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HEARINGS

BEFORE THE

COMMITTEE ON COMMERCE

UNITED STATES SENATE

NINETY-FIRST CONGRESS

SECOND SESSION

ON

THE NOMINATIONS OF

DECEMBER 3, 1970

C. LANGHORNE WASHBURN, TO BE ASSISTANT SECRETARY OF COMMERCE FOR TOURISM; AND ANDREW E. GIBSON, TO BE ASSISTANT SECRETARY OF COMMERCE FOR MARITIME AFFAIRS

DECEMBER 16, 1970

ROBERT D. TIMM, TO BE A MEMBER OF THE CIVIL AERONAUTICS BOARD

DECEMBER 29, 1970

REPRESENTATIVE CATHERINE MAY, GENERAL FRANK S. BESSON, JR., JOHN J. GILHOOLEY, DAVID W. KENDALL, JOHN P. OLSSON, DAVID E. BRADSHAW, CHARLES LUNA, AND ARTHUR D. LEWIS, TO BE INCORPORATORS OF THE NATIONAL RAILROAD PASSENGER CORPORATION

Serial No. 91-97

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**C. LANGHORNE WASHBURN, OF WASHINGTON, D.C., TO
BE ASSISTANT SECRETARY OF COMMERCE FOR TOUR-
ISM AND ANDREW E. GIBSON, OF MARYLAND, TO BE
ASSISTANT SECRETARY OF COMMERCE FOR MARI-
TIME AFFAIRS**

THURSDAY, DECEMBER 3, 1970

U.S. SENATE,
COMMITTEE ON COMMERCE,
Washington, D.C.

The committee met at 10:07 a.m., in room 5110, New Senate Office Building, Hon. Daniel K. Inouye, presiding.

Present: Senators Inouye, Cannon, Cotton, and Baker.

OPENING STATEMENT BY SENATOR INOUYE

Senator INOUYE. This morning this committee has the privilege of considering the nominations of Mr. C. Langhorne Washburn for the position of Assistant Secretary of Commerce for Tourism, and Mr. Andrew E. Gibson, for Assistant Secretary of Commerce for Maritime Affairs.

At this time we will consider the nomination of Mr. Washburn.

The recent comprehensive amendments to the International Travel Act of 1961, among other things, elevated the position of Director of U.S. Travel Service to that of Assistant Secretary of Commerce for Tourism.

Today the committee has before it the nomination of Mr. Washburn to that position.

Since 1969, Mr. Washburn has served as Director of the Travel Service, and from all reports he has done so with great distinction. When this committee considered the legislation which ultimately amended the International Travel Act, Mr. Washburn and other witnesses representing all segments of the travel industry appeared and testified to the worth of the U.S. Travel Service in helping to promote foreign travel in the United States.

The committee is aware that the travel deficit, that is, the difference between the amount of money spent by foreign visitors to the United States and what our citizens spend visiting abroad, contributes significantly to our overall balance of payments deficit. In recognition of this fact, as well as the social, educational, and political importance of international tourism, the committee recommended the legislation that expanded the role of the U.S. Travel Service in order to intensify our efforts as a nation to increase travel to the United States.

Mr. Washburn, when you appeared before the committee, you testi-

fied that the Travel Service could best fulfill its role by increasingly assuming the role of planner, innovator, and coordinator, and that the agency should act as a catalyst for the efforts of the States, regional governmental groups and the private sector of industry.

Would you, sir, please tell the committee what the Travel Service has done in these respects, and what it intends to do with the additional authority given it under the recently enacted law?

STATEMENT OF C. LANGHORNE WASHBURN

Mr. WASHBURN. Thank you, Senator. First of all, I would like to say that I believe when I first appeared before this committee to be confirmed as Director, I mentioned my high enthusiasm for this task. Today, under the present circumstances, and with the passage of this new law, I know of no more exciting job, no greater challenge than to develop a prescription for procuring increasing dollars in international tourism. This is one of the nagging problems affecting our international economic position today.

I want you to know that if I am confirmed, I will certainly make use of all these new tools to optimum advantage to push forward the things we are all interested in.

Regarding our role in innovation and coordination and organizations, I would say that, if we get the additional funds which this new act offers us, we feel we can be very effective in several areas. As an example, we have, since I was here before, opened up a convention office in Europe. As of now, 425 international conventions have been contacted by this office already. We hope to expand this very much.

And already, over 14 have been signed up, including, Mr. Cannon, SKAL for Las Vegas, and this is just, we hope, the beginning of the close working relationship with that city which will funnel more conventions into that fine location.

