motor vehicle carrier?

Mr. MORROW. The difference is in the physical means by which they discharge their obligation. In other words, a motor carrier is authorized to own and operate motor vehicles over highways. A freight forwarder is not authorized to own his own motor vehicles and take freight from Washington, D.C., to New York, for example. He would have to use a common carrier.

Mr. DANIELS. And a freight forwarder does not have imposed upon him the same rules and regulations as a regulated motor carrier?

Mr. MORROW. He has imposed upon him all the rules, regulations, and requirements except those that pertain to the operation of physical equipment. The forwarder is required to publish a rate, and the rate is generally about the same as the motor carrier rate. He is required to have insurance and to have certificates of insurance filed with the Interstate Commerce Commission, and in all other respects live up to a common carrier obligation, but he does not have the authority or obligation to operate the physical facilities.

Mr. DANIELS. In other words, he is not limited to the use of motor vehicles, exclusively?

Mr. MORROW. No, sir.

Mr. DANIELS. Any type might be used?

Mr. MORROW. Any type. Under the Shipping Acts a freight forwarder can make contracts with ship lines, and under the Civil Aeronautics Act, now the Federal Aviation Act, the freight forwarders have always been held to be indirect common carriers by air and they have the same obligations as direct carriers except the operation of physical equipment.

Mr. DANIELS. And would mail be handled as safely and as securely by a freight forwarder as by a regulated common carrier?

Mr. MORROW. Yes, sir; I am confident it would be. I am not wedded to having this done without bond. That was in the statement, but we certainly would be willing to put up bonds for anything we do.

Mr. DANIELS. Would you care to amend your statement to that effect? In your statement you propose that no bond be posted, but if the Department had authority to do business with a freight forwarder, and if such a freight forwarder were required to post a bond, would this be acceptable to you?

Mr. MORROW. This would be acceptable to us.

Mr. POOL. Mr. Chairman.

Mr. DANIELS. Mr. Pool.

Mr. POOL. In the illustration you gave of shipping to England, the utility of the thing is you load those trailers at the plant and have them forwarded to the port of embarkation, sending the entire trailer with its contents to England?

Mr. MORROW. That is right.

Mr. POOL. So in that case you would not have to load and unload it two or three times. That is a possibility?

Mr. MORROW. That is a possibility. And I am confident the Post Office Department would tell you, if they were asked, that there are situations in which they would like to use freight forwarders.

Mr. GREEN. Would it be safe to say that presently you have an equal footing under the law and that is all you are asking for now?

Mr. MORROW. Yes, sir.

Mr. GREEN. If you do have an equal footing under the law, you said in your statement you did not know of any freight forwarders who are at this time participating in the transportation of mail?

Mr. MORROW. That is right.

Mr. GREEN. Would you look into that? In other words, if the freight forwarders have an equal footing under the law—and I am not opposed to anyone having an equal footing under the law—have the freight forwarders demonstrated they can deal with the Post Office Department more economically than the motor carriers?

That is my question, and I think to get the answers to that you will have to demonstrate that freight forwarders are now engaged as mail contractors.

Mr. MORROW. I want to be perfectly frank with the committee. Up to recently I knew of several situations where freight forwarders were handling mail for the Post Office Department, but the railroads, in their piggyback rates, put in a provision that the rates would no longer apply to trailers of freight forwarders that had any mail matter in them. That is why we have some difficulty working out arrangements. I do not know what kind of arrangement we could make with railroads, but this is our problem. We will have to see if we can work it out.

Mr. GREEN. In other words, all you want is a chance to work it out?

Mr. MORROW. Yes.

Mr. DANIELS. Will you yield? Mr. Batrus is here from the Post Office Department. Mr. Batrus, do you know the answer to the question?

Mr. BATRUS. What is the question?

Mr. GREEN. The question was whether the Post Office deals with freight forwarders.

Mr. BATRUS. We had contracts with freight forwarders, five contracts, principally to points in other countries. The purpose of the contract was to provide for plant loading in containers and the direct movement to the foreign destination point and to the post office in a foreign country. These were contracts on a temporary basis. Under the provisions of law you can negotiate such a contract for a period of 1 year, and no longer. After that, we have to advertise for bids. Whether there is an existing contract I am not sure, but I can furnish that information.

Mr. GREEN. Do you know whether or not the Post Office Department would have any objection to including freight forwarders in this bill, or do you think they are included now?

Mr. BATRUS. I do not think we would have any objection to their inclusion in the bill, so long as it can be worked out from a practical standpoint and can be worked out under ICC regulations. I think you will find there might be some complications on that point.

Mr. DANIELS. Let me ask this hypothetical question. Assuming a contract was given by the Post Office Department to a freight forwarder, and the freight forwarder utilized the services of a railroad, how would the cost of the freight forwarder compare with a contract entered into directly by the Post Office Department and a railroad?

Mr. MORROW. I am sorry. I do not have any idea on that at all. The railroad rates for piggyback services are so many dollars for hauling two trailers on a flatcar from one point to another, say, solely to illustrate, \$200 from New York to Washington, D.C., any items at all except certain excluded items. How the railroads would make out with that rate as against a charge which they negotiated with the Post Office, I do not know. As I say, the railroads have put provisions in their piggyback rates excluding trailers of freight forwarders that have any mail matter in them. The rates the railroads charge for hauling two trailers are very compensatory rates. That has been demonstrated before the Commission, so they would come out with a compensatory rate.

Mr. DANIELS. Thank you. Any further questions?

Mr. POOL. If this bill passes and motor carriers are allowed to haul mail, do you not imagine the railroads would be glad to have this piggyback business you might offer them?

Mr. MORROW. I would hope that would be the case, Mr. Congressman.

Mr. DANIELS. Thank you, Mr. Morrow, for your testimony.

This concludes today's hearings. The next hearing will be held on Wednesday, June 8, at which time the Association of American Railroads and the Railway Labor Executives' Association will appear to testify.

Thank you.

(Thereupon, the subcommittee adjourned until Wednesday, June 8, 1966, at 10 a.m.)

MAIL TRANSPORTATION BY REGULATED MOTOR CARRIER

WEDNESDAY, JUNE 8, 1966

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

The subcommittee met, pursuant to adjournment, at 10 o'clock a.m., in room 346, Cannon House Office Building, Hon. Thaddeus J. Dulski (chairman of the subcommittee) presiding.

Mr. DULSKI. The meeting will come to order.

We are continuing the hearings on H.R. 13925 and our witness this morning is Mr. Starr Thomas, the chairman of the Committee of Counsel, Railway Mail Transportation Division, accompanied by Mr. Herbert Brand, director of the Railway Mail Transportation Division.

STATEMENTS OF STARR THOMAS, CHAIRMAN, COMMITTEE OF COUNSEL, RAILWAY MAIL TRANSPORTATION DIVISION, ASSOCIATION OF AMERICAN RAILROADS, AND HERBERT B. BRAND, DIRECTOR, RAILWAY MAIL TRANSPORTATION DIVISION; ACCOMPANIED BY E. M. BRADY, PASSENGER TRAFFIC MANAGER, GREAT NORTHERN RAILWAY; AND W. F. BURKE, GENERAL PASSENGER TRAFFIC MANAGER, CHICAGO, BURLINGTON & QUINCY RAILROAD

Mr. THOMAS. 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. 13925.

My testimony will include a brief analysis of H.R. 13925, its relationship to existing statutory provisions governing the transportation of mail by railroad and the effect which this legislation would have on mail transportation if it is enacted. Other witnesses will discuss in some detail the services and facilities which the railroads are required to provide and which are vital to the transportation and distribution of the U.S. mail. They will also discuss the effect on both railroad and Post Office Department operations of the enactment of H.R. 13925 which is so clearly designed to divert desirable mail traffic from the railroads, leaving them in a position where they will be forced to handle the less desirable traffic and provide a standby service when motor carriers are unable to meet the needs of the Department.

H.R. 13925 was drafted by the American Trucking Association and its purpose, according to Mr. Beardsley of the ATA, is to make regulated motor carrier service available to the Post Office Department in the same manner that railroad and air carrier service has been made available and to place the regulated motor carriers in a position of equality with rail and air competitors. This purpose was repeated in the testimony of Mr. Meyer of the ATA, who stated that the intent of the legislation is to put motor carriers at the disposition of the Postmaster General on the same terms and conditions as the railroads and that the motor carriers seek no special treatment nor privileged niche.

If the legislation would, in fact, place the motor carriers on the same basis as the railroads, our industry would not be here today opposing H.R. 13925. The fact is that it would not.

The bill is designed as an amendment to chapter 95 of title 39 United States Code which governs the transportation of mail by railroad. Ostensibly, the purpose of drafting the bill in this manner is to make applicable to motor carriers the same terms and conditions that presently apply to the railroads. A brief look at the bill will show, however, that in the process of amending chapter 95 the motor carriers have apparently overlooked many opportunities to be placed on a basis of equality with the railroads. In fact, many provisions which the motor carriers have chosen not to adopt are of much greater significance than those which they have. Of the 10 sections of chapter 95 which actually govern the transportation of mail by railroad, the motor carriers have ignored all or part of 7 of these sections and have placed themselves on an equal footing with respect to only 3. The reasons become clear upon examination.

The motor carriers have not placed themselves under section 6203 which places on the railroads an absolute obligation to transport mail, equipment, and supplies on any train at the direction of the Postmaster General, under the conditions and with the service prescribed by him, and requires the free transportation of Post Office Department personnel. Instead, they have proposed a new provision under which the motor carrier would decide whether it wished to transport mail. If it were so minded, it would file a tender of availability indicating its willingness to transport mail, the routes over which it desired to transport it and apparently the character of service offered. And even after such a tender, the motor carrier could be relieved of any obligation, incurred by the tender, for good cause at the discretion of the Postmaster General.

The motor carriers have not placed themselves under section 6204 which obligates the railroads to provide not only cars and facilities for handling and protecting the mail, but space for storage and handling, including separations, office space for postal employees and special equipment built to specifications fixed by the Postmaster General. Instead, under the proposed bill, there is no specification as to the equipment to be used by the motor carriers nor is there any requirement that they protect the mail in their custody, let alone any requirement that facilities or equipment be furnished solely for the use of the Post Office Department.

The motor carriers have not even placed themselves under section 6206 which simply requires that railroads submit evidence of performance of service and provides that service will be considered that

of the railroad performing it regardless of the ownership of the property used.

The motor carriers have not placed themselves under section 6207 which permits the Postmaster General to fine railroads \$1,000 a day for refusal to perform service, a reasonable amount for failure to furnish certain facilities or for other delinquencies and not exceeding three times the compensation for failures due to the fault of the railroad. Instead, the penalties applicable to motor carriers have been placed in section 6213 with the notable omission of the unlimited authority of the Postmaster General to levy fines for other delinquencies. Under that authority, contained in section 6207(b)(5), the Postmaster General has levied fines against the railroads amounting to as much as 30 times the compensation for the service involved. This, as another witness will demonstrate, is the most onerous of the penalty provisions and its omission is significant.

The bill also reduces to \$500 the fine for refusal to perform service on the ground that trucks carry less volume than trains. This reasoning is not persuasive. In the first place, a train may carry as little as 10 or 15 sacks of mail. In the second place, the flat fine is designed to apply without relation to the type or amount of service. Where the amount or volume is to be considered the penalty is related by limiting the fine to three times the compensation applying to the service.

The motor carriers have not placed themselves under section 6209 (c) and (d) which authorize the Postmaster General to file with the Interstate Commerce Commission a comprehensive plan stating his requirements for railroad transportation, including the speed, the character of equipment and the terminal and other service which he requires. Under this provision the Postmaster General has required the railroads to give priority to mail over all other traffic. No such obligation is placed upon the motor carriers. Instead they have adopted only subsections (a) and (b) of section 6209 which provide the procedures for seeking a reexamination of rates once they have been fixed by the ICC.

The motor carriers have not placed themselves under section 6210 which authorizes the Postmaster General to fix carload or less than carload rates for fourth-class mail and periodicals. No similar provision with respect to special truckload or less than truckload rates is proposed for the motor carriers.

The only sections of chapter 95 which the motor carriers have adopted in their entirety are 6208, 6214, and 6215. The result is that they have put themselves in a position of equality with the railroads solely to this extent—they will have ICC prescribed rates, they have agreed to let the Postmaster General weigh the mail and make statistical studies, and they will have the power to contract for mail transportation at rates higher or lower than those fixed by the Commission. Thus the net result of the proposed amendments can best be characterized as a separate but equal approach, equal treatment as to the benefits and separate treatment as to the burdens. We suggest that here, as in other areas, the separate but equal approach should be rejected.

Despite the change in format, the effect of H.R. 13925 is no different from that of its predecessor bills. The motor carriers will still be free to transport only such mail as is desirable over routes of their own choosing and will leave the railroads with the obligation to

provide the costly and less desirable service which the trucks do not wish to handle. It is clear from the testimony of the motor carrier witnesses before this subcommittee that the mail transportation which they contemplate providing is the door-to-door, line-haul transportation. They will be under no obligation to provide the expensive space, equipment, or personnel required for the handling of mail in terminals. This will be left to the railroads. Nor will they be obligated to furnish any particular kind of equipment; and thus they can choose to transport mail only where the existing equipment is available and where existing traffic patterns make mail transportation over a particular route desirable from a revenue standpoint.

It is clear that this will be the necessary effect of the proposed legislation because the provisions of chapter 95 which govern railroad transportation of mail are based on the needs of the Post Office Department to provide a complete postal service. On the other hand, the provisions of H.R. 13925 are based on the desire of the regulated motor carriers to obtain only the attractive portion of mail traffic. Simply to impose these provisions on the existing structure of mail transport legislation would fundamentally change the present system of surface mail transportation and bring about serious consequences of which this subcommittee should be aware.

Today the railroads are the primary carriers of surface mail, and as such are 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 for all services on a fair basis and simplifies administration. Average rates by their very nature, however, although providing attractive revenue on volume traffic which moves regularly, do not, on the other hand, produce revenues which cover the costs of the service when applied only to 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 the railroads are bound to sustain severe losses in the transportation of only the less desirable mail. H.R. 13925 is designed to facilitate just such diversion.

First, the very fact that the motor carriers have the choice as to the traffic for which they will make a tender of availability means that only the desirable mail will be sought.

Second, the power to contract under section 6215 means that they can escape even the limited obligations attached to a tender of availability, including fines, while skimming off the cream of the traffic. That contract power, as applied to railroads, fills a definite need by allowing them to depart from the average rate structure, required by their obligation to carry mail where changes in the method of mail handling so dictate. No such need arises in the case of the motor carriers.

Third, the bill sets aside a period prior to the institution of ICC proceedings during which initial rates shall be negotiated. This means that the motor carriers could agree to low rates initially in order to divert a substantial amount of competitive mail and then, having obtained it, could show the ICC that actually higher rates were justified on that mail, not only for the future but for the entire period during which the Commission's investigation was being held.

In connection with this last point, the bill provides that these initial rates shall be agreed to by the Postmaster General and designated motor carrier agents. In the motor carriers' testimony it was stated that such agreements would be negotiated through rate bureaus and that this would be comparable to the system by which railroad rates are established. Right here it should be made clear for the record that the railroads do not nor have they ever negotiated rates with the Department through a common agent or representative. All contracts are negotiated by the individual railroad for service over its line and the reason for this procedure should be abundantly clear.