But of the 14 already signed, they represent 13,000 people, and an estimated \$3 million in receipts coming to America as a result of this effort.

This I think represents an innovation, and certainly coordination with all the States and convention bureaus to bring this about.

Another very exciting area for me is what we refer to as the International World Tourism Seminars and "Pow Wows". This represents coordination with DATO—the Discover America Travel Organization and with U.S. and foreign tour packagers our role is to bring the foreign tour dealers over to the United States, and put them down in face-to-face dealings with their U.S. counterparts. We have already held two; one in New York and one in Miami. These were in addition to the two preparatory seminars in London and Amsterdam.

The most recent "pow-wow" was held by us in Miami 10 days ago and is an example of what can be accomplished through such meetings.

Over \$300,000 in services have been sold by U.S. firms and over \$8 million is expected in receipts from future commitments.

As an example of our role in the planning and innovation of programs in foreign marketing operations, we were successful in getting quite a few States and the Discover America Travel Organization to join with us in our efforts to market U.S. tourism through the means of a "Visit USA" pavilion in Montreal, Canada, for the first time last

year. In the case of Canada, an increase there of 1 percent in tourism receipts is equal to an increase of 10 percent from the United Kingdom.

The exhibit we coordinated and managed up there was built around the Walt Disney film called "America The Beautiful." Over a million and a quarter visitors visited the pavilion.

The same kind of operation was held in Osaka, Japan, during this past summer. Again, the travel service was able to act effectively as a planner, coordinator and financial manager. We were able to get 14 U.S. corporations and five Government agencies to come together in this event and actually contribute as much as \$385,000 for the project.

The project itself took the form of a seven-story high "Visit U.S.A." inflated structure, which contained a travel show that portrayed very dramatically the major tourism destinations in the United States, with Hawaii and Guam included. The show format has now changed. We have been very fortunate to harness the efforts of the Walt Disney organization to help us sell America using this exhibit pavilion.

This exhibit which is a transportable air supported building is now being restructured and moved to Tokyo, where we will have the first national overseas premier of the Disney film "America The Beautiful." This film is presented in a 360° circle, nine-screen operation. In this new Tokyo "Visit U.S.A." exhibit, we will be joined by the Space Agency and our original sponsors.

From Tokyo this program will be sent to Mexico, the United Kingdom, Australia, Germany, and France, where it will act as an effective catalyst for the tourism industry in those key countries and play an effective role in these balance-of-payments areas.

I think in our reception program we have another case of our acting as a coordinator and innovator. Last year, for the first time, in cooperation with the New York Port Authority, HEW, and the Customs, and Immigration Services, we inaugurated a program called the Golden Girls. These are multilingual receptionists. I went to Holland and saw similar girls speaking many languages at the Schiphol Airport in Amsterdam a few years ago. Now through our Visitors Services Division, this type of needed reception service has now been implemented in this country. Boston, Miami, and other major ports of entry will be our next targets.

Briefly these have been some examples of our work as innovators and coordinators.

Senator INOUE. Thank you very much. We assume that the President will appoint you as one of the 4 administration members of the National Tourism Resources Review Commission. What, in your opinion, are the most important objectives of this Commission, and is there any attempt being made to bring the best and most qualified people into the Commission and not your staff?

Mr. WASHBURN. Well of course I think this Commission is one of the most important parts of the new bill. In general, it will give us a much needed forecast of American tourism demand and resources through the year 1980.

It's one of the most important developments in the history of U.S. travel and tourism. If properly staffed and administered, the Commission will provide the basic facts and projections needed to enable the Federal Government to rationalize its approach to this increas-

ingly important aspect of our economic, educational, and social development as a nation.

There is a special study we have completed at the USTS, in which we identified 36 agencies and bureaus at the Federal level that play roles in programs that have a bearing on tourism and recreational resource development.

I think a major function of the Commission should be to develop an organizational mechanism to coordinate and consolidate these various functions on defined travel objectives. Some of the more important of these objectives might be: one, the development of sufficient accommodations at a variety of prices to serve the expected growth over the next 10 years of the number of Americans with the time and resources to travel.

Two, the development of quality attractions and resources here in the United States that would induce more Americans to spend holidays at home, rather than going abroad.

Three, once we have the attractions, the development of an active and coordinated promotional program directed to both the United States and foreign markets to get people to visit these attractions.

Four, to review and restructure the whole network of regulations and rules in order to promote the development of travel and tourism, and not inhibit it. And finally, to make tourism an essential part of the economic development process in the United States in order to provide opportunity for increased employment and income for the American worker.

And in order to achieve these objectives, the Commission, in my view, should represent a broad spectrum of the travel field. As an example of the type of background desired for the Commission—without naming individuals who are presently being recommended to the White House for clearances—will be a person who will represent the economic development aspect of tourism, a representative of the accommodations industry, a member of the States travel and tourism development area, representatives of the carriers, both land and air, representatives of banking and financial resources, a person interested in conservation and resource development, and a representative of the general traveling public.

And of course, as you know, there will be a representative from Commerce, who will be myself, a representative from the State Department, a representative from the Department of the Interior, and a representative from the Department of Transportation.

I think this will be a very comprehensive representation and I think that will be satisfactory to accomplish what this Commission is set out to do.

Senator INOUYE. Is this Commission Atlantic oriented, or Pacific oriented?

Mr. WASHBURN. I would say it is universal. Owing to the rapid growth of tourism from Japan, the Pacific will receive due care and attention.

As a matter of fact, if my memory is correct, we had about 133,000 Japanese who came here this year. Our efforts in Japan actually represent our putting effective inducements there to catch the prospects to come to the United States. We hope by 1975 to have 600,000 Japanese come to the United States.

And of course they will have to come through the Hawaiian Islands and our other Pacific gateways. So I think the Pacific will be adequately covered.

Senator INOUE. Mr. Washburn, It has been said that one of the most efficient efforts the Government could make in the area of foreign tourism promotion is in improving the flow of good, reliable market data to the travel industry.

If the industry were equipped with an effective market intelligence service, it would be willing and able to involve itself much more deeply in what is now, to all intents and purposes, unknown market areas.

Does the Travel Service feel it has an obligation to the industry to supply it with market research material in order to improve the industry decisionmaking processes, and if so, could you describe how you are going about fulfilling this obligation?

Mr. WASHBURN. Well, actually, I consider our research and analysis office a very key part of our operation, and one which will profit considerably by the enactment of the new bill.

In lay terms, I would suppose you might say this program keeps us from flying blind and provides guidelines to assure us that our investments are spent in the right areas.

With respect to industry, we are currently publishing, a new monthly statistical analysis of travel to the United States, which contains market intelligence for major marketing areas.

This is the measurement of market condition of special interest to the industry. We also have just produced a market potential index study which rates the travel potential of major tourist generating countries in terms of potential numbers of travelers and potential earnings.

We have further implemented a study to identify the major cities within the key tourist generating countries that are prime markets for travel to the United States, and we, in the study, have ranked these cities in terms of propensity for residents to stay for long periods in the United States, and to use U.S.-flag carriers.

In other words, where they are coming from.

And we have begun within the research office—this I call quality control—a system to evaluate fully all of our ongoing marketing projects. This system will also require each USTS office to justify the prospective benefits of every project, as to its purpose, its costs, and expected value.

As I say, this represents quality control.

We have just completed, you may be interested to know, in conjunction with Hawaii Visitors Bureau, and eight major carriers in the Pacific with west-bound routes out of Honolulu, an in-flight passenger survey of travel characteristics.

This study allows us to provide data for critical management and marketing decisions in this new market.

The study has served to identify prime markets, and, for the first time, to trace expenditure patterns of foreign visitors in specific states and cities. This in effect means where they go and how much they spend. The data from this report will be particularly helpful to us in evaluating requests under the matching grants program authorized under the new bill.

Senator INOUE. Before proceeding, the Chair wishes to advise the committee that the committee has received from Mr. Washburn his financial statement, as required by law, and the counsel of the committee has advised me that everything is in order. Mr. Cotton?

Senator COTTON. Mr. Washburn, I have only two routine questions. The first pertains to the financial statement which the chairman just mentioned. When I ask this I am not suggesting that you would be influenced by any securities you hold. For the record, however, is it your considered opinion that you hold neither directly nor indirectly any investments that could give rise to a question of conflict of interest in the performance of your duties?

Mr. WASHBURN. No, sir; I do not. Any questionable securities were eliminated from my portfolio when I became Director of the Travel Service, and it has remained that way.

Senator COTTON. You don't hold any stock, directly or indirectly, in any hotel chain or airline or other corporation that might benefit from the activities of the service which you will be heading?

Mr. WASHBURN. Not to my knowledge, sir.

Senator COTTON. Thank you. Perhaps my other question should not be asked just now, in view of the casualties downtown. As you know, you are appointed to serve at the pleasure of the President, and his pleasure may not always be consistent with your own.

Be that as it may, is it your present intention—barring unforeseen circumstances—to serve as Assistant Secretary of Commerce for Tourism as long as your services are desired?