The possibilities for diversion which are woven into the structure of H.R. 13925 cannot be put aside as idle threats. Over the years the railroads have experienced the too frequent success of the motor carriers in diverting from the railroads the high density volume traffic which produces the best returns while avoiding their common carrier obligation to handle the less desirable traffic. We can confidently anticipate that the motor carriers will take advantage of the proposed legislation to make a similar concentration of effort to obtain the desirable mail traffic, and the railroads with their statutory obligation, expected to handle what is left regardless of the losses incurred.

For the reasons I have stated, the railroads are strongly opposed to H.R. 13925. But if this bill, or any similar bill, is to be reported favorably by this subcommittee, we earnestly urge that it be amended to relieve the railroads of their statutory obligations and establish genuine equality. At least in one particular, the Department witness testified that the Post Office would have no objection if Congress decided to confer equality on the railroads by repealing their obligation to transport the mail. We are pleased to know this.

Nevertheless, as my statement shows, there are numerous other areas where the railroads and motor carriers would not be on an equal footing if H.R. 13925 is enacted. Such equality can be achieved, however, by placing the railroads under the provisions of a law like H.R. 13925 and repealing all the provisions of chapter 95 not specifically incorporated therein. We have drafted a bill which would do precisely this and we would like to submit it for the consideration of the subcommittee and ask permission that it be considered part of my statement.

(See page 89 for draft of bill.)

In this revised draft of H.R. 13925 we have also modified the language of section 6213(d), which provides for initial rates or compensation and section 6215, the provision relating to special contracts for the transportation of mail, by requiring that such initial rates or compensation and such special contracts must be filed with the Interstate Commerce Commission at least 30 days before their effective date. The reason for this amendment is obvious. Railroads and regulated motor carriers will be competing aggressively for mail traffic and the rates for the services to be provided should be made

public so that all may compete on a fair and equal basis. Publicity of transportation charges, rather than secrecy, is uniformly recognized as being in the public interest.

That completes my testimony and I would like to thank the members of the subcommittee for giving me this opportunity to appear and state the views of the railroad industry.

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

Do you have another statement?

Mr. THOMAS. Mr. Brand.

Mr. DULSKI. You may proceed.

Mr. BRAND. I am Herbert B. Brand. My address is 425 Transportation Building, Washington, D.C., 20006. 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, on which I served as chairman for several years prior to 1954, was a national railroad committee established in 1910 to provide a central organization for dealing with matters concerning transportation of mail by railroad.

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. 13925 or any legislation which would affect the transportation of mail. In order to obtain a better understanding of the complex and demanding requirements of mail transportation which the railroads are particularly qualified to perform, I think a brief review of present railroad mail service 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. 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.

Each motor common carrier would have to similarly equip itself if it is to provide a complete mail transportation service. The mails are not turned over to the railroads in the same state as they are to an airline, star route, or motor carrier, sorted and ready to be transported without further processing, to specific destinations and then simply unloaded. In the case of railroads, the unsorted, unprocessed mail is turned over at a designated point in the post office or rail terminal, or delivered directly from the post office to the railroads by chutes or conveyors; some mail is unloaded from incoming railroad cars for transfer to other trains or delivered to star routes. It thus 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.

The railroads furnish office and terminal space, including light, heat, janitor service, some furniture, and occasionally telephone service, at no additional charge to the Post Office Department.

Railroad personnel are employed at certain stations solely for the purpose of handling mail. The railroads must frequently maintain standby work forces at stations in order to handle peakloads just as expeditiously as smaller volumes of mail are handled.

Train crews are required to put mail in station boxes approved by the Department when no one is on duty at the station.

Railroad forces follow and supervise railroad performance in connection with mail transportation.

Railroads must maintain sufficient standby equipment to accommodate unexpected or unusually large volumes of mail.

The railroads provide station trucks, tractors, and other equipment for handling mail.

The Post Office Department can require a railroad to stop one train each way daily at any station having a post office.

The railroads must give priority to mail and must complete the loading and unloading of mail at each mail stop. If this requires time in excess of the station stop schedule the train must be held.

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, New York, 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 handled 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, Goshen, et cetera, and connections.

Chicago and Council Bluffs, train 29—Iowa and Nebraska directs, overflow in Jackpot.

Chicago and Savanna, train 47—overflow in Jackpot.

Chicago city—one or two stalls as needed, overflow in Jackpot.

One or more separations are designated above 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 en route 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 about 8,000 storage cars equipped to operate in passenger train service for transporting bulk mail, plus thousands of Flexi-Vans, trailers, and other containers. 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 impassible by reason of snow and ice, and 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 merchandise freight trains in which are provided container-type service as well as Flexi-Van 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 coordinated, comprehensive nationwide 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, and how the railroad services, over and above mere line-haul transportation, are tied in with the many varied needs of the Post Office Department day in and day out, in

heat or cold, stormy or fair weather, in snow, fog, ice, sleet, and rain. These are services no other mode is able to perform.

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. The proximity of rail facilities to the postal facilities 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, truck terminals are located away from the central city. "The Highway Program at Midpoint," a 1964 publication 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, and the Post Office Department witness said on June 1, 1966, there is no objection to this as long as the freight does not harm the mail, 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, with the inevitable delay to the mail. Otherwise they would bring all the mail and all the freight on the truck into the downtown area and then have to haul all the freight back again. Not so with the railroads whose mailtrains run almost into the post offices in the hearts of the cities avoiding the costly and time-consuming delivery by trucklines from their outlying terminals and of course also avoiding further congestion to city streets both on their inbound and outbound trips as well as while waiting in the streets for post office tailgate space and thus occupying space needed by parcel post users delivering their packages to the post office.

The purpose of this bill, according to its proponents, is to bring about equality between the motor common carriers and the railroads in the handling and transportation of mail; actually it would place the motor carriers in a highly preferred position. 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 since the motor carriers would not have to perform the complete services provided by the railroads; it would require only the limited service that the motor carriers might want to 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 permits the motor carriers to select the traffic they wish to handle, all the while retaining the provisions of present law which would obligate the railroads to handle the rest. 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. I submit that H.R. 13925 does not provide the Postmaster General with any truck transportation that he cannot have right now under the existing star route law; this law 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 in 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 11 years, reaching a total of almost \$100 million in 1965, an increase of over 100 percent. Certainly this shows no difficulty in obtaining truck transportation for mail.

H.R. 13925 is thus clearly unnecessary. Moreover, as I have explained, it would create unfair, unjust, and injurious competitive conditions and discrimination in the transportation of mail in that it fails to impose any real obligation on the motor carriers to transport mail. 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. I would like to call your attention to a specific case of this kind. It is interesting that it involves Consolidated Freightways, whose vice president, Mr. Orrin H. Fraley, testified on May 18, 1966, as to the ability of the regulated motor carriers to provide the transportation service required by the Post Office Department.

For the past 10 or 12 years, under a star route contract, this truckline has transported the mail between Seattle, Wash., and Portland, Oreg., including mail originating or terminating at points in California. For the past several years during the Christmas holiday season when the volume of mail skyrocketed, the railroads have been called on by the Post Office Department to provide supplemental through piggyback service between Seattle and California points; and the railroads have provided this service.

Mr. Fraley, in his statement, claimed that the smaller daily or weekly newspaper publishers would benefit from the enactment of this bill. He did not mention that trucklines are prone to avoid small towns with limited traffic to offer, but instead schedule their operations for the benefit of the big shippers in the larger towns. In view of this, it is hard to understand how this legislation would benefit the smalltown daily or weekly newspaper publishers. I know of no surer way of delaying this type of mail than to divert it from rail transportation to truck transportation. Just remember that newspapers are sorted en route when moved by railroad, just the same as first-class mail, consequently avoiding the loss of time that is inevitable when mail must be sorted at either origin or destination post offices, or both, as would have to be the case if transported by truck.

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 the railroads do not fulfill these obligations to the satisfaction of the Post Office Department, they can be fined severely. I would like to read from one of the statements that I would offer at the conclusion of my statement, an instance of this kind which recently happened.

It was in connection with a movement of mail into New York City over the Pennsylvania Railroad. This is taken from the statement of Mr. Large, vice president of traffic.

About a month ago, we had a problem at New York in getting certain storage cars unloaded. There were 37 cars involved in all. I will not, at this time, attempt to argue the question of our fault in the matter but will simply assume this delay in unloading was completely our fault. Within 3 days after the incident occurred, we were advised that we were being fined \$37,000. Later the same day, we were further advised that another \$18,000 was being added on—making a total of \$55,000. Gentlemen, this delay arose in the unloading of these cars. Our compensation for that unloading was approximately \$1,700. Thus, our fine was over 30 times the compensation we were to receive for the work which was delayed.

If the provisions of H.R. 13925 had been in effect for the railroads as they are sought for the trucklines, the maximum that the Post Office could have fined the Pennsylvania Railroad would have been \$5,100 instead of the \$55,000 they were fined.

To go back to my statement: 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 are called upon to provide service under a great variety of differing conditions and circumstances. Some of this at a high cost to the railroads and some at relatively lower costs, but nevertheless all at the same average rates so designed as to return on the whole reasonable compensation for the entire 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, 1965, on H.R. 6472, 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 before the Interstate Commerce Commission in docket No. 9200 it was estimated to represent an investment of approximately \$1 billion. We could not reasonably be expected to long retain unused portions of these facilities without adequate reimbursement. No legislation should be enacted that does not deal fairly with this situation.

At this point I would like to mention that in September 1965, President Johnson called the presidents of the Nation's largest railroads

together and asked that further reductions in passenger train service be avoided. He emphasized that nothing is comparable to the railroads as a medium for mass movement of people, and indicated that it was essential that railroad passenger service be maintained at the present level, awaiting the improvements expected to come from the High-Speed Ground Transportation Study (Public Law 89-220).

H.R. 13925, 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. Even with their present mail revenue, railroads had a deficit from passenger train operations of about \$400 million in 1965. 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 train crews, 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 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 increased 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.

I appreciate the opportunity of explaining to your subcommittee how unfair and inequitable this legislation would be, how it would injure the railroads, endanger passenger train service, reduce railroad employment, and harm rather than help the mail service. Statements of other witnesses deal with the specific effects on specific railroads and even with respect to specific trains. I would be pleased to try to provide any further information the subcommittee desires.

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

As I understand it, you have other statements by Mr. Brady and Mr. Burke to become part of this record?

Mr. BRAND. Yes, sir. May I at this point, Mr. Chairman, offer for the record seven statements from seven individual railroads. I would like to identify them, if I may.

Mr. DULSKI. Go right ahead.

Mr. BRAND. Statement of Mr. Wilbur F. Burke, general passenger traffic manager, Burlington Lines, Chicago, Ill.; statement of Emmett M. Brady, passenger traffic manager, Great Northern Railway Co., St. Paul, Minn.; statement of O. H. Zimmerman, vice president, operations of the Illinois Central Railroad Co., Chicago, Ill.; statement of Charles A. Goodwin, vice president, passenger traffic, New York, New Haven & Hartford Railroad Co.; statement of Wayne M. Hoffman, executive vice president, New York Central Railroad Co.; statement of Philip J. Lee, vice president, traffic, Atlantic Coast Line Railroad Co.; and statement of Henry W. Large, vice president, traffic, Pennsylvania Railroad Co.

(The statements follow:)

PREPARED STATEMENT OF CHARLES A. GOODWIN, VICE PRESIDENT, PASSENGER TRAFFIC, THE NEW YORK, NEW HAVEN & HARTFORD RAILROAD CO.

Mr. Chairman and members of the subcommittee, I appear here on behalf of the trustees of the New York, New Haven & Hartford Railroad Co. in opposition to H.R. 13925. As the chief passenger officer of the New Haven Railroad I am, among other things, responsible for the transportation of the U.S. mails on its lines.

The trustees are keenly interested in the bill before this subcommittee 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 and 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 which has for over a century provided the transportation backbone of the postal establishment.

It has been represented that H.R. 13925 would place regulated motor carriers of property upon an equal basis with the railroads in the transportation of mail, and that this proposal is justified more than ever before in the interests of efficiency and economy in the postal establishment because of reductions in passenger service of the railroads. Those who support this bill also imply that this legislation is required as a matter of fairness and equality of treatment to regulated motor carriers who, they say, are entitled to a share of the mail traffic and that existing postal laws are an obstacle to these objectives.

Even a superficial analysis of this bill reveals that its passage would fail in the stated goals because, first, new legislation is not needed to create a more favorable climate for the trucking of the mails, as evidenced by the substantial diversions of mail traffic to both regulated and nonregulated truckers during recent years. Next, it would fail because it provides compensation for highway services which permit truckers to enter the mail transportation field without price competition with star route carriers and without service competitive with that of the railroads. Finally, the bill would fail because it encourages the truckers to compete for only the more profitable services and leaves the railroads with the undesirable traffic and with a full obligation to maintain standby facilities.

Even more important than the failure of the bill to meet its proponents' goals is the failure to comport with current transportation goals of the Congress and the administration which are discussed at a later stage of this presentation.

Since 1950, the eastern rail carriers have faced constantly increasing competition from motor carriers in carrying the mails. The major part of the diverted

traffic is the more profitable storage mail which constitutes the larger volume and consists primarily of solid cars requiring a minimum of special handling. 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. The carriers' costs in handling the smaller volume of RPO mail, largely because of the need for special equipment and more extensive terminal services, are relatively high. So long as the railroads continue to handle the present volume of storage mail, the need for increases in charges for RPO mail and other costly mail services is, for the present, alleviated. However, it is the storage mail which the truckers desire, and which is more susceptible to diversion because of the simpler service and standard equipment required. It is obvious that substantial diversions of storage mail would leave the railroads with the less desirable and more costly services which truckers are poorly equipped to handle. Such fragmentation of mail transportation would undoubtedly lead to less efficiency and economy in postal service.

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 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 alone cost the New Haven about \$120,000 per year in mail revenues. The total loss in mail revenues during the past year compared with 1964 was more than \$540,000, most of which was due to diversion to the highway. It has therefore been our experience that the existing postal laws are no obstacle to the transportation of mail over the highway, but to the contrary, diversion of this traffic from the rails occurs whenever the postal officials determine that the mail service requires it.

As for economies claimed by the regulated motor carriers if allowed to transport mail under the terms of H.R. 13925, there is no proper basis for such claims. As I have already testified, any policy which encourages the diversion of the more desirable traffic from the rails to the highway will result in increased costs to the rails and ultimately higher rates to the Post Office Department.

If I may expand on this for a moment, the service contemplated by the regulated motor carriers is not the equivalent of railroad head-end service in passenger trains. The present railway mail rates prescribed by the Interstate Commerce Commission are based on the costs not only of the relatively low cost storage mail traffic but, also on other highly specialized, scheduled and expedited services required by the Post Office Department. These can be performed only by experienced personnel and with the use of equipment and facilities specially dedicated to that purpose. These approved rates are based on the costs of performing such service as determined by the Commission under actual operating conditions and reflect the demands of the Department to which the railroads are obligated to respond under the statute. The railroads, the New Haven included, do to some extent handle certain types of nonletter 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, is not required to receive and therefore does not receive the higher quality service required by the Post Office Department for the normal mail volume. As an example of the service performed by the railroads under the prescribed rates, they 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 under these conditions for sorting mail according to destination and handling mail to or from the truckers' tailgates. They are also obligated by statute to provide:

- (1) Cars or portions 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 statutory obligation for RPO service. The New Haven also owns and maintains a substantial number of storage cars which are utilized only in postal service. Modern terminals are provided either solely by the New Haven or jointly with other railroads, and these are equipped for automated mail handling at all large metropolitan centers on our lines, such as New York City, Boston, Providence, New Haven, Hartford, Stamford, and in many smaller cities as well. These facilities are manned by trained railroad employees who are supervised by an experienced staff assigned to the transportation of mail as a primary duty. 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 New Haven 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.

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 frequently 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.

In summary, if H.R. 13925 were enacted, several adverse effects to postal operations could be expected. First, the vicious circle of reduced mail volume and higher unit costs would intensify. If the New Haven were expected to maintain its present facilities and schedules with only half its mail revenues, the cost of carrying the remaining mails would obviously increase on a unit basis. Next, where mail is diverted to regulated truckers as contemplated by the bill, the terminal functions of sorting and distributing now performed by the railroad to the extent of the diversion 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, and for billing supervision and liaison, would substantially increase unit costs to the Post Office Department.

The claim that H.R. 13925 is designed to place regulated truckers on an equal basis with the railroads in competing for mail traffic is so obviously untrue that there is no need to repeat the full refutation of the claim contained in the testimony of other rail industry witnesses. It is sufficient to state here that the proponents of this bill do not intend that the motor carriers would assume any greater obligation for service other than that which is desirable from the truckers' standpoint.

To permit the motor carriers to pick and choose with the assurance that the rail carriers must accept whatever is left would represent a return to the type of legislative program in the past which favored the railroad's competitors in the name of progress, but which ultimately worked harm to the broad public interest. For example, in a statement by the Chairman of the Interstate Commerce Commission in hearings on the northeastern corridor bill before the Senate Commerce Committee, he said that 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 Federal subsidy payments to certain airlines serving New England have amounted to nearly \$100 million for the period. During the same period the New Haven Railroad subsidized a competing rail passenger service out of its own pocket in the amount of about \$150 million, which was its accumulated passenger deficit. As a further example, the

Connecticut Turnpike which parallels the lines of the New Haven and represents 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 super-highway 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 operating costs so substantially as to enable them to capture rail traffic. The ICC has found that these factors, which are directly attributable to Federal programs, have contributed to the critical financial condition of the New Haven and to the decline of rail transportation in the entire southern New England area.

On the other hand, there is now a growing awareness among the Federal and State 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 enacted legislation known as the northeast corridor bill (Public Law 89-220, 89th Cong.) which appropriated funds for research and development in high-speed ground transportation, and established procedures for coordination of these activities with other Federal and State agencies responsible for similarly improving and revitalizing the national transportation system. The Northeastern States have acted in establishing transportation commissions and in appropriating funds which will contribute substantially to the preservation of rail passenger services.

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 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 18 months, which expires at the end of this year. 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. 13925 is designed to encourage greater use of highway carriers in the transportation of the mails, it fails to comport with informed opinion in government on the Federal and State level that increased use of the highways at the expense of rail mass transportation service is contrary to the long-run public interest. 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 New Haven's passenger service to meet the expected population growth and highway congestion which is occurring in the Northeastern United States. This is not to say that the New Haven is seeking preferential treatment in the transportation of the mails, but it is clear that if the New Haven's competitors are given the advantages proposed in this bill, the program to continue providing passenger service over the lines of the New Haven will be harmed.

I wish to thank this subcommittee for the opportunity of expressing the basis of the opposition of the New Haven Railroad to H.R. 13925 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 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. 13925 because (1) it is discriminatory against the railroads which are already overburdened with statutory discriminations favoring the motor carriers, and (2) it will materially prejudice the service which the New York Central will be able to afford to the Post Office Department.

It is worthy of the subcommittee's attention that President Kennedy included in his message of April 5, 1962, on transportation (H. Doc. 384, 87th Cong., 2d sess.) 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. 13925 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, 1965, 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. Nos. 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. 13925, the bill before you, is seemingly grounded upon the assumption that motor carriers should have equal opportunity with the railroads to compete for the transportation of mail. But the bill does not reconcile inequalities existing in present law between the railroads and motor carriers with respect to the transportation of mail. It perpetuates those existing and would create new ones.

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 U.S.C.A., chapter 95 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."

The enactment of H.R. 13925 would authorize the Post Office Department to use the services and facilities of regulated motor carriers without going through the present bidding procedures. 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 elect to transport via 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 than 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 1965 report of the Postmaster General (table 701), the railroads are shown to have received \$328,861,000 in mail pay, or 60.65 percent of the \$542,211,000 paid by the Post Office Department for domestic transportation. Highway carriers received 23.24 percent, air carriers 15.22 percent, and water carriers 0.89 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-flatear 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.

Under this bill the motor carriers are permitted to pick and choose the most desirable volume of mail through the provisions for filing certificates of availability in section 3 (a), (b) and (e). These sections provide the motor carrier with an easy and sure escape from any unprofitable operation, and if the Postmaster General is authorized to use regulated 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 have to 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. 13925 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. Of the total of 68 trains in Central's other than suburban passenger fleet, all of which transport mail, 20 trains are exclusively mail and express trains.

Although we have made considerable progress in the last 10 years in reducing our passenger deficit, we still incurred a deficit in 1965 of \$16,176,207. Our passenger service in 1965 grossed \$105,431,222 of which \$40,547,555 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 limit its passenger deficit. Accordingly, if the Congress should enact H.R. 13925, 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 service 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 \$17,500,000 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 previously available to the Post Office Department.

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. 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 syphon 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 be faced with a deficit operation that will necessarily halt their investment in modern mail-handling equipment and facilities. I suggest that before the Congress enacts H.R. 13925, 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 the low-cost mail is to be stripped out and diverted to the trucks, leaving to the railroads only the deficit-producing traffic.

The high costs in furnishing mail transportation by rail are in RPO and so-called working storage cars, and the terminal services required in connection therewith. Working storage and RPO equipment require advance placement in origin stations necessitating extra switching. This service requires intermediate station receipt and dispatch of mail both from RPO and working storage cars and involves handling and sorting of heavy mail volume at major interchange points. In addition both RPO cars and working storage cars must be properly lighted, heated, and cleaned at all times. If bulk mail is diverted to the motor carriers and the New York Central deprived of this revenue, it certainly cannot justify continuing the higher cost handling of RPO car and working car mail and the maintenance of conventional equipment designed for this service.

The piecemeal approach of H.R. 13925 can produce 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 providing the Post Office Department with the kind of improved service which new technology permits the industry to achieve. This progress will be halted in its tracks if the discriminatory legislation embodied in H.R. 13925 is enacted.

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. My business address is 500 Water Street, Jacksonville, Fla. I am employed by the Atlantic Coast Line Railroad Co. as vice president in charge of traffic. My railroad career extends over a period of more than 45 years, all in the service of Atlantic Coast Line. I was elected to the position of vice president, traffic in August 1961. The Coast Line operates railroad lines in the States of Virginia, North Carolina, South Carolina, Georgia, Florida, and Alabama.

We are unequivocally opposed to H.R. 13925, and I am grateful for the opportunity of making our views known to you gentlemen. I hope that what is said herein will be helpful in your consideration of this bill.

The transportation of the U.S. mail is of paramount importance to the Atlantic Coast Line. This is true, first of all, because we derive substantial revenues from this source, \$4,939,323 in 1965, and secondly, because the continued transportation of substantial amounts of mail on a regular and frequent basis is vital to the continuation of much of the passenger service now provided by our railroad.

H.R. 13925, under the terms of which the railroads stand to lose to the motor carriers their most attractive mail traffic, contains provisions which, when viewed in the light of the rules governing railroad mail service, are obviously inequitable. Others from our industry will call your attention to these inequities, therefore, I shall confine my remarks to relating to you some of the very adverse effects this bill can, and likely will, have upon the Atlantic Coast Line, its employees and patrons should it be passed.

On the Atlantic Coast Line, nearly all mail is transported on passenger trains, and the loss of substantial portions of the revenue derived from the mail service would most certainly result in the reduction of overall revenues produced by many of our passenger trains to a critical level. Should we be faced with this eventuality, I know of no alternative to a concerted effort looking to the removal from service of most of our passenger trains.

The revenue we receive for transporting mail represents a very substantial portion of the total revenue derived from the operation of our passenger trains. In 1965, our total passenger train service revenue was \$23,473,536; \$4,939,323, or 21 percent of this total was mail revenue.

Based upon the Interstate Commerce Commission's formula, taking into account both direct and indirect costs of providing this service, Coast Line sustained a deficit of \$12,824,209 from passenger train operations in 1965. Had we not received the revenues we received for transporting mail, this deficit would have been \$17,763,532. Taking nearly \$5 million, 21 percent of the total, off the top of the revenues derived from an operation which is already in the red is obviously going to have a devastating effect.

On the Atlantic Coast Line, we operate two types of passenger service. First, we operate five pairs of through streamlined trains. From New York to Florida points, we operate the East Coast Champion, the West Coast Champion and the Florida Special, and from Chicago to Florida points, we operate the City of Miami and the South Wind. 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 and out of Florida from the North and East.

The second type of passenger train service may be characterized as local service. In this service, the trains make stops at nearly every city and town along their routes. The principal function of these trains is to afford passenger service to the short-distance rail traveler. At certain times of the year, and in certain emergency situations, these trains are heavily traveled, but, 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 transport large quantities of mail, the revenue from which has either assured that the loss from their operation is small, or enables us to recover direct costs, plus realizing a small contribution to overhead.

At this point, I ask that you refer to appendix A, attached to my statement. Appendix A consists of a tabulation of the passenger trains falling into the local train service class on our railroad. It shows all of the trains providing local passenger train service on Coast Line in 1965, excluding trains then in operation which have since been discontinued. This tabulation shows the stations between

which these trains 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 of total local passenger service train revenue. It also shows the direct expense, that is, the out-of-pocket costs of operating each train, net revenue or loss, and net revenue or loss adjusted to reflect the removal of mail revenue.

While some of the trains listed in appendix A are jointly operated in through service by the Coast Line in conjunction with other railroads, the revenue and expense figures are Coast Line figures only for sets of trains operating in both directions.

It is significant to note from the final column of appendix A, where I have shown the net loss these trains would have sustained had we not had the mail revenue, that every single one of these trains would have operated at an out-of-pocket deficit without the mail revenue. The total annual out-of-pocket loss to provide this service would aggregate \$3,644,502. On the basis of these figures, we would certainly be justified in discontinuing these trains, and the regulatory authorities would almost certainly permit discontinuance in view of these figures. If these trains were discontinued, it would mean the end of all passenger train service to many cities and towns in the six States through which we operate, including several large ones, and it would mean the end of Coast Line passenger service at Atlanta and Augusta, Ga.

While, as stated above, except at certain times of the year and in certain emergency situations, these trains are used by the traveling public sparsely, there are no doubt a goodly number of people who rely upon this service, and its loss would have a detrimental effect upon these persons and the communities they represent. This is unquestionably true with regard to the cities and towns to or through which no further rail passenger service would be operated.

At this time, I would like to make known to you some concrete examples of recent actions we have been forced to take with regard to local passenger trains in connection with which mail service has been lost.

Our local trains, Nos. 54 and 55, operating daily between Augusta, Ga., and Wilmington, N.C., were discontinued February 1, 1966. These trains operated at a slight deficit for the year 1965, but with the loss of the mail service effective December 30, 1965, the deficit would have been so great that we could not justify the continuance of these trains. The 1965 out-of-pocket deficit, even with the mail revenue, was \$54,566. Without the revenue produced from the transportation of mail, the out-of-pocket deficit figure would have been \$281,701 for 1965.

Effective October 1, 1965, the Post Office Department made other arrangements, thereby eliminating the mail from our local trains 37 and 38, operating between Jacksonville and St. Petersburg, Fla. Because of the loss of revenue from this source, we are unable to continue to operate these trains, and are now engaged in legal proceedings which, we are confident, will result in their discontinuance.

We have been informed by the Post Office Department that effective June 24, 1966, we will lose our mail service on local trains 42 and 49, operating daily between Rocky Mount and Wilmington, N.C. The elimination of the mail revenue from these trains is going to push them further into the red, and it is very likely that this service will also have to be discontinued. Only a few years ago, Wilmington, N.C., with a current population of 52,000, was served by three sets of Coast Line passenger trains daily. We operated trains 41 and 42, and 48 and 49 between Wilmington and Rocky Mount, N.C., connecting at that point with trains to the East—Washington, Philadelphia, New York, etc. We also operated trains 54 and 55 between Wilmington and Augusta, Ga. We have been forced to discontinue all those trains now with the exception of 42 and 49, and as stated above, we likely will be forced to discontinue trains 42 and 49 in the near future, leaving this very important city entirely without rail passenger service.

Another factor which also deserves your earnest consideration in this matter is the vital role rail passenger service has played in wartime and other emergencies. All of you, I am certain, can recall the large numbers of both military and civilian passengers moved by rail during World War II. Owing to the many military bases located in the States we serve, our railroad was called upon to move large numbers of troops in addition to civilian passengers during that conflict. We also moved large numbers of troops during the Cuban missile crisis. The trains during this crisis were made up of both passenger and freight equipment, the latter being used to transport weapons, materials, and supplies and thereby assuring combat readiness at all times. I am told the reason for this was what was considered the possibility that these troops could be forced to come off the trains fighting somewhere in the Southeast. I do not think anyone would tell you that we did other than an excellent job in both instances.

However, should we be forced to discontinue most of our passenger service because of the diversion of the mail to other modes of transport, I would be less than honest if I told you that 5 or 10 years from now, should we be faced with another crisis or conflict, Coast Line could step forward and supply the type of passenger service that very likely would be needed. We could not be expected to keep nonused and non-revenue-producing passenger cars in good repair, nor could we be expected to keep onhand unneeded locomotive power. We also would have lost the highly skilled and experienced labor force that we now have.

Gentlemen, it is my view that from the standpoint of the national defense and for the overall good of the country, you should do everthing possible to encourage the continuation, even the expansion, of our Nation's rail passenger carrying capacity, rather than to encourage its demise, which is exactly what H.R. 13925 would do.

One final serious consequence of the loss of mail revenue on our railroad which I would like to call to your attention is the virtual certainty of a large number of our employees being thrown out of work should the diversion of mail from rail to motor carriers force the discontinuance of most of our passenger trains. If we are forced to discontinue all of our passenger trains that would become deficit operations as a result of the loss of mail traffic, it is estimated that the job losses among train service employees alone would run beyond 250. Other job losses could be expected to occur among mail handlers and other employees at stations, in ticket agency forces, in passenger solicitation forces, and also in general office passenger supervisory and clerical forces. Railway Express Agency forces on trains and at stations, as well as in other phases of work, also probably would be involved. The total number of job losses could conceivably exceed 500 on our railroad alone.

Justification for the continuation of a very large number of our passenger trains is dependent upon revenues received for transporting the U.S. mail. The passage of H.R. 13925 would deprive us of the most attractive portion of that mail traffic and would leave us no choice but to discontinue most of this service, thereby completely depriving many cities and towns of rail passenger service and throwing many of our employees out of work. It would also make it impossible for our railroad to step in in case of a national emergency and transport troops and civilian passengers, which failure could very likely endanger the security and well-being of the Nation at some future time. I strongly urge your disapproval of H.R. 13925.