Mr. WASHBURN. I find this the most stimulating assignment I have ever had in my life, and I will serve as long as the administration and the President wishes me to.

Senator COTTON. Very briefly, I'd like to say that I am particularly interested in your organization and its activities.

In the very beginning, the distinguished chairman of this committee, Senator Magnuson, permitted me to join him in the introduction of the legislation that created the U.S. Travel Service. The lion's share of the credit goes to the distinguished chairman of the committee, who has long had a keen interest in your organization.

But my interest has been very keen also. I feel it is a very important function. I haven't traveled abroad much lately. I suspect that this is to my advantage, however, because I don't get my name in the paper as a junketeer or globe trotter.

Nevertheless, whenever I have gone abroad I have always made it a point to visit the offices of your agency. In fact, I noticed in a magazine article recently that USTS still maintains seven overseas offices, all with second floor locations.

I used to visit the Paris office, which was in a fine location, and I had no difficulty in finding it and going in and talking with the people to find out what was going on and what they were doing.

However, the last time I was in Paris, which was I guess at least 4 years ago, I went down to visit the office but couldn't find it. I had neglected to have someone with me that could speak French, and since mine isn't very good I had a hard time.

Finally, I was conducted by somebody through some private offices of a French business concern, and out through a back way—I wasn't

sure I wasn't being taken to a speakeasy or something—and finally got to the second floor and found your offices.

This is undoubtedly the result of a lack of congressional appropriations, but it seems pennywise and pound foolish to be in such an obscure location when we are trying to encourage people from other countries to travel in America.

Does that situation still persist?

Mr. WASHBURN. Yes, it does, Senator, for several reasons.

Generally speaking, our policy is not to work directly with the public. It would require tremendous staffs around the world to do so. Generally then we have our offices in non-street-level commercial office space to deal with the local travel industry. In Paris and Australia, we presently share a location with U.S. trade centers.

In Paris, I understand the Frenchmen don't necessarily like to buy through travel agents. Our policy of working solely with the travel trade is subject to review there. But we generally deal with the travel trade only, and not with the public.

Of course our policies and programs are always guided by the rather tight budgetary situation under which we have been operating. This is one of the areas where I hope we can make improvements under this new bill.

But the next time you are in Paris, I will be very happy to have someone take you to our office. We also have a convention office located in the Embassy itself, and as I indicated to Senator Inouye earlier, this is one of our most exciting areas for a new breakthrough.

The basic reason then why we are on the second floor, is to avoid the day to day contact with the public and restrict our activities to contact with the travel industry. We might review that policy in Paris and, with adequate fundings, consider some changes.

Senator COTTON. I singled out Paris because of my own experience, but I can quite understand that your activities do not depend fundamentally on exposure to the streets or dealing directly with the public.

On the other hand, during the Eisenhower administration, we had an Assistant Secretary of Commerce who came before our committee for confirmation and attacked the maintenance of this organization as a complete waste of money. This infuriated the chairman, Senator Magnuson, and me too.

He said the reason for his position was that there wasn't a taxi driver or any other person in any of these countries, whether it be Japan or whether it be France, who didn't have as the height of their ambition a visit to America. He concluded that it was senseless to spend our money trying to create a desire when it was already there.

That was, in my opinion, utter nonsense. Many people with limited means in other countries would like to come to America but do not know that arrangements can be made for special groups with reduced rates and so on, which is the sort of thing that you are trying to promote, is it not?

Mr. WASHBURN. Yes, sir. You are absolutely right. There is a large potential international travel market. Our main role of course is to translate that potential into paid seats to the United States. The big

problem for the U.S. Travel Service is the increased competition from all over the world.

International travel promotion has become a very highly sophisticated, competitive field. This is why the newly enacted legislation is regarded by me and USTS and all associated with American tourism as the opening of a whole new ballgame, a refreshing new look.

Yet I am not about to make an immediate request of \$15 million, as the new ceiling authorizes. I do hope to request a substantial but comparatively modest increase next year, to allow the development of a balanced and effective increased effort.

With these new measures allowed us under the bill we hope to move against many market targets of opportunity. For instance the 50-pound limitation in England has been lifted—we would be fools not to take advantage of a new market such as that by increased and specific advertising and promotion to encourage the potential traveler to look at the U.S.A. for his vacation.

We hope also to expand our efforts in the Canadian and Japanese markets by working with and through the travel industry.

Senator COTTON. Please understand that I am not trying to pick an argument with you. I am in your corner. However, I am curious to know, if you advertise in Tokyo or Paris or Rome, and if so, where do people go to find out the details and translate their attraction into action?