APPENDIX A.—Statement of revenues, direct expenses and resultant net figures for 1965 operation of Atlantic Coast Line Railroad local passenger trains, excluding figures for trains in operation in 1965 which have now been discontinued

Jacksonville, Fla., May 26, 1966

Train	Between—	Revenues				Direct expenses	Net revenue or loss	Net revenue or loss adjusted to reflect the removal of mail revenue
		Passenger	Mail	All other	Total			
Seminole, Nos. 17-18	Albany, Ga., and Jacksonville, Fla.	\$123,182	\$428,872	\$219,356	\$771,410	\$487,051	\$284,359	(\$144,513)
Gulf Coast Special, Nos. 75-76	Richmond, Va., and Tampa, Fla.	837,043	1,123,730	484,622	2,445,395	2,419,673	25,722	(1,098,008)
Palmetto, Nos. 77-78	Richmond, Va., and Florence, S.C.	304,592	308,175	117,967	730,734	711,313	19,421	(288,754)
Dixie Flyer, Nos. 94-95	Atlanta, Ga., and Jacksonville, Fla.	82,638	600,300	146,538	829,776	727,786	101,990	(498,310)
Everglades, Nos. 375-376	Richmond, Va., and Jacksonville, Fla.	337,630	750,130	618,275	1,706,035	1,586,937	119,098	(631,032)
Nos. 96-275 and 97-276	Lakeland, Fla., and Fort Myers, Fla.	6,413	78,343	38,161	120,917	191,301	(70,384)	(148,727)
Nos. 37-38	Jacksonville, Fla., and St. Petersburg, Fla.	18,531	181,921	101,753	302,205	414,465	(12,290)	(294,181)
Nos. 20-29	Richmond, Va., and Petersburg, Va.	4,813	30,404	5,986	41,203	22,467	18,736	(11,668)
Nos. 42-49	Rocky Mount and Wilmington, N.C.	28,236	78,893	33,247	140,376	224,650	(84,274)	(163,167)
Nos. 50-51	Florence, S.C., and Augusta, Ga.	126,435	156,153	79,314	361,902	386,579	(24,677)	(180,830)
Nos. 180-189	Montgomery, Ala., and Waycross, Ga.	167,813	-----	90,818	258,631	443,943	(185,312)	-----

NOTE.—Amounts in parentheses denote loss.

PREPARED STATEMENT OF HENRY W. LARGE, VICE PRESIDENT, TRAFFIC, THE PENNSYLVANIA RAILROAD CO.

Mr. Chairman and members of the subcommittee, my name is Henry W. Large. I am vice president, traffic of the Pennsylvania Railroad Co. and have occupied that position for the last year. With the exception of 4 years naval service during World War II, I have been employed in the railroad industry for the last 38 years. Immediately prior to assuming my present position 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. 13925 as presently written, and I appreciate this opportunity to appear here today and present our views on the bill, and to provide information which I hope will be helpful to the subcommittee 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 1965 amounted to \$43,867,254. These moneys were paid to the Pennsylvania for providing 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. There is no provision in those laws (as there is in H.R. 13925) whereby we are required to transport the mail only where we tender our availability, but may be required to transport the mail over any route designated by the Postmaster General.

H.R. 13925 has been described by its motor carrier supporters as placing them in a position of equality with their rail and air competitors and also as eliminating an absurd restriction which prevents the Post Office from using the service of independent regulated motor carriers. Neither statement is correct. The fact is that this bill will not make available to the Post Office 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, he is awarded the contract. Actually, since the bill only makes this type of motor carriage of mail available to carriers which have certificates, permits or registration certificates it may well reduce the number of motor carriers who are available to transport mail under this bill. This is because to the extent that negotiated agreements under this bill's procedures harm the star route contractors, there will be fewer of them available to bid on mail contracts.

I believe that other witnesses have indicated why this bill will not provide equality generally as a matter of law or a matter of fact. Nevertheless, I think one particular incident in connection with our mail transportation will indicate the lack of equality which will result if this bill is enacted.

Those who are supporting the bill indicate that the penalty procedures under this bill will be approximately the same for railroads as for motor carriers, describing differences in amounts on the grounds that railroads handle large quantities of mail, while motor carriers would deal with only single vans. First of all, I see nothing in the bill itself which would restrict the motor carrier to the handling of a single van. It seems to me that he might handle many, many vans between the same points in one day. In any event, it should be noted that the fining provisions are far from equal, when we consider that one whole section which presently gives the Postmaster General the authority to fine railroads has been omitted from this bill.

The bill includes a provision for a fine of \$500 per day for refusal to provide service. The comparable railroad figure is \$1,000 per day. There is also a provision in the bill, similar to a provision in the railroad mail laws, which gives the Postmaster General the ability to deduct up to three times the compensation for failure to perform in the manner required by the Postmaster General. However, there is another section in the present law which gives the Postmaster General the right to fine railroads "an amount he determines reasonable" for certain specific failures and also for "other delinquencies in mail transportation and the service connected therewith." As I indicated, no such provision is contained in this bill.

About a month ago, we had a problem at New York in getting certain storage cars unloaded. There were 37 cars involved in all. I will not, at this time, attempt to argue the question of our fault in the matter, but will simply assume this delay in unloading was completely our fault. Within 3 days after the incident occurred, we were advised that we were being fined \$37,000. Later the same day, we were further advised that another \$18,000 was being added on,

making a total of \$55,000. Gentlemen, this delay arose in the unloading of these cars. Our compensation for that unloading was approximately \$1,700. Thus, our fine was over 30 times the compensation we were to receive for the work which was delayed. The total compensation we received for both our line haul and the loading and unloading was a little over \$10,000 for these 37 cars. Even measured by that standard, the fine was five and one-half times our compensation.

It seems to me that if the provisions of H.R. 13925 were applicable to railroads the amount the Postmaster General could withhold from us could not have exceeded \$30,000 at the very most or more likely \$5,100 since the bill provides that the Postmaster General may deduct, if the failure is due to the fault of the carrier, a sum not exceeding three times the compensation applying to such service. Since the service here involved in which the fault occurred was the unloading of the cars, it would appear that the proper deduction would be three times the compensation for that service, i.e., the unloading.

This gentlemen is what we mean when we say the bill does not really result in equality. It's the difference between losing 3 times your revenue and 30 times your compensation. We have difficulty in visualizing this as equal treatment.

It has also been noticeable to me that the testimony in support of H.R. 13925 refers only to the line-haul transportation of mail. This is far from the entire picture when we consider the services which the railroads perform and are required to perform in the transportation of mail.

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 approximately 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. Since 1956 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 \$11,500,000 for modern terminal mail-handling equipment and facilities. In 1964 the Pennsylvania spent over \$1,300,000 for reconstruction and heavy repairs to railway post office cars—cars which are useful only in mail service. Last year for the same type of work on this kind of car we spent over \$1,500,000. Moreover, in the last 3 years we have spent over \$7,725,000 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 subcommittee 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 numbers 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 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 heavy 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 two and one-quarter times that of the decline in head-end car-miles over the same period. In 1965 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 the Pennsylvania Railroad's passenger train-miles for the 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.

Most of the railroads are constantly studying new ways of improving the service they can afford to the Post Office Department. We have been engaged in a complete study of all of our mail operations for over the last 6 months and have been in frequent contact with Post Office Department officials as to what equipment and devices are available which could improve the transportation of mail. However, it must be clearly understood, as I have indicated above, that the ability of the railroads to provide dependable transportation on low volume, one directional moves, depends on the volume characteristics of the overall traffic pattern of the mail tendered to us for movement. In short, if you start pulling out certain selected movements and turn them over to limited ability carriers, it is like taking a can from the bottom row. The entire structure falls. This is exactly what has happened in the past every time a pick and choose competitor has been permitted to siphon off selected traffic from a relatively limited number of points, while the railroads were required to provide extensive facilities and equipment for the balance.

If this be the desired end, however, the very least that should be done is to permit all transportation agencies to play the game with the same ground rules. Repeal the obligations of railroads to transport the mail and place it on them, as this bill does with the motor carriers, only to the extent they tender their availability. Limit the deductions which could be made for delinquencies to three times the compensation for the service involved. Let the railroad only be required to provide line-haul transportation. The terminal facilities could be covered by agreements or leases but the railroad would make available only those which it chooses to provide. If it is equality this bill's supporters seek, then let's have real equality. H.R. 13925 as presently proposed does not provide that equality.

I appreciate that the subcommittee's time is extremely valuable and I will not impose upon it any further. However, I believe that these few considerations will indicate the gravity of the questions posed by H.R. 13925.

I thank the subcommittee for allowing me the opportunity to present these views.

PREPARED STATEMENT OF O. H. ZIMMERMAN, VICE PRESIDENT, OPERATION,
ILLINOIS CENTRAL RAILROAD CO.

My name is Otto H. Zimmerman. I am vice president, operation, of the Illinois Central Railroad Co. and have occupied this position for nearly 10 years. My business address is 135 East 11th Place, Chicago, Ill.

I appear in opposition to H.R. 13925 because it is prejudicial to the railroads which are already overburdened with statutory discriminations favoring the motor carriers. The bill would stimulate diversion of mail traffic from the railroads, which in the case of Illinois Central would make it necessary to reexamine the operation of our passenger trains, require us to adjust service in line with revenue, and would jeopardize the service which the Illinois Central has been able to afford to the Post Office Department.

The Illinois Central takes great pride in its passenger train service, and the providing of reliable transportation of mail traffic. This has required a substantial investment such as motive power equipment, buildings, manpower (a real investment under job security), and specialized equipment. In addition to the millions of dollars we have invested in mail-carrying equipment we found it necessary to make a further investment of approximately 1.2 million dollars in specialized containers.

BUT WHAT HAPPENS IF THIS BILL IS PASSED BY CONGRESS?

Under H.R. 13925 the truckers will be permitted to submit bids lower than rail rates, even lower than out-of-pocket costs for handling this traffic confident that they will not perform this service at such low levels for a very long time. The motor carriers know that the Commission will in a short time fix a reasonable rate which will provide them with adequate compensation for handling the mail. Upon the basis of this unreasonably low bid the Post Office Department would remove the mail from the trains and give it to the motor carriers.

There are other inequalities 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. The act also requires certain minimum standards on railroad equipment. Nowhere in H.R. 13925 is there a 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 need not make himself available to carry mail, but if he does and the carriage becomes a hardship upon him, he may apply to the Postmaster General for relief.

Without question the passage of the bill will affect passenger train service on the Illinois Central. In 1965 it was necessary to discontinue trains 23 and 24 operating between Memphis, Tenn., and Greenville, Miss., because the Post Office Department removed the mail from these trains. Incidentally, this was the only passenger train service between these two cities. Since the operation of passenger train service on the Illinois Central is very dependent on the transportation of mail traffic, as I have already pointed out, more communities and cities which need passenger train service will be deprived of this means of transportation if the bill is enacted.

I would like to direct your attention to the data attached to my testimony which shows the revenue and expenses attending the operation of passenger trains on the Illinois Central for the first quarter of 1966. From the report it can be determined which trains show a loss or profit, and since I have previously mentioned that 19.5 percent of our passenger train revenue is derived from handling mail, you can readily see what the diversion of mail from these trains would do, especially since the majority of these trains are now being operated at a loss.

On May 15, 1966, additional mail traffic was diverted to motor carriers from trains 1 and 8 operating between Memphis, Tenn., and Jackson, Miss. It has been our experience that desirable mail traffic is the only traffic diverted to motor carriers. Under H.R. 13925 such traffic, which helps support the operation of passenger trains would be siphoned off by the motor carriers.

On the Illinois Central we operate passenger train service between Chicago and New Orleans, a distance of over 900 miles. These trains carry mail as well as passengers. Under H.R. 13925 a motor carrier could submit a tender of availability to handle mail traffic between Memphis, Tenn., and Jackson, Miss., between Carbondale, Ill., and Memphis, Tenn., between Jackson, Miss., and New Orleans, La., or between any other intermediate points.

It stands to reason that they would select the most desirable mail traffic. This would prejudice mail service at other intermediate points between Chicago

and New Orleans affecting the whole mail distribution program because, when desirable segments are diverted to motor carriers, this reduces vitally needed revenue on these trains thus accelerating the demise of our remaining passenger train service. This is being done now. What can we expect when motor carriers have a free license to pick and choose as they could under this bill?

Between Memphis, Tenn., and Jackson, Miss., some of our most desirable mail traffic is diverted to a motor carrier right out of the middle of a through passenger train, not on the basis of economy but so-called service. Our train No. 25 and the motor carrier leave within minutes of each other. We would like to adjust the departure of this train, but that is not acceptable to the Post Office Department because of en route distribution of mail, mail which is considered undesirable to motor carriers; and if the motor carrier were required to make distribution, its schedules would be far behind our train. This is one of the main reasons why it is now necessary for the Illinois Central to reduce passenger train service south of Memphis.

What will this type of mail diversion do to the communities, towns, and cities along the Illinois Central between New Orleans and Memphis? They will be deprived of needed passenger train service because of the deficit operation attributable to the diversion of mail traffic.

It appears obvious that if this proposed legislation becomes law, there will be a substantial diversion of mail revenue from the Illinois Central to motor carriers and because this loss of revenue will make our trains unprofitable, the only possible result that I can see is discontinuance of the passenger train service which we have strived to maintain over our entire line.

The Illinois Central operates five trains daily from Chicago to New Orleans; five trains daily from New Orleans to Chicago; one train each way daily between Chicago and Birmingham for connection at Birmingham for Jacksonville, Fla.; one train each way every other day between Chicago and Birmingham for connection at Birmingham for Miami, Fla.; one train daily each way between Chicago and Fort Dodge; one train daily each way between Chicago and Sioux City; one train daily each way between St. Louis and Memphis; two trains daily each way between St. Louis and Carbondale; one train daily each way between Meridian and Shreveport; and one train daily each way between Chicago and St. Louis. We would like to continue operating these trains so long as they remain profitable.

Effective April 24, 1966, the schedules of trains 13 and 14 were changed at the request of the Post Office Department to provide the service necessary for a successful sectional center operation. This is just one example of many changes which the Illinois Central has made to assist the Post Office Department in providing better mail service. The mail transported on trains 13 and 14 is considered very desirable mail traffic, traffic that would be conducive to any motor carrier because of long-haul volume movements but under the provisions of H.R. 13925 the motor carriers could claim this traffic by means of lower rates which would be adjusted subsequently, as previously pointed out, thus resulting in the discontinuance of the two trains. The same thing could happen to trains 3, 4, 15, 16, 21, 22, 205, 208, 25, and 8. In fact, all bulk mail movements would be vulnerable to motor carriers under the provisions of H.R. 13925.

The Illinois Central has been able to reduce the passenger deficit only by reducing its passenger train service to conform to the reduced use of its passenger service by the public and by the Post Office Department. We have learned from past experience that a railroad cannot afford to maintain a standby service if it expects to remain solvent. Therefore, as mail is diverted from the Illinois Central to motor carriers, it is necessary for us to reduce passenger service. If Congress should enact H.R. 13925, it would mean the demise of Illinois Central passenger service. Any appreciable reduction in the Illinois Central mail volume and revenue would certainly have a substantial effect on the Illinois Central's level of employment.

Approximately 40 percent of the Illinois Central's mail revenue is derived from working storage cars and RPO mail, but this traffic, with its unusual service characteristics, would be most unattractive to motor carriers. Until such time as the Post Office Department perfects its distribution center operations, it would be almost impossible for motor carriers to economically perform this service. Even on the railroads this traffic incurs very high costs, and the Illinois Central would not break even on this traffic under the Commission-prescribed average line-haul and terminal rates if it were not for the bulk mail. If the motor carriers are permitted to carry the bulk mail which can be transported at a much lower cost, they should be obligated to handle the undesirable mail traffic as well.