Mr. WASHBURN. Our new advertising campaign is tailored to drive them into the arms of the travel agents. In addition they may send in the coupons attached to our ads to request brochures and information designed to answer their questions and induce them to decide to travel to the United States.

But this again is tailored to get them to go to the travel agents. This approach seems to be working very effectively.

Senator COTTON. In other words, your policy is to steer them into the hands of the professional travel agents, rather than directly into the hands of your agency?

Mr. WASHBURN. We really do both, Senator. But because of limitations and practicalities, our job is to work with the travel industry. Everything we do is to provide an effective catalytical tool for the agents.

This approach is what the travel industry feels we should do. And in doing this, we emulate the most successful techniques used by those countries who are so good in tourism—England, the Hawaii Visitors Bureau, Ireland, and others like that.

And to this basic program, we have added the new innovations which I mentioned earlier.

Senator COTTON. Is it your experience that these travel agencies in the various countries are oriented toward the United States? Again, my information isn't too recent, but sometimes I have wondered whether the professional travel agencies would be naturally inclined to steer tourists toward the United States, or toward some other destination.

Mr. WASHBURN. I think the answer, Senator, is that they are naturally inclined toward making a dollar or a franc or a peso; our job is to ease the way for the carrier or agent to sell the ticket to the U.S. That is why it is such a highly competitive field.

The way to energize them I think is through both advertising and our development of additional international seminars where we take our top tour packagers abroad and sit them down with foreign wholesale purchasers of travel.

Thus, in each of our two world tourism seminars we involved 15 chief executives of major U.S. corporations in the travel field with 50 or 60 chief executives of foreign firms purchasing travel with the objective of getting our firms to develop mechanisms to sell wholesale travel to this country.

Already, from the Miami meeting, we have a potential of \$8 million in future sales. These foreign travel firms have said that this is the kind of marketing they have always expected America to do, and this is the area we have been moving into.

Senator COTTON. Well, do I gather from your answer that you feel, in the light of the highly sophisticated approach which you have now as a result of years of experience in your organization, that the location and accessibility of your overseas offices really is of secondary importance?

Mr. WASHBURN. Yes; with the possible exception of Paris, and we have that under consideration.

Senator COTTON. You mean it may be possible to get into that without crawling through the back way?

Mr. WASHBURN. We may move back downtown in the heart of the tourism district, and conceivably have a ground level office once more.

Senator COTTON. Why is it different in Paris?

Mr. WASHBURN. Because it's my understanding that the French, more than anybody else, like to make their tourism arrangements directly with the carriers and countries, rather than going through travel agents. In other countries that doesn't apply.

Senator COTTON. Thank you for the information. I wasn't being critical, just seeking information. I certainly feel that you should be confirmed.

However, this has bothered me some, and I am happy to have your explanation. I won't indicate yet that I am entirely satisfied, but at least you have shown me some light. Thank you.

Mr. WASHBURN. Thank you, Senator Cotton. Please let me know the next time you are going to France.

Senator INOUE. Senator Cannon?

Senator CANNON. Thank you, Mr. Chairman.

Mr. Washburn, in lighter vein, I was pleased to hear you say that you found this the most stimulating assignment you ever had, particularly in view of the fact that you came from being director of finance at the Republican National Committee. And I hope that your successor in that job will continue to find it equally lacking in stimulation.

Mr. Washburn, I believe that my Senate colleague, Senator Bible and I were the first in Congress to recommend the creation of an international conventions office within the USTS.

I am very pleased that you have implemented that recommendation. I had intended to ask you for a report on the results and I think you covered it somewhat completely in your response to Senator Inoue's question.

Do you have anything further to add on the results of the implementation of that program?

Mr. WASHBURN. Well, as you know, Senator, we have been instrumental in getting SKAL to Las Vegas, and we are working very intensively on that.

One of the things we must do to increase the number of foreign conventions in the United States is to be sure that we have multilingual translation equipment, this equipment is naturally expected by these foreign conventions and associations. It's a minimum professional requirement.

And through the matching funds provision of this new act, we hope to be able to place that seed money there. Other governments do this. They provide tremendous additional incentives to capture this lucrative market. Our making sure that an item such as multilingual translation equipment is available seems to be as sensible and realistic thing for us to do.

Senator CANNON. I understand that the SKAL meeting in 1971 is the first international meeting secured under this new program, and you are presently discussing with the Las Vegas people under our new matching funds authority the possibility of helping finance the simultaneous translation equipment.