82 MAIL TRANSPORTATION BY REGULATED MOTOR CARRIER

Passenger train operations, 1st quarter, 1966

Train No.	Contribution to other trains	Revenue	Expenses	Profit	Loss
1—North of Memphis		\$430,450	\$365,502		
1—South of Memphis		143,182	230,512		
Total	\$300	573,632	596,014		\$22,382
Extras relieving No. 1		17,801	6,899	\$10,902	
2—North of Memphis		374,798	329,480		
2—South of Memphis		133,896	200,188		
Total	9,457	508,694	529,668		20,974
Extras relieving No. 2		9,579	8,277	1,302	
3—North of Memphis		344,061	296,614		
3—South of Memphis		140,319	169,987		
Total		484,380	466,601	17,779	
Extras relieving No. 3		24,883	11,088	13,795	
4—North of Memphis		257,238	275,335		
4—South of Memphis		78,584	163,112		
Total	959	335,822	438,447		102,625
5—North of Memphis		226,934	231,283		
5—South of Memphis		108,295	178,266		
Total		335,229	409,549		74,320
6—North of Memphis		190,675	235,850		
6—South of Memphis		132,097	179,186		
Total	937	322,772	415,036		92,264
8—North of Memphis		256,588	277,910		
8—South of Memphis		123,869	170,249		
Total	4,782	380,457	448,159		67,702
Extras relieving No. 8		30,565	14,748	15,817	
9—Chicago-Birmingham		382,426	380,892	1,534	
Extras relieving No. 9		39,153	15,415	23,738	
10—Birmingham-Chicago	659	313,715	357,260		43,545
Extra's relieving No. 10		9,574	10,193		619
11—Chicago-Fort Dodge		113,378	130,741		
11—Fort Dodge-Sioux City		30,648	41,632		
Total		144,026	172,373		28,347
12—Chicago-Fort Dodge		115,585	140,020		
12—Fort Dodge-Sioux City		27,181	41,599		
Total	9,056	142,766	181,619		38,853
13—Chicago-Waterloo		104,033	126,633		22,600
14—Waterloo-Chicago	1,097	39,042	108,128		69,086
15—St. Louis-Carbondale		31,514	72,876		
15—Carbondale-Memphis		87,163	88,602		
Total	975	118,677	161,478		42,801
16—St. Louis-Carbondale		21,305	63,378		
16—Carbondale-Memphis		42,299	70,379		
Total	1,541	63,604	133,757		70,693
21—Chicago-St. Louis	37	75,789	117,393		41,604
22—St. Louis-Chicago	65	67,328	109,012		41,684
25—Chicago-Memphis		141,478	230,601		
25—Memphis-New Orleans		146,691	170,423		
Total		288,169	401,027		112,858
52—Birmingham-Chicago	4,533	267,644	244,206		
53—Chicago-Birmingham		276,278	246,381	29,897	
101—St. Louis-Chicago	43,936	19,426	32,963		13,537
102—Carbondale-St. Louis		16,397	31,559		15,162
105—St. Louis-Carbondale	23,522	41,789	43,952		2,163
108—Carbondale-St. Louis		18,755	35,298		16,543
205—Meridian-Shreveport	468	93,592	83,751	9,841	
208—Shreveport-Meridian	247	65,385	78,681		13,296

PREPARED STATEMENT OF EMMETT M. BRADY, PASSENGER TRAFFIC MANAGER,
GREAT NORTHERN RAILWAY CO.

Mr. Chairman and members of the subcommittee, my name is Emmett M. Brady, and my business address is 175 East Fourth Street, St. Paul, Minn. I am passenger traffic manager of the Great Northern Railway Co. and have been employed in various positions in the passenger traffic department of Great Northern Railway Co. since 1941.

The testimony presented by other witnesses will concern 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. 13925 will divert the U.S. mail traffic and revenues from the railroads to regulated motor carriers. I shall show the consequences that are likely to result to Great Northern Railway's passenger train service in the event of such a diversion. I appreciate this opportunity to appear before your committee.

The Great Northern Railway 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 portions of Iowa, South Dakota, California, and two Canadian provinces. Great Northern is the Nation's northernmost transcontinental rail line, and serves an intermediate territory across North Dakota and Montana, a considerable distance north of the main lines of other transcontinental railroads serving the Pacific Northwest.

Great Northern provides passenger train service, which includes the transportation of mail and express, over its principal lines of railroad. Coach and first-class pullman passengers, mail, baggage, and express are carried on our transcontinental trains and between the Twin Cities and Winnipeg, Manitoba. Coach and parlor car passengers and mail, baggage, and express are carried on a number of other runs, including those between the Twin Cities and Duluth-Superior; Twin Cities and Minot, N. Dak., via Grand Forks, N. Dak.; between Seattle, Wash., and Portland, Oreg.; and between Seattle and Vancouver, British Columbia.

In the year 1965, Great Northern's total passenger train revenues were \$21.8 million, of which mail contributed \$9 million, or almost 40 percent. The significance of this figure in itself indicates the value of mail revenues in the overall passenger operations of our company.

In 1909 the Great Northern initiated a transcontinental train called the Fast Mail in order to provide a superior service between the Mississippi River and the Pacific Northwest. This service, primarily for the carriage of mail, is still in effect as part of the present modernized Western Star operation. We maintain a substantial fleet of railway post office and storage cars to supply the special as well as the regular requirements of the mail service. During December of each year we operate extra trains in order to expedite the large volume of Christmas mail.

Since the close of World War II, we have substantially reduced the passenger train running time between the Twin Cities and Seattle for the purpose of providing faster transportation for passengers, mail, and other traffic. Train No. 31, the Empire Builder, leaving St. Paul, Minn., in the evening, provides the fastest rail service between St. Paul and Seattle, and accomplishes second morning delivery of U.S. mail to Seattle, Wash., and Portland, Oreg., a distance of 1,800 miles from the Twin Cities. Train 27, the Western Star, leaves St. Paul in the morning carrying mail received from eastern connections, as well as Twin Cities mail, and arrives at Seattle the evening of the following day to effect second morning delivery of all mail transported from the Twin Cities to Seattle. Reductions in running time have also been made in schedules of other passenger trains handling mail. Since 1946, Great Northern Railway has expended over \$42 million on passenger equipment, including passenger equipment for U.S. mail service.

In excess of 1,300 Great Northern Railway employees are directly or indirectly involved in passenger train services. This does not include pullman, REA Express, and postal employees who also perform duties on passenger trains.

The transcontinental Empire Builder receives over 30 percent of its total revenues westbound and 14 percent of its eastbound revenues from the transportation of U.S. mail. The Western Star derives 60 percent of its total revenues westbound, and over 45 percent of its revenues eastbound, from transportation of U.S. mail, and the Winnipeg Limited, operating between the Twin Cities and Winnipeg, Canada, derives over 40 percent of its total revenues from mail traffic.

None of the passenger train operations of the Great Northern Railway is conducted at a profit. In 1965 the train that 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 \$9.2 million were exceeded by solely related expenses of \$10.2 million. If Great Northern Railway is deprived of any of its principal sources of revenue from the operation of passenger trains, it will result in reduced passenger train service. The loss of such revenues will destroy the excellent passenger service now provided many communities throughout our territory and will reduce the number of railroad employees required to maintain present passenger service.

The Nation's railroads, including Great Northern Railway, are the only segment of the transportation industry 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 the extent to which such continuance will be impaired by legislation which would allow a substantial diversion of the mails to highway carriers in specialized areas. Highway carriers offer services to the public that are far less extensive than those of the railroads.

I appreciate this opportunity to present the views of the Great Northern Railway Co., in this very serious situation.

PREPARED STATEMENT OF WILBUR F. BURKE, GENERAL PASSENGER TRAFFIC
MANAGER, BURLINGTON LINES, CHICAGO, ILL.

Mr. Chairman and members of the subcommittee, 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 subcommittee. 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. 13925 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 daily in each direction, three passenger trains between Chicago-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 Denver and Billings. We also operate two trains daily in each direction 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 northern 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 1965 the C.B. & Q. Railroad's total passenger train revenues were \$37.8 million, of which mail contributed \$13.5 million, or about 35.7 percent. On the C. & S.-F.W. & D. Railroads total passenger train revenues were \$4.4 million, of which mail revenues contributed \$2.4 million, or 54.5 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 C.B. & Q. Railroad from Chicago to 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 now departs Chicago at 9 p.m. and makes connections at Omaha at 5:15 a.m. the next morning for same-day delivery in western Iowa, also 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 Missouri River consumed about 19½ hours, but now, because of the modern high-speed diesel locomotives the same service is accomplished in 8¼ 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. The railway post office mail revenue on these trains was discontinued August 1, 1965. As a result we expect this to be a losing operation so that we will have no alternative but to file for the discontinuance of these trains between Alliance, Nebr., and Billings, Mont.

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 1965, 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. Combing the round trip operation, this pair of trains lost \$7,700 for the year, with mail revenues on both of the trains just between Brush, Colo., and Alliance, Nebr., amounting to about \$155,000. While the loss on this pair of trains was more than \$600 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 1965 this pair of trains produced about \$1.1 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 \$1.1 million for the year.

Trains 3 and 30, the Ak-Sar-Ben Zephyr, also operate between Chicago, Ill. and Lincoln, Nebr., furnishing night sleeper service and in the year 1965 produced about \$312,000 more than the out-of-pocket cost of operation. The mail revenues for the year were about \$852,000. If it were not for the mail revenues we would have suffered a loss of about \$540,000.

Twin City Zephyr, trains 21 and 24, operating between Chicago and Minneapolis for the year 1965 produced about \$50,000 less revenue than their out-of-pocket cost of operation. The mail revenues amounted to about \$287,000. If it had not been for the mail revenues we would have suffered a loss of about \$337,000 for the year.

Kansas City Zephyr, trains 35 and 36, operating between Chicago and Kansas City, Mo., for the year 1965 produced about \$38,000 more revenues than their out-of-pocket expenses and the mail revenue amounted to about \$216,000. If it had not been for the mail revenues we would have suffered a loss of about \$178,000 for the year.

Trains 55 and 56, the American Royal Zephyr, operating between Chicago and Kansas City, furnishing night sleeper service, for the year 1965 produced about \$138,000 more revenues than the simple out-of-pocket expenses, and the mail revenues for the same period produced about \$353,000. Without the mail revenues we would have lost \$215,000 for the year 1965 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 1965 this pair of trains produced about \$14,000 less revenue than the out-of-pocket expense of operation and included \$836,000 in mail revenue. Without the mail revenue in 1965, there would have been a loss of almost \$850,000.

C. & S.-F.W. & D., trains 7 and 8, also providing service between Denver and Fort Worth-Dallas, produced about \$71,000 more revenue than out-of-pocket operating expense, and included \$1.2 million in mail revenue in 1965. Without the mail revenue in 1965, this pair of trains would have shown a loss considerably in excess of \$1.1 million.

Plans are underway to file petition with the Interstate Commerce Commission to reduce service between Denver and Fort Worth-Dallas to one set of trains.

More than 2,200 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 subcommittee, 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. BRAND. Mr. Burke and Mr. Brady are here with us. There are representatives from the other five railroads and all of us are prepared to respond to questions which you may have.

Mr. DULSKI. Thank you very much.

I think you and Mr. Thomas have covered the field pretty well. There are a few questions that I would like to ask. This relates to the service that you render to the Government, to the postal service. You receive compensation for all these services that you render?

Mr. BRAND. We receive compensation for the line haul and for certain of the terminal facilities that are put at the disposal of the Post Office Department. Those rates are fixed by the Interstate Commerce Commission.

Mr. DULSKI. During the last 5 years how many trains were taken off the lines?

Mr. BRAND. I do not have that information, Mr. Chairman. A number of trains have been removed, many of which were taken off after the mail was diverted from the railroads. I do not have the specific figure.

Mr. DULSKI. Would you submit that to the committee at some later date?

Mr. BRAND. Yes, sir.

Mr. DULSKI. Mr. Brand, I wholeheartedly subscribe to your statement we are too neglectful about taking care of the railroads in case of a great emergency. We are giving in to the airplane and we will depend upon the railroads, in case of emergency attack, to carry the burden.

In reading many of the articles in various magazines I find that the railroads have been decreasing services instead of increasing them. One good example is the shortage of boxcars, shortage of services that are being rendered on the east side of the Mississippi River. Some of the passenger trains at the present time are like cattle cars. A good example is some of the transportation from my own city into the city of Washington.

If the railroads would give service to people, I am sure the people would prefer to travel by train. Unfortunately, they do not have the opportunity because of your infrequent schedules and decreasing service.

On one of the pages of your statement you state that the Post Office should require the same obligations of the truckers as it does the railroads.

The Postmaster General, at the present time, would be in jeopardy if there was a train taken off and he had no opportunity to transport that mail. Do you not think he should be able to ask the truckers to transfer mail to various points?

Mr. BRAND. Mr. Dulski, it has been my experience over the years that the Postmaster General has never been unable to secure all of the truck transportation he needs at any time under the present star route law. That pretty well is borne out by the record of his expenditures for truck transportation.

Mr. DULSKI. Again, I want to commend you on the fine statements you and Mr. Thomas made. You gave us a great deal of information.

Before this legislation is to be acted upon there are many facets we have to look into.

Mr. Daniels.

Mr. DANIELS. Mr. Brand, in a previous statement it was pointed out that the Postmaster General has the authority under the star route law to award contracts to motor common carriers. If that be so, why do you object to this bill?

Mr. BRAND. The Postmaster General today can award a contract to a star route carrier from only 1 year's duration. At the end of that time it must be advertised for bid.

Mr. DANIELS. But the same carrier may rebid?

Mr. BRAND. Yes; maybe additional ones will also. Maybe no one will bid. Generally speaking, he has always been able to get all the transportation he needs by the bid system.

Mr. DANIELS. May I infer from your statement that you are perfectly satisfied with the existing law with respect to star routes, but you object to the present proposed legislation?

Mr. BRAND. We are satisfied with the laws as they stand today. We do not think this bill in this shape should be enacted because it would put us in a much worse position, an unfair position.

Mr. DANIELS. What do you propose, Mr. Brand, in those areas where the railroads have eliminated their trains? How would you transport the mail?

Mr. BRAND. Mr. Daniels, we would not transport it if we had no trains. The Postmaster General in those cases has in the past, and I am sure he will in the future, be able to get his transportation under the star route law.

Mr. DANIELS. Is it not true that over the past several years there has been a discontinuance of train service whereby approximately 9,000 trains have been eliminated?

Mr. BRAND. Well, I have heard the statement, Mr. Daniels, many times that the railroads at one time had 10,000 trains and whatever date was chosen they had so many left. I would like to make several comments about that.

First of all, I do not think it really is too relevant how many trains we have discontinued. I think the test is do we not run enough trains today to handle the mail? Apparently we do because our use is continued by the Post Office Department. I had occasion to go back through the Post Office Department schedules which they print from time to time showing the trains that they use for the

transportation of mail. I went back into 1943, 1937, and 1930 and picked out at random from these schedules the types of trains they operated on those days, that they used. These trains in the Post Office schedules are described by the name of the RPO run. That run generally coincides with the run of the train.

I would just like to mention a few of these to show you the kind of trains that were used then and were probably put in this 10,000 figure.

We had one RPO car that ran from Albany to Troy, a distance of 7.3 miles. There was one from Jamaica to Brooklyn—I suppose that is on Long Island—9.3 miles. Over in the seventh division, Kansas and Missouri, we had a train that ran from Kansas City to Bonner Springs, a distance of 16 miles.

We had one in the ninth division from Lorain to Elyria, 9.29 miles. Philadelphia and Sinwick, 5 miles; and Clearmartin and Buffalo, 28.5 miles.

Those trains carry RPO cars. I do not think the situation would be that the Postmaster General would use those trains today if we were operating. They would not be competitive with the transportation he could get.

Mr. DANIELS. But the fact remains from 1930 to 1956 the trains dwindled to 2,627 and by July 1, 1965, only 998 trains per day were available for use of the postal service. I know in my own State of New Jersey the train service was curtailed considerably by the New York Central and the Erie-Lackawanna. They previously extended over considerable territory in the State.

Mr. BRAND. I do not dispute we have removed a lot of trains; that is true.

Mr. DANIELS. Why did you discontinue service? Was it because of lack of revenue from passenger service or lack of sufficient income from postal service? Was it due to one or the other or both?

Mr. BRAND. It probably was a combination of both, but obviously if a train does not bring in enough revenue to support it you have to take a look at it.

Mr. DANIELS. When I first came to Congress, I traveled by the Pennsylvania Railroad from Newark, N.J., to Washington. I was compelled—by reason of poor service, dirty conditions, and the type of trains they used—to switch to air service, which I now use almost exclusively, except when the weather is inclement and unsafe for air travel. I think a good deal of the fault for the discontinuance of train service is due to the railroads themselves. They have not kept abreast of the times. I think the Post Office Department would gladly continue to use trains, if they rendered the kind of service the Post Office has the responsibility of providing in the transportation of mail. If the railroads cannot give that service, it is a fault of their own;

I am sympathetic to railroads. They are not only needed in times of emergency but at all times, and I think we should have a first-class railroad system in this country. I have traveled on railroads in other countries and am sorry to say rail service in European countries is far superior to that in this country. All the railroads have to do is send an inspection team to Europe and, wherever they travel, they will find better rail service than in the United States.

Mr. BRAND. It is my impression that the European railroads are nationalized, operated, and maintained by the government.

Mr. DANIELS. If we are to believe in the free enterprise system, free enterprise should maintain the service. That is a new twist, that the nationalized industry gives better service than free enterprise. That reflects on free enterprise.

Mr. THOMAS. I would like to comment on that, if I may.

I was looking at a travel folder the other day in planning a trip in France. In France the railroads are owned by the Government and the airlines are owned by the Government and they provide where the service shall be. I was going to see if I could fly around France. You cannot fly between most of the small towns there. They divide the towns up and operate the railroads in France, I am positive, by Government funds. In this country we use Government funds to subsidize the airlines and the highways and the railroads have to compete with other forms of transportation, some of which are subsidized by the Government. That is a big factor in the rail passenger service. When you are competing with subsidized forms of transportation that can cut their rates through the benefit of the subsidy and you have to live on free enterprise revenues, it is a tough proposition.

Mr. DANIELS. I do know, having been in Europe last year as a member of this subcommittee to study the ZIP code, European countries have a telecommunications system by which the Government handles not only the mail, but the railroads. In England, particularly, it was pointed out by the Director of the Postal Services that their entire operations are on a profitmaking basis. It was also pointed out that some of the profits of the railroads were used to increase the profits of the postal service.

Mr. THOMAS. I have heard that is not true in France. I have heard they use the railroads to provide employment.

Mr. DANIELS. I do not want to chastise you gentlemen this morning, but I did want to bring to your attention that a great part of the responsibility for the dilemma that the railroads are in today is due to their own neglect and failure to keep up with the times. You may or may not agree with that statement.

Mr. THOMAS. I agree that in any kind of situation like this no one is free from fault, but I certainly do not believe that the railroads are in a major way, responsible for this passenger railroad service.

Mr. DANIELS. Do you favor a suggestion that was made by one of the witnesses from the postal service last week that the railroads be given the same opportunity of filing a certificate of availability as would be given to motor carriers under this legislation?

Mr. THOMAS. In a way, yes. In my testimony I have appended to it a proposed bill.

Mr. DANIELS. I would ask at this time, Mr. Chairman, that that proposed bill be made a part of the record.

Mr. DULSKI. Without objection, it is so ordered.

(The proposed bill follows:)

H.R. —

IN THE HOUSE OF REPRESENTATIVES

A BILL TO AMEND CHAPTER 95 OF TITLE 29, UNITED STATES CODE

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the title of chapter 95 of title 39, United

States Code, is hereby amended to read as follows: "Transportation of Mail by Railroad and Regulated Motor Carrier".

SEC. 2. Section 6201 is amended by striking out everything contained therein except the title and substituting the following language: "As used in this chapter, unless otherwise specified, 'railroad' means a railway common carrier, including an electric urban and interurban railway common carrier and 'regulated motor carrier' means any motor carrier engaged primarily in the transportation of property as authorized by a certificate of public convenience and necessity, a certificate of registration, or a permit, issued by the Interstate Commerce Commission."

SEC. 3. Section 6208 (a) and (b) are amended by striking out everything contained therein and substituting the following language:

"(a) The Interstate Commerce Commission shall determine and fix from time to time the fair and reasonable rates of compensation for the transportation of mail by railroad or regulated motor carrier and the service connected therewith and prescribe the method for computing such rates or compensation. The Commission shall publish its orders stating its determination under this section which shall remain in force until changed by it after notice and hearing.

"(b) For the purpose of determining and fixing rates or compensation under this section, the Commission may make just and reasonable classifications of railroads or regulated motor carriers and, where just and equitable, fix general rates applicable to railroads or regulated motor carriers in the same classification.

"(c) In determining and fixing fair and reasonable rates under this section, the Commission shall consider the relation between the Government and railroads or regulated motor carriers as public service corporations, and the nature of public service as distinguished, if there is a distinction, from the ordinary transportation business of the railroads or regulated motor carriers."

SEC. 4. Section 6209 (a) and (b) are amended by striking out everything contained therein and substituting the following language:

"(a) At any time after 6 months from the entry of an order stating the Commission's determination under section 6208 of this title, the Postmaster General or an interested railroad or regulated motor carrier may apply for a reexamination and substantially similar proceedings as have theretofore been had shall be followed with respect to the rates for service covered by the application. At the conclusion of the hearing the Commission shall enter an order stating its determination.

"(b) Except as authorized by section 6215 of this title, the Postmaster General shall pay a railroad or regulated motor carrier the rates or compensation so determined and fixed for application at such stated times as named in the order."

SEC. 5. Section 6213 is amended by striking out everything contained therein except the title and substituting the following language:

"(a) The Postmaster General is authorized to make use of the services of any railroad or regulated motor carrier for the transportation of mail and the services connected therewith over the lines of such railroad or over the routes or within the territory such motor carrier is authorized to serve, if such railroad or motor carrier has submitted, on forms and in the manner prescribed by the Postmaster General, a tender of availability.

"(b) The Postmaster General may grant the request of any railroad or regulated motor carrier to withdraw a tender of availability if, in his discretion, such railroad or motor carrier has given reasonable notice and shown good cause for such request.

"(c) The Interstate Commerce Commission shall, not earlier than the 1st day of the 18th month, nor later than the last day of the 24th month, following enactment of this section, initiate a proceeding to classify motor carriers and fix rates or compensation, pursuant to section 6208 and section 6209 (a) and (b), for mail transportation service performed by regulated motor carriers on and after the date on which such proceeding is initiated, except that the compensation for services under any contract authorized by law shall be that provided in such contract.

"(d) Initial rates or compensation for mail transportation service by any regulated motor carrier or carriers shall be those agreed to by the Postmaster General and the duly designated agent or agents of such motor carrier or carriers, and such rates or compensation shall be effective 30 days after a statement thereof and the services to which they are applicable has been filed with the Interstate Commerce Commission and shall continue in effect for not less than 12 months, except that such initial rates shall not be effective on and after the date on which the Interstate Commerce Commission shall institute proceedings under subsection (c) of this section. The fact that rates or compensation to be fixed by the Interstate Commerce Commission are not in effect on the date of this enactment shall

not operate to prevent the Postmaster General from negotiating special contracts authorized by section 6215, at rates or compensation he deems fair and reasonable.

"(e) The Postmaster General may fine any railroad or regulated motor carrier \$500 for each day such carrier refuses to perform mail transportation service while a tender of availability is in effect.

"(f) The Postmaster General may make deductions from the compensation due any railroad or regulated motor carrier for failure to perform mail transportation service under the conditions, and in the manner, required by the Postmaster General. If such failure is due to the fault of such railroad or motor carrier, he may deduct a sum not exceeding three times the compensation applying to such service.

"(g) The Postmaster General may permit a railroad to perform mail transportation by motor vehicle over highways in lieu of service by rail at rates or compensation not exceeding those allowable for similar service by rail."

SEC. 6. Section 6214 is amended by striking out everything contained therein and substituting the following language: "The Postmaster General may arrange for weighing and measuring mail transported on railroad or regulated motor carrier mail routes and make other computations for statistical and administrative purposes to carry out the purposes of this chapter and pay the expense thereof and of appropriations available to the Department."

SEC. 7. Section 6215 is amended by striking out everything contained therein and substituting the following language: "The Postmaster General may enter into special contracts with railroads or regulated motor carriers for terms not to exceed 4 years for the transportation of mail and the service connected therewith without advertising for bids. He may contract to pay lower rates or compensation, or where in his judgment conditions warrant, higher rates or compensation, than those determined and fixed by the Commission. A copy of any contract made pursuant to this section shall be filed by the Postmaster General with the Interstate Commerce Commission at least 30 days prior to the date upon which such contract shall take effect."

SEC. 8. The title of chapter 101 of title 39 is amended to read as follows: "Transportation of Mail Other Than by Rail, Air, Highway Post Office or Regulated Motor Carrier".

SEC. 9. Section 6402(a) is amended by adding thereto the following new subsection (7):

(7) transportation of mail by regulated motor carrier, as defined in section 6201, shall be procured as provided in chapter 95, or as provided in this chapter.

SEC. 10. The sections or parts thereof of title 39, United States Code, enumerated below, are hereby repealed: sections 6202-6207, subsections (c) and (d) of section 6209, sections 6210 and 6211.

Mr. THOMAS. That proposed bill is a rewrite H.R. 13925. What I say is, in substance, we are opposed to the bill H.R. 13925, but if you will pass a bill, pass something like the one we propose that puts us on the same basis as motor carriers. There is a particular reason for that. I think, if you read the Post Office testimony, what they intend to do, if this bill is passed, is use the contract provisions and not the ICC rates. That is what Mr. Hartigan says. What they say is if a car is filled up going, and coming back is empty, they can quote a low rate to the post office. If this kind of thing develops under this bill and at the same time the railroad has to maintain their obligation under the law to provide mail service, this mail traffic will be, in small amounts, taken away by this kind of low-contract rate.

We have a situation in this country where the mail, like most freight, moves in heavy amounts from the north-central region and East, to the South and Southwest, and to the Pacific coast. The movement in the reverse direction is relatively light. Freight generally tends to move in the same way, heavy to the heavily populated areas and light coming back. So your empty space is coming back, as a rule. Sometimes it works the other way, but leaving the railroads a 100-percent load going out and a 50-percent load coming back, if a truck had empty

space coming back they would give a low rate and the railroads would have 100 percent going out and maybe only 10 percent or none coming back. The truck would have no statutory obligation such as the railroads do.

Mr. DANIELS. The House is in session, so I will yield.

Mr. DULSKI. Mr. Gross.

Mr. GROSS. Mr. Thomas, it seems obvious to me, and I have not had the opportunity to even read the bill which you have proposed, one of your main objections to this bill is what you allege to be a lack of equality both as to requirements and penalties. Is that correct?

Mr. THOMAS. That is correct.

Mr. GROSS. I call your attention to paragraph (g) of section 3 of the bill, on page 4:

The Postmaster General may permit a railroad to perform mail transportation by motor vehicle over highways in lieu of service by rail at rates or compensation not exceeding those allowable for similar service by rail.

Would you think that you would be bound under this provision by chapter 39?

Mr. THOMAS. This provision is in the present law today and is simply carried on in this bill. It provides that the railroad, where it has the obligation to transport mail, may substitute truck transportation if the Postmaster General finds that advisable.

Mr. GROSS. I have other questions but, obviously, we will have to stop this meeting. We thank you and Mr. Brand for coming here and giving us your views.

Mr. DULSKI. Could you return tomorrow for further questions? Would that be convenient?

Mr. THOMAS. I could arrange to be available at the convenience of the committee.

Mr. DULSKI. We would like to have you back tomorrow at 10 o'clock. I am sorry for this, but we have no control over when the House goes into session each day.

Mr. THOMAS. I will be very glad to be here tomorrow.

Mr. DULSKI. I would appreciate it if you would be here tomorrow at 10 o'clock.

Mr. THOMAS. Yes, sir.

Mr. DULSKI. The subcommittee will stand adjourned until 10 o'clock tomorrow morning.

(Thereupon, at 11:15 a.m. on Wednesday, June 8, 1966, the subcommittee adjourned until Thursday, June 9, 1966, at 10 a.m.)

MAIL TRANSPORTATION BY REGULATED MOTOR CARRIER

THURSDAY, JUNE 9, 1966

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

The subcommittee met, pursuant to adjournment, at 10 a.m., in room 346, Cannon House Office Building, Hon. Thaddeus J. Dulski (chairman of the subcommittee) presiding.

Mr. DULSKI. The subcommittee will come to order.

STATEMENTS OF STARR THOMAS, CHAIRMAN, COMMITTEE OF
COUNSEL, RAILWAY MAIL TRANSPORTATION DIVISION, AND
HERBERT B. BRAND, DIRECTOR, RAILWAY MAIL TRANSPORTA-
TION DIVISION, ASSOCIATION OF AMERICAN RAILROADS—
Resumed

Mr. DULSKI. Thank you, Mr. Thomas and Mr. Brand, for returning to the subcommittee. I know you have a busy schedule. We appreciate your coming back so we can conclude the hearings on this legislation.

I think our distinguished colleague, Mr. Gross, had some further questions.

Mr. GROSS. Thank you, Mr. Chairman.

Mr. Thomas, some of the questions I had in mind have been answered by a perusal of the legislation. In your opinion, Mr. Thomas, is any legislation necessary on this subject to provide for the most economical and expeditious transportation of the mail?

Mr. THOMAS. We do not think it is. We think the present star route laws and the provision under that for a 1-year temporary contract in cases where present bidding is not effective immediately, pretty well takes care of the field.

As Mr. Brand mentioned yesterday, the figures of the development of the star route service pay indicate the Post Office has pretty well taken care of itself. We think we can live with the present system, and we think the Post Office can. We do not see any need for this legislation.

Mr. GROSS. We went into this briefly yesterday. In the event legislation is approved or enacted on this subject, the provisions of chapter 95, title 39, United States Code should apply equally and evenhandedly to the trucking industry or any other mode of transportation. Is that correct?

Mr. THOMAS. That is our feeling, sir. We do not see why we should be, you might say, singled out for any less equal treatment than anybody else. If people are to be given the opportunity to come in and bid for a little business which they might like to handle, we think we should be in the same position and we should not be held down with the obligation to provide service that we may not wish to provide, while the other people are free to take what they want. That is our basic position. We say if you pass legislation which gives these privileges to the motor carriers, give us the same privileges.

Mr. GROSS. You spoke of bidding for business. Do you make a bid to any extent for the transportation of the mail?

Mr. THOMAS. Not to any appreciable extent, although on occasion, when mail is taken off the train when the Post Office decides not to use rail service, the railroad may offer a bid. If it has a motor carrier subsidiary, they may offer a bid under the star route laws.

We operate under Commission-prescribed rates or under a contract we make with the Post Office by negotiation.

Mr. GROSS. Would the railroad industry be opposed to a provision for bidding on the part of all concerned in the transportation of mail?

Mr. THOMAS. Frankly, we have not given it any thought. I really haven't any position on that. I do not know that the Post Office is interested in that form.

Mr. GROSS. Unfortunately, I was not able to attend the hearings when the Department was here because of a commitment in another committee, so I do not know what the attitude of the Department would be, nor was I able to attend the hearings when the trucking industry appeared.

Mr. THOMAS. That is a subject which was not brought up in their testimony.