Mr. WASHBURN. Yes; I have a very strong interest in doing that as soon as we get adequate funds. I think this is a very compelling reason for adequate funding being given us, among others.

Senator CANNON. This SKAL organization is a very influential group in world travel, and I believe that this convention here in the United States will provide us an outstanding opportunity to demonstrate to the world our ability to host international groups, and I certainly hope that your organization will do everything that you can to comply with this request and make the equipment available, which I think is going to be very important to the program.

Mr. WASHBURN. That is certainly our intention. The new bill provides this and I just hope the appropriations will be forthcoming to permit us to do these things.

Senator CANNON. Thank you, Mr. Chairman.

Senator INOUYE. Thank you very much, Mr. Washburn. We appreciate your presence this morning, and I believe I am safe in assuring you that your nomination will be handled with special care and very expeditiously. I would expect to be calling you Mr. Secretary in a few days, sir.

We have a letter from Senator Javits and Thomas Keesling which I will place in the record along with your biography.

Mr. WASHBURN. Thank you very much.

(The documents referred to above follow:)

Biographical Sketch of C. Langhorne Washburn

C. Langhorne Washburn was appointed Assistant Secretary of Commerce for Tourism by President Nixon on October 21, 1970. At the time of his appointment, he was Director of the United States Travel Service, U.S. Department of Commerce, a position he had held since March 25, 1969.

Mr. Washburn is a member of the Board of Directors of Discover America Travel Organizations, Inc., the Pacific Area Travel Association and the Wolf Trap Foundation for the Performing Arts.

A native of Livermore Falls, Maine, where he was born July 14, 1918, he received his education at the Hotchkiss School and the University of Virginia.

Mr. Washburn was Director of Finance for the Republican National Commit-

tee from 1965 until his appointment as USTS Director. From 1962 to 1964, he was vice president of the A. C. Nielsen Company, Aptimeter Division, and from 1960 to 1961 was president of the Automated Preference Testing Corporation. Earlier he was associated with Towne-Oller Associates, and developed a fully automated, point of sale, opinion-gathering system.

From 1956 to 1959, Mr. Washburn was executive vice president of Bernard Relin and Associates of New York, a corporate public relations firm; and from 1947 to 1955, he was assistant to the president and director of public relations for the Hiller Helicopter Corporation.

Mr. Washburn, married and the father of six children, saw action in World War II from 1942 to 1946, when he served as a Naval Aviator in the Pacific. He resides in the Georgetown section of Washington, D.C.

U.S. SENATE,
Washington, D.C., December 3, 1970.

HON. WARREN G. MAGNUSON,
*Chairman, Senate Commerce Committee,
New Senate Office Building, Washington, D.C.*

DEAR MR. CHAIRMAN: I am sorry that an unavoidable conflict prevented my attending your hearing on the confirmation of Langhorne Washburn as Assistant Secretary of Commerce. Had I been present, I could have testified to the remarkable talents and achievements of Mr. Washburn, whom I have known for many years as an unusually effective and innovative administrator. Appointment of Mr. Washburn as Assistant Secretary of Commerce will be a positive factor for the program and for Mr. Washburn who has brought to the U.S. Travel Service a new image and a new effectiveness in promoting the United States as a tourist attraction for foreign travelers. At a time when the travel account of our balance of payments is in such obvious need of improvement, it is reassuring to know that someone of Mr. Washburn's ability has been named for this central position.

The legislation providing for this new position is the outcome of bills submitted by yourself and me, and could not have passed without your invaluable assistance; and the upgrading of the U.S. Travel Service Director to Assistant Secretary of Commerce resulted directly from recommendations made by public witnesses at the hearing last July.

I commend your committee, and especially Senator Inouye as the Chairman of that hearing, for carefully considering the record and developing these recommendations successfully into legislation.

I do hope Mr. Washburn will be promptly confirmed.

Sincerely,

JACOB K. JAVITS.

AMERICAN SOCIETY OF TRAVEL AGENTS, INC.,
December 3, 1970.

Re Assistant Secretary of Commerce Designate Langhorne Washburn

HON. WARREN G. MAGNUSON,
*Chairman, Senate Committee on Commerce,
Washington, D.C.*

DEAR MR. CHAIRMAN: It is a great pleasure for me personally and as the President Elect of the American Society of Travel Agents, Inc. (ASTA) to commend President Nixon's selection of Langhorne Washburn to serve as Assistant Secretary of Commerce for Tourism and to urge your Committee to give this nomination prompt confirmation.

ASTA has consistently supported the United States Travel Service and the objectives which Congress established for it when it was created in 1961. Although USTS has been effective during the last nine years, ASTA is convinced, with the decision of the Congress this year to substantially enlarge the scope and operational authority of USTS and to elevate the position of Director to that of Assistant Secretary, that new and more promising prospects exist for USTS in the years ahead.

The travel agency industry has known and worked with Mr. Washburn since he was appointed Director and is most impressed with his enthusiasm, imagination and dedication. We are convinced that with his background and experience, he will perform most effectively in the new important position of Assistant Secretary of Commerce for Tourism.

On behalf of ASTA's 3,200 travel agent members I commend you and your Committee for the effective work which you undertook during this session of the Congress in enlarging and expanding the scope of the United States Travel Service through the enactment of amendments to the International Travel Act of 1961. You can be assured of ASTA's continued close cooperation with the Congress and the Executive Branch of the government so that our mutual objectives to substantially expand travel and tourism to the United States are realized.

Sincerely,

THOMAS S. KEESLING,
President Elect,
American Society of Travel Agents, Inc.

Senator INOUE. Now we take up the nomination of Mr. Andrew E. Gibson to be Assistant Secretary of Commerce for Maritime Affairs.

Mr. Gibson is well known to all of us on the committee. For the last 20 months he has served as Maritime Administrator. He has received wide acclaim and praise for his work in that capacity, particularly in connection with his role in the Merchant Marine Act of 1970, the legislation which created the post to which he has now been nominated.

Mr. Gibson, pursuant to committee practice, we will insert your biographical statement in the record. Your financial statement will not appear in the record, but will be placed in the committee's files where it will be open to inspection.

I congratulate you on your nomination, sir. You have a statement I understand. You may proceed.

STATEMENT OF ANDREW E. GIBSON

BIOGRAPHICAL SKETCH OF ANDREW E. GIBSON

Andrew E. Gibson was appointed Assistant Secretary of Commerce for Maritime Affairs by President Nixon on October 21, 1970. For the previous 19 months, he served as Maritime Administrator in the Department of Commerce.

Mr. Gibson was affiliated for many years with Grace Line, Inc., advancing from assistant to the treasurer to become senior vice president of operations in 1965. During the intervening years with Grace Line, he held posts as cargo manager, terminal manager, assistant vice president, and vice president of terminal operations.

Immediately prior to his affiliation with Grace Line, he served for 2 years, 1951-53, as a Lieutenant in the U.S. Navy, assigned as assistant controller-budget, in the Military Sea Transportation Service.

Born in New York City on February 19, 1922, Mr. Gibson was educated in Boston, Mass., public schools. He graduated from the Massachusetts Maritime Academy in 1942, and 3 years later, at 22, became one of the youngest merchant ship captains in recent maritime history by receiving command of a United States Lines freighter. He attended Brown University from 1948 through 1951 and received a B.A., graduating cum laude. A master's degree in business administration was granted by New York University in 1959.

Mr. Gibson has been vice president of the New York Shipping Association, a member of the advisory board of the U.S. Merchant Marine Academy, a governor of the propeller club of New York, and a director of the national cargo bureau.

Mr. Gibson and his wife, the former Jane Louise Mork, of Newton, Mass., have five children: Janet P., 22; Andrew K., 18; John S., 15; Alexander S., 11; and Ann C., 7. They currently reside in Bethesda, Md.

Mr. GIBSON. Thank you, Mr. Chairman.

It gives me great pleasure to appear again before your committee. I appeared before this committee with Secretary Stans on October 23, of last year, to present the President's message outlining the new maritime program to the Congress.

The enactment of the Merchant Marine Act of 1970 on October 21 of this year concluded 10 years of constant effort by the industry and the Congress to enact a program to rebuild our deteriorating fleet.

The Administration and everyone else who is interested in the American merchant marine and the waterborne commerce of the United States, deeply appreciate the work of this committee in obtaining the speedy enactment of this legislation.

I have previously submitted a financial statement and brief description of my background, and I would be happy to answer any questions you may have in that connection.

Before I do so, however, I thought you might be interested in a short description of some of the steps being taken to implement the new maritime program.

At present we are working on a form of tax agreement that will be used in setting up tax deferred funds for the construction or reconstruction of vessels for operation in the foreign trade, in the non-contiguous domestic trade, and in domestic trade on the Great Lakes.

This form will provide for such matters as deposits in the fund, withdrawals, investments of the funds, the construction and reconstruction of ship, the duration of the fund, and any requirements the Secretary of Commerce may impose with respect to these matters.