Mr. GROSS. It was not brought up.

Under the terms of the pending legislation as I understand it, there would be no competitive bidding. There is no provision for competitive bidding.

Mr. THOMAS. No, not for the regulated motor carriers. They would still be able to bid competitively. Anybody can bid under the star route laws.

Mr. GROSS. Yes; limited to the star route.

That is all at this time, Mr. Chairman.

Mr. DULSKI. Thank you, Mr. Gross.

Mr. Thomas, let me assure you of one thing. I do not think one member of the committee is not sympathetic to the railroads. I think we have shown that through the legislation we have enacted over the years. We are very sympathetic to the conditions existing in transporting mail because of the deterioration of service, and probably rightly so, because you cannot operate the railroad unless you have sufficient income coming in to pay off the expenses. We do not expect you to operate at a deficit.

Could you give us a résumé, or could Mr. Brand give us a résumé, of the difference between the bill which is before us and the bill which you have proposed?

Mr. THOMAS. The difference is very limited. We simply have added railroads to H.R. 13925. In other words, generally speaking, throughout the bill the provisions in the present bill relate to regulated motor carriers, and we have simply made them also relate to the rail-

roads, with the thought that the result will be a bill which places railroads and regulated motor carriers on the same basis. That is the structure of the whole bill. We have added to it a provision repealing those parts of chapter 95 that relate to railroads but were not incorporated in H.R. 13925.

Finally, we added one additional provision which provides for the filing of a contract or rate with the idea that they would be public information so everyone would know what was being charged. That is really the substance of what we were trying to do.

Mr. DULSKI. I notice you provide that there would be facilities available. Let me give you a good illustration—one of the largest railroad centers in this country, Buffalo, N.Y., the New York Central terminal, with which I image you are acquainted.

Mr. THOMAS. I am sorry, I am not. I am with the Santa Fe Railway.

Mr. DULSKI. They have one of the largest and best equipped offices throughout the Eastern States. Today I do not think it is one-twentieth in operation. In other words, the railroad found it not feasible to operate. You would not expect the truckers to put up big terminals just to be in the post office business, would you?

Mr. THOMAS. No. What I suggest is since no obligations are imposed on them of this sort, and since the idea—

Mr. DULSKI. Will you identify obligations?

Mr. THOMAS. To provide terminal facilities. The railroads are required by law to do so and can be fined for failure to do so. We have suggested, if you are going to pass a bill of this sort which does not impose these obligations on motor carriers, also include us in the bill and relieve us of the obligations that we are now bound to by statute, by repealing those obligations applying only to the railroads. That is the whole approach of the bill we have offered.

Mr. DULSKI. I do not want to belabor the point, but the railroads were established many years ago and, because of the expansion of the railroads, you were building these terminals, just as the one which was built in Buffalo, N.Y. Now you do not find them feasible, so you are closing them down, but you have certain facilities there that can accommodate the Post Office. We would not want and I am sure as an executive you would not want us to request the truckers to put up a big terminal because they are handling mail separate from the actual building that they have for doing business as truckers.

Mr. THOMAS. No. We suggest just the opposite. We will go along with you in the thought that perhaps this would not be feasible, but don't leave us with the obligation of providing a terminal ourselves which may or may not be used, which we can be forced to provide if at any time we are asked to provide it. In other words, let everybody be on the same basis.

Mr. DANIELS. Will the chairman yield at this point?

Mr. DULSKI. Yes; I yield.

Mr. DANIELS. What you are proposing, Mr. Thomas, is that we repeal existing law making it compulsory for the railroads to transport mail, relieving you of all the other compulsory obligations under existing law.

Mr. THOMAS. Yes.

Mr. DANIELS. It may be true that you have to provide facilities for storage, special cars, and so forth, but is not all of that taken into consideration when the ICC makes up the rate?

Mr. THOMAS. It is taken into consideration when the ICC makes up the rate, but the whole rate structure assumes the railroads are the principal and almost sole surface transporter of mail. When the motor carriers bid for this business and the business is taken away from the railroads, then the railroads do not have this business or these rates.

Mr. DANIELS. On the other hand, when the regulated motor carriers bid on contracts, inasmuch as they do not have to furnish these facilities and go to the expense that the railroads go to, would it not be fair to assume that their rates will be considerably cheaper because they do not have these additional expenses that you have, and that the same rates that the railroad charges would not necessarily be the rate that would be submitted by a regulated motor carrier?

Mr. THOMAS. Sir, this is what we have found: For a given bit of business that happens to fit nicely into the motor carrier operation—suppose, for instance, as I mentioned yesterday, there is a heavy load one way and coming back empty, they can make a low rate for that empty movement. Take away some of the mail, not all of it; then the railroad under its obligation has to transport the rest of it.

Mr. DANIELS. You are expressing the fear that the Postmaster General is going to deprive the railroads of mail carriage they have at the present time?

Mr. THOMAS. Yes. We think if this is to be the rule of the game and we did not have to provide all these expensive facilities, whether they were used or not, we could bid, too. We could fight for the business under the same rules.

Mr. DANIELS. Let us take a specific situation.

Mr. THOMAS. There is one other factor I must mention. There is a lot of business that is expensive to handle, and somebody has to handle it, little short-haul business with a lot of handling in big cities, or light loads of mail where the movement is very unbalanced. People may not want that. It costs more to have that hauled.

Mr. DANIELS. Under existing law, does not the railroad have the right to apply to the Postmaster General and ask to be relieved of an unprofitable or extremely costly operation?

Mr. THOMAS. Yes.

Mr. DANIELS. And has the Postmaster General granted you relief from that and discharged you from responsibility for carriage?

Mr. THOMAS. In a number of cases, yes; but the point is, the Postmaster General does not have to do this.

Mr. DANIELS. He does not have to do it, but can you point out to me any case where he has been unfair in such a situation?

Mr. THOMAS. I am not sure I can. I am not sure—

Mr. DANIELS. Where he has exercised arbitrary discretion?

Mr. THOMAS. I said I am not sure I can. I mean I simply do not know. I think Mr. Brand may have something to say on that.

There is another point—

Mr. DANIELS. Has the fact alone that the railroads have asked to be excused of their obligations to carry the mail resulted in the regulated motor common carriers coming in here to bid on the business, and also the star route carriers?

Mr. THOMAS. No. I think the great bulk of the mail taken from the railroads, certainly in the last year, has been taken away because the Post Office found a preferred structure for the particular movement.

Mr. DANIELS. Let us take the run from New York to Philadelphia to Washington. How many trainloads of mail would you say move from New York to Philadelphia and Washington each day?

Mr. THOMAS. I am sure a great many. I have no idea how much.

Mr. DANIELS. About 100 carloads. Do you think the Postmaster General will deprive the railroads of that business and give it to the regulated motor common carriers?

Mr. THOMAS. I do not think the Postmaster General can cut the railroads out of the business in any short period of time.

Mr. DANIELS. Do you think it is his intention to do so by this bill?

Mr. THOMAS. No. It is not his bill, as I understand it.

Mr. DANIELS. By this bill.

Mr. THOMAS. I think the Postmaster General intends to get the best bargain he can wherever he can, but if he is able to do this under a legal setup where we have to handle the business the trucks do not want and the trucks bid only for what they want, we are going to be forced to lose business or perhaps lose money on some of this desirable business, and still haul the business that nobody else wants. That is the costly business. This is where we lose out. If we are able just to bid for the business we want and negotiate for the price of the business we want, just as they are, then we will be in the same boat and we can get along and live with it.

I think I should make very clear that when I say we wish to be relieved of the obligation, we do not want to get out of hauling mail. We are very anxious to be competitive and get this business and to hold it and keep it. My own company is one of the greatest mail carriers in the United States, and we fight for every pound of mail and we intend to.

Mr. DANIELS. I am just wondering if you are not pushing yourself further out of the business of carrying the mail if what you are suggesting today is carried out in this legislation.

Mr. THOMAS. No, sir. We are in a position to compete for the mail.

Mr. DANIELS. Some of that is piggyback, is that not true?

Mr. THOMAS. Yes, sir.

Mr. DANIELS. You also are certificated by the ICC.

Mr. THOMAS. The piggyback, of course, moves by highway just for short distances.

Mr. DANIELS. It is certificated by the ICC.

Mr. THOMAS. For motor carrier operations.

Mr. DANIELS. Under the proposed legislation we are considering, why cannot the piggyback motor common carriers that the railroads operate bid on this?

Mr. THOMAS. They can but, you see, the railroads have only a limited number of those. Some have them and some do not have them. There isn't any pattern.

Mr. DANIELS. Will this not be an opportunity for them to expand their business?

Mr. THOMAS. Not necessarily. It will not solve our problem of the business that we have to provide, the transportation that we are stuck with. I am still talking about the business that nobody else wants which the law holds us to.

Mr. DANIELS. As I indicated to you earlier, you may apply to the Postmaster General and ask to be relieved of hauling that business which is unprofitable.

Mr. THOMAS. If the Postmaster General cannot find a motor carrier who will haul it, he will not relieve us. He has to get the mail moved. The Postmaster General would not be doing his duty if he just threw his hands up. He would have to hold us to it. We have to be on the basis of bidding and fighting for it with the others.

Mr. GROSS. Of course, this is a situation I find neither black nor white. I think the railroad industry is perfectly justified, if legislation is to be enacted, in asking that they be relieved of certain of the obligations that they have to perform whereas no performance requirement or practically none is imposed upon other types of carriers, certainly not of a similar nature. I find this most intriguing and hard to assimilate in the consideration of this legislation, I say to my friend from Pennsylvania.

Mr. DANIELS. In response to that, sir, I think the transportation of mail by railroads and that by regulated motor common carriers are two entirely different operations. I think the difference will be reflected in the rate. The witness, Mr. Thomas, has indicated a fear that the regulated motor carriers are going to skim off the cream and leave the railroads with the skimmed milk.

Mr. GROSS. Because, at least in part, of the obligations that are imposed upon the railroads which are not imposed upon the other types of transportation.

Mr. DANIELS. We shall give it serious study.

Mr. DULSKI. As I understand, all of the questions raised by Mr. Daniels could be taken care of by regulation. Let me quote you part of the statement made by Postmaster General Gronouski on March 11, 1965. The statement started:

The Post Office is not standing still. It cannot afford to stand still. It has become almost trite to say that the last 30 years have been an era of change in this country, and I suppose nothing has been more dramatic than the change in our historical transportation patterns. Thirty years ago in this country we had 10,000 daily passenger trains that carried mail. The latest report is that now we have a little over 1,000 trains. It used to be that every town, village, city, and hamlet in the country had a train going through it almost every day. Today the major metropolitan areas and the large cities are lucky to have a train going through at regular intervals. So the whole pattern of moving mail has had to react to the change in the mode of transportation, and particularly the decline in the number of passenger trains available for use in moving mail. We have also had in this period a substantial development in other modes of transportation, particularly in the air and the trucking industries, and these have had and will in the future have even more impact on the movement of mail. Obviously, it would have been better if we had, 10 or 15 years ago, given more recognition to the changes occurring in the transportation pattern. It was only about 2 or 3 years ago that we really came to grips with this rather revolutionary change in the industry, and this is a fact of life that I have to live with.

Your can see that the Postmaster General at that time, in March 1965, was already thinking that although the railroads had given service, because of the decline in the trains he had to seek other modes of transportation because of the deterioration of the service.

Mr. THOMAS. I do not really agree with that statement. I believe it is an exaggerated statement. I think it needs some qualification. I will tell you why.

The railroads are running a lot of service between major cities, which is where the main volume of mail is. The railroads are handling tremendous volumes of mail. They are not running as many passenger trains. Take the New York Central. This whole statement does not mean anything as applied to the New York Central between major

centers where it carries mail, because the New Central has worked out with the Post Office Department an arrangement whereby the mail moves in Flexi-Van equipment, in special trains that are meant to carry mail. They are not passenger trains, but they provide the service the Postmaster General wants.

The Southern Pacific on the Pacific coast carries mail on piggyback trains, and the train I have in mind happens to be faster than the passenger train.

When you talk about the decline in the number of passenger trains, the great numbers are little trains running short distances out into the country around the major cities and in small rural areas. Those trains are dead and gone because the automobile has simply taken over local transportation of that sort. In that kind of area, trucks have to be used to handle the mail, and they are used today. There is not any problem about it. It is all set up under the star route laws.

Between the major centers, and between the medium-sized centers, there is a tremendous volume of mail moving now by railroads and, as I say, we are anxious to continue handling it. If the Postmaster General, as Mr. Gronouski seems to say there, thinks times have changed and we have to change with the times, all we say is, don't leave us out because times change. If you are going to pass legislation to do what you may feel is the right thing to do in view of the changing times, do not leave us with our 1916 law which was written on the assumption that nobody but the railroads carry mail. Let us come down and be on the same basis as the others.

Mr. DULSKI. We do not expect to carry on this program with a 1966 law for truckers and a 1916 law for the railroads. I only quoted the first page of the Postmaster General's statement. He goes into detail.

Mr. BRAND. May I add a comment at this point, Mr. Chairman. There is practically no mail moving from New York City to Washington on passenger trains today because the Post Office Department and the Pennsylvania Railroad worked out an arrangement to put on a special mail train to carry the mail. A lot of passenger trains are moving between these cities, but with no mail on them. That is simply another illustration of what Mr. Thomas has said.

Mr. DULSKI. Let me go to another area in transportation. I am not sure whether this is a fact. Do you want to have permission to transport mail in your freight cars?

Mr. BRAND. We have transported mail in freight cars during Christmas rush periods.

Mr. DULSKI. Not transport. I just say with freight trains. In other words, it was my understanding that the railroads were in to see the Postmaster General and asked him if he would permit hooking railroad mail cars to the freight cars. In other words, let us use the assumption there is a train supposed to go out of Buffalo, N.Y., to New York City, and they need 50 cars. They have only 37. They need 13 more cars to move the freight train. Is it true that the railroads went up to see the Postmaster General to see if they could have the mail cars hooked onto the freight cars?

Mr. BRAND. I am not aware of that, sir. We have handled mail on the fast-scheduled piggyback trains which are to the advantage of the Post Office Department because they operate on even faster schedules than the passenger trains. The illustration Mr. Thomas

used on the west coast I might explain this way: There is no through-passenger train between Los Angeles and Portland, but there is a through-piggyback train which avoids the transfer or switching at Oakland. This train goes back and forth. The mail is now carried on that train, not on a passenger train. It is much to the advantage of the Post Office Department. It eliminates any transfer at Oakland with consequent delay. We have asked for and worked out with the Department, procedures of that kind.

Mr. DULSKI. I have no disagreement with that. I am glad you brought out this fact.

One more question. The Commissioner from the ICC testified before us that they do not expect to make rates; they expect the Postmaster General to submit and the truckers to submit the rates, and then if there is a misunderstanding, to make the decision.

Would it not be the same way with the railroads if they were bidding for the business?

Mr. THOMAS. If we were placed under this bill, I would expect so. I read the statement offered by the witness for the Postmaster General.

Mr. DULSKI. Did you read the statement of the Commissioner?

Mr. THOMAS. Yes. The bill now provides that the Commission shall make the rates, but I doubt that those rates would be charged. I think the rates actually to be charged would be the rates negotiated between the Postmaster General and the carriers. That is what the Postmaster General said he was interested in.

Mr. DULSKI. You would do the same thing by the bill that you have presented here. You would have the same privilege.

Mr. THOMAS. In other words, there would be rates fixed by the Commission under this bill. They would apply unless a separate rate was negotiated by contract. That would apply to motor carriers and to the railroads.

Mr. DULSKI. I have no further questions.

Mr. Daniels?

Mr. DANIELS. No further questions.

Mr. DULSKI. Mr. Gross?

Mr. GROSS. I only want to say, Mr. Chairman, as I have stated before, since this probably will conclude the hearings for this year on this bill, that I simply want to see the mail carried in the most economical and expeditious manner. I do not want to see any method of transportation penalized. I want a fair division of the business on the most highly competitive basis it is possible to put it on. I cannot conceive that under any other course we would have economical and expeditious transportation of the mail.

I am carrying no torch for the railroad industry or the trucking industry or the airline industry, but I do want to be fair. It may sound trite, I do not know, but that is the position I find myself in with respect to this legislation.

Certainly, I think if we are to write legislation here, it ought to be evenhanded and equitable and all that goes with it. Frankly, I do not know what the answer to it is. I realize that railroads have gone out of business in the past for one reason or another in the transportation of mail. I am sorry to see it, because I think it was one of the best methods of transportation to handle the mail, particularly the operation of the working rail car whereby mail could be sorted and made ready for distribution en route. I am sorry to see this happen.

It is one of the things that has happened with this country's economic and other changes.

I simply want to see come out of this committee a bill as fair as it can be made to all parties concerned.

That is all I have, Mr. Chairman.

Mr. BRAND. May I make one or two short comments in connection with some of the points that have been brought up?

Mr. DULSKI. Go right ahead.

Mr. BRAND. There are cases where the Post Office Department has refused to permit the railroads not to handle mail. Generally speaking, where the Post Office Department has granted this permission, it is to remove the mail from a particular train and carry it on other trains operating between the same points.

Shifting to another point, one of the statements of the Post Office Department was something like this: This bill would enable them to use a motor carrier that had a light load in one direction or no load returning to his headquarters. He used as an instance, as I recall it, that under this bill they would be able to take a fruit carrier from Florida going up into New Jersey or New York, and put a load on that truck in the return direction for which he had no business. They used that as an argument for the bill, and yet just within the last 30 days they have done that very thing under the star route laws.

That is all I have to say.

Mr. DULSKI. Thank you very much, gentlemen. You are very valuable witnesses. I want to reiterate the statement I made at the beginning. We are not here to hurt the railroads but to find an efficient mode of transportation of the mail. We hope we can work with you and come to a mutual understanding. Thank you very much.

Mr. THOMAS. Thank you very much.

Mr. DULSKI. Our next witness is Mr. Donald S. Beattie, the executive secretary-treasurer of the Railway Labor Executives' Association.

STATEMENT OF DONALD S. BEATTIE, EXECUTIVE SECRETARY-TREASURER, RAILWAY LABOR EXECUTIVES' ASSOCIATION; ACCOMPANIED BY WILLIAM G. MAHONEY, ATTORNEY AT LAW

Mr. BEATTIE. My name is Donald S. Beattie. I am the executive secretary-treasurer of the Railway Labor Executives' Association. Accompanying me this morning is Mr. William G. Mahoney, of the Washington law office of Mulholland, Hickey & Lyman.

I appear here today on behalf of that association, which consists of the chief executive officers of the 22 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 have inserted in the record.

(The list is as follows:)

- The 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 Association of Machinists and Aerospace Workers;
 International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths,
 Forgers and Helpers;
 International Brotherhood of Electrical Workers;
 International Brotherhood of Firemen & Oilers;
 International Organization Masters, Mates & Pilots of America;
 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; and
 Transportation-Communication Employees Union.

Mr. BEATTIE. The standard railway labor organizations, for which I speak here, are opposed to the enactment of H. R. 13925 for, we are convinced, the enactment of this bill into law would have a severe adverse effect on railroad passenger service, which now employs directly and indirectly about 100,000 railroaders. As you know, we testified last June 29 in opposition to a similar bill, H. R. 6472. Despite some changes in the present bill, H. R. 13925, we feel we must oppose this bill on the same grounds we expressed last year.

In addition, enactment of H. R. 13925 at this time, it seems to us, would be inconsistent with and indeed contradictory to the aims of the present administration in seeking enactment of H. R. 13200 for the creation of a new Cabinet-level Department of Transportation. At a time when the President has confirmed publicly the need to preserve essential railroad passenger train service throughout this Nation and has provided a means through a new Department to assist in that end, and when the Secretary of that Department will be urged to confer with the Postmaster General with a view toward finding ways of utilizing the railroads for the transportation of mail in order to assist in the continuation of essential rail passenger transportation, it seems altogether incongruous for the Congress to enact a bill which would strike a heavy and perhaps fatal blow at much of the Nation's rail passenger service.

There are several aspects of this situation, and I should like to focus especially on three of them. First, as I understand it, one of the President's chief goals in seeking the new Department of Transportation is to achieve—finally—a coordinated, balanced set of Federal transportation policies for the United States. The new Department, we understand, will weigh the broad social costs and social benefits of policies affecting the different modes and segments of transportation and try to come up with recommendations that make sense not just in terms of one particular interest but in terms of the overall public interest. This goal seems so reasonable that I feel sure no member of this subcommittee would disagree with it.

Second, on the specific question of mail haulage, the Post Office Department's policies in recent years have definitely not, in our view, followed this overall coordinated approach. That Department has pushed policies which have resulted in removal from the railroads of the mail revenues that have traditionally helped sustain passenger

train operations. This mail has been removed without any tangible evidence of an increase in the efficiency of mail transportation. To the contrary, the alternative means employed by the Post Office Department for the transportation of intercity mail—other than airmail, of course—have often resulted in longer transit time between the sender and the receiver of mail. What we have here is a classic example of failure to weigh a new Federal program—specifically the Post Office's sectional centers program—in the light of other Federal objectives, relating to rail passenger service. So far as we can tell, there has been no central consideration at all of the total social costs and social benefits involved in these Post Office Department actions. Enactment of H.R. 13925, as we see it, would simply encourage further movement down this unfortunate road.

Third, enactment of H.R. 13925 would encourage railroads even more to apply for permission to abandon their passenger trains—despite the clear will of Congress and the President (expressed, for example, in the Mass Transit Act and the High-Speed Ground Transportation Act) to encourage more and better railroad passenger service. Time and again, already, railroads have come to the Interstate Commerce Commission with the plea that continued operation of a certain passenger train is an undue burden, because that train has lost its mail revenue. The railroads often make a very strong case on that.

In fact, 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 discontinuance of such trains is to remove the mail revenue from them. Mail revenue is the most important single factor in determining the abandonment or continued existence of a passenger train operation.

H.R. 13925 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. 13925 would seem to permit the carriers to enter the field with a virtually free hand, 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 airmail 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 mail which would be susceptible to diversion by interstate motor carriers under H.R. 13925 would be mail that is presently carried on the passenger trains of the Nation's railroads.

Since the enactment in 1958 of section 13(a) 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 resources to the 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 subcommittee no evidence sufficient to justify the passage of legislation which is not necessary in the public interest and which would do such harm to a major public need both in time of peace and in time of national emergency.

At this time particularly, with the hope really bright for development of coordinated transportation policies by a new cabinet-level Department, we consider it ill-advised to enact a bill making a piecemeal—but drastic—change in the haulage of one commodity, the U.S. mails.

For the foregoing reasons, the Railway Labor Executives' Association must oppose the enactment of H.R. 13925.

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. Thank you very much, Mr. Beattie.

The substance of your entire statement is that we are going to drop railroads tomorrow, trains will be standing on the tracks, and the truckers are going to take over the business.

I think you have to realize, by your own statement which you have made, that we had 10,000 trains and now less than 1,000 are operating. Without the enactment of H.R. 13925, the service has been deteriorating. How can you explain that?

Mr. BEATTIE. Many of the trains that were eliminated in the earlier years, especially in the first years after the enactment of section 13(a) of the Interstate Commerce Act, were short-haul passenger trains, and the ones that we are losing today are the long-haul interstate trains between major cities. These are the trains left.

Many that are being discontinued today operate over distances of 500 or 1,000 miles. So, we are down to the really basic passenger train system which is now being eaten away, piece by piece, with the Post Office Department's policies contributing to the loss of these trains more than any other thing.

Mr. DULSKI. Do you not think it very important even to the Postmaster General and the Post Office Department, even if they are only short-haul, when you start with 10,000 and come down to under 1,000? That is 90 percent. Quite a few have been taken off before H.R. 13925 was introduced.

Mr. BEATTIE. There is no question that we have lost a great many passenger trains, but now we are down to the basic system and we are losing the last passenger trains serving major cities.

Mr. DULSKI. Even if H.R. 13925 were enacted, do you not think more trains would be taken off the roads?

Mr. BEATTIE. If enacted, we feel that this would certainly encourage the more rapid—

Mr. DULSKI. If it were not enacted, do you not think trains would be taken off the roads, also?

Mr. BEATTIE. Yes. We are losing these trains monthly, but the Railway Labor Executives' Association in testimony on the transportation bills has recommended that, pending the development of the new policy by the new Department of Transportation, there be a moratorium of 18 months on further discontinuance of passenger trains.

In other words, we are hopeful that a new policy will be developed, once the Department is established, and that this new policy will take into consideration the haulage of mail and the needs of the public for passenger train service. Put these together and perhaps there will be consideration given to a subsidy of one kind or another. We must preserve the passenger train service of the country.

The Congress has enacted legislation to provide money for experiments and the development of new types of passenger train equipment. We are hopeful that new policies will be developed and will work out a new approach, but in the meantime we ask that there be no legislation enacted which would further encourage the abandonment of the service we have left.

Mr. DULSKI. You know, Mr. Beattie, my good friend, Mr. Benson, is in my office often, and I wonder, did you make this moratorium known to the railroads?

Mr. BEATTIE. Yes, sir.

Mr. DULSKI. What is their feeling on this 18-month moratorium? Would they object to it?

Mr. BEATTIE. The railroads testified before we did in both Houses, and to my knowledge they have made no official objection to our proposal.

Mr. DULSKI. Again I want to reiterate we are not here to hurt the railroads, we just want to expedite the movement of mail, and assuming this legislation is passed there will be a lot of consideration given by the Postmaster General, this committee, and the Interstate Commerce Commission, before any action is taken.

Any questions, Mr. Daniels?

Mr. DANIELS. Mr. Beattie, you give the impression in your testimony that the discontinuance of passenger service is due to the loss of mail by the railroads; is that correct?

Mr. BEATTIE. Yes, sir.

Mr. DANIELS. That the drop from 10,000 trains in 1930 to approximately 1,000 today is primarily due to the loss of the haulage of mail by rail?

Mr. BEATTIE. No; but in recent years the loss of long-haul trains has been the direct result in many cases of the loss of the mail contract, and practically every train now that comes before the Commission in a discontinuance proceeding involves either the recent loss of the mail contract or the threatened loss of the mail contract, because the mail revenue is the determining factor as to whether or not the train will be profitable.

Mr. DANIELS. You are only referring to the long-haul trains?

Mr. BEATTIE. Yes.

Mr. DANIELS. When you talk of long-haul trains, what distance do you have in mind?

Mr. BEATTIE. I am thinking of trains that run from 200 to 1,000 miles. A great many of the passenger trains we have lost in years back were the short-haul trains that ran between small towns, the

branch line passenger trains, but we now have lost that kind of service and are down now to, in many cases, the last train operating between major cities.

Mr. DANIELS. You have voiced your objection to the bill but have not made any suggestion as to how the bill might be amended so as to make it fair to the railroads to compete. Have you given any thought to how this bill might be amended to make it fair and equitable for all common carriers to participate, including the railroads?

Mr. BEATTIE. We have considered it but we do not see how you can go beyond the star route-type of operation without contributing further to the discontinuance of passenger-train service.

Mr. DANIELS. The previous witness, Mr. Thomas, proposed a bill to this committee recommending that the railroads be relieved of their compulsory obligation that exists by law today and to permit the railroads to certificate themselves as this legislation proposes. What do you think of that proposal of Mr. Thomas?

Mr. BEATTIE. It would certainly be more equitable. However, in my opinion, if that kind of equality were enacted into law, this would mean that railroads in many, many instances would not tender a certificate and therefore would not carry mail, railroads that are now carrying mail.

Mr. DANIELS. And do you think that would harm and be injurious to the postal service?

Mr. BEATTIE. Yes, sir. I think the proposal, if enacted, would mean we would lose passenger service to a greater extent than we would otherwise.

Mr. DANIELS. And you are opposed to the suggestion made by Mr. Thomas?

Mr. BEATTIE. Yes, sir.

Mr. DANIELS. Thank you.

Mr. DULSKI. Any further questions?

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

Mr. DULSKI. Thank you very much, Mr. Beattie. We appreciate your coming down and giving us your testimony.

Mr. BEATTIE. Thank you.

Mr. DULSKI. At this point in the record we will insert the statement of Arthur E. Imperatore, president, A-P-A Transport Corp., North Bergen, N.J.

(The statement follows:)

PREPARED STATEMENT OF ARTHUR E. IMPERATORE, PRESIDENT, A-P-A TRANSPORT CORP.

Mr. Chairman and members of the subcommittee, my name is Arthur E. Imperatore, president of A-P-A Transport Corp., North Bergen, N.J. I wish to go on record as strongly supporting the enactment of H.R. 13925, which would enable the Postmaster General to make use of regulated motor carriers in the transportation of mail. My company has been in business 19 years, rendering excellent service to shippers in the most densely populated, highly industrialized area in the United States. Our certificate of operation directs the rendering of service in an area described by a radius of 150 miles from North Bergen, N.J., in all directions. We serve the entire metropolitan area of New York, all of the State of Connecticut, a substantial portion of New Jersey, and the eastern one-third of Pennsylvania. We sincerely believe that the same services which we have tailored to meet the needs of our various private shippers would enable the Post Office Department to handle the mail in a most expeditious manner. Our company prides itself on the skill of its employees and the caliber of its equipment.

We have over 500 pieces of equipment and 650 employees, practically all of whom are experts. We know that we can handle any problem in delivery of mail within our certificate territory that the Post Office Department can present to us.

What we are asking for is the right to be able to approach the Post Office Department in order to sell them on our service. We believe that it is grossly unfair that the Post Office Department cannot avail itself of our proven expertise and the proven capabilities of other carriers like us. We believe that the service which we can offer is superior to anything now available to the Post Office Department. No railroad operating in our territory can offer the flexibility which we can. We have been able to maintain ourselves in a highly competitive business, in a highly competitive part of the United States by being able to give our shippers the exact service they require. We pride ourselves on operating a motor transport laboratory where experimentation and innovation are the watchwords of our business. All we ask is the opportunity to make ourselves available to the Post Office Department. That opportunity cannot arise unless, and until, the law governing transportation of mail is changed to permit the Postmaster General to use motor carriers.

As an established irregular route carrier, who participates in a rate in a tariff bureau, we see no problem in joining with the Post Office Department in establishing a rate which will be attractive both to them and to us, and, at the same time, give them the speedy delivery which everyone recognizes is necessary if the mail service of the United States is to meet its obligation.

I have felt a deep frustration over the past years because of all I have seen and read on the subject of mail service. There has been a steady stream of complaints of slow delivery and poor service. I know that my company, and companies like it all over the United States, could make a big difference if they only had the opportunity to show what they could do.

I want to thank you for the opportunity of allowing me to present my views and to state, again, that it is only simple justice and equality under the law that I am seeking. This company needs no special privilege; all it needs to become part of the mail movement in the United States is legislation like H.R. 13925 which would provide the means for us to do business with the Post Office Department.

Mr. DULSKI. That concludes the hearing today and the meeting is adjourned.

(Thereupon, at 11:15 a.m., the hearing was adjourned.)