We expect to complete our work on this form in the near future. We will then submit the form to industry for their comments, and after considering their comments draft the final form.

We have drafted and, early in November, submitted to the operators and the shipbuilders new construction-differential subsidy contract forms. We expect to receive their comments by December 21.

When these comments have been received and considered, we will draft the final forms.

In preparing these forms, we have attempted to keep the Government out of disputes between the shipyard and the ship purchaser with respect to the building of the ship. There are three forms, one between the Government and the shipyard, one between the Government and the purchaser, and one between the purchaser and the shipyard.

We have at present applications for construction-differential subsidy for the building of a minimum of 128 ships and a maximum of 156 ships. The numbers of each type of ship for which we have applications are as follows:

OBOS	43 to 48.
LASH	18 to 20.
Containerships	11.
Tankers	29 to 40.
Other ships	26 to 37.

Eleven companies have applied for operation-differential subsidy for the operation of bulk vessels.

The advantage of an OBO over a conventional bulk ship is that the possibility of obtaining back haul cargo is immeasurably greater. We are presently considering constructing an OBO-type vessel that would be capable of transiting the Panama Canal. Such a vessel would be about 78,000 deadweight tons with a draft of 45 feet loaded.

Highly productive voyages can be made with vessels like these. For example, such a vessel could leave the east coast of the United States bound for Japan with coal, from Japan to the Persian Gulf in ballast, and from the Persian Gulf to Europe with oil, returning to the United States in ballast if necessary.

Most of the OBO's for which we have applications are capable of this kind of voyage.

In the past, operating-differential subsidy applications have been delayed for long periods of time during which hearings under section 605 (c) of the 1936 Merchant Marine Act were conducted. These hearings were necessitated by the vigorous intervention of other lines, both subsidized and nonsubsidized, attempting to prevent the grant of subsidy. The agency is prepared to go forward with the processing of new ODS applications and we are hopeful that the existence of a long-term program will eliminate some of the endless controversy that has characterized the hearings in the past.

The ODS wage index system has been the subject of much discussion between Marad and the existing subsidized operators. A detailed manual of application is being prepared, together with the operators. In addition, the Department of Labor will make some test calculations of the index for past years so that the procedure for the index calculation can be clearly established.

We believe that it will be possible for existing subsidized operators to amend their present contracts to conform with the new law by early spring.

Of course, a great deal more remains to be done. I believe, however, that we have made a good start on the implementation of the Merchant Marine Act of 1970.

Thank you.

Senator CANNON. Thank you, Mr. Gibson. You referred to your work on the tax agreement form. Can you tell us when you intend to publish the form for comment?

Mr. GIBSON. These forms are now being submitted. We expect to have them back for review in about 2 weeks, and they should be published early next year.

Senator CANNON. They are now being submitted—what do you mean by that?

Mr. GIBSON. We are getting comments back from the operators on these forms.

Senator CANNON. Now I believe you are familiar with the situation in the North Atlantic trade, and with recent discussions about amending the regulatory provisions of the Shipping Act of 1916. What are your views on that?

Mr. GIBSON. The North Atlantic trade is in the midst of a rate war. This is under careful and continuing review by the Federal Maritime Commission. I am aware of a draft of proposed changes in legislation which was presented in the administration. I am not familiar with what the final plans of the Federal Maritime Commission or the administration might be for making changes in the 1916 act.

Senator CANNON. You don't know whether they have finally formulated the proposals or what they propose to change in the act?

Mr. GIBSON. No, sir; I do not.

Senator CANNON. And you do not have any views of your own on what changes ought to be made?

Mr. GIBSON. This rate war in the North Atlantic appears to have demonstrated some very basic deficiencies in the act when it comes to giving adequate power to the Commission for preventing this type of destructive rate setting. And I am sure that the chairman intends to submit to the next session of Congress some proposed remedies.

Senator CANNON. Now you stated that you have 128 applications for construction-differentials subsidy. Are those actual applications or just indications of interest?

Mr. GIBSON. In almost all cases, they are only indications of interest.

Senator CANNON. Do you have any actual applications on file?

Mr. GIBSON. Yes, we do. I couldn't tell you exactly how many.

Senator CANNON. How many of these are for the standardized vessels developed by the Maritime Administration?

Mr. GIBSON. Almost all of these applications are based on the standardized ships that have been developed. The exception to that is for some very large tankers, which were not included in those standards.

Senator CANNON. The 1970 act gives you new authority over the cargo preference laws. How are you progressing in exercising that authority?

Mr. GIBSON. We are currently undertaking a detailed study of how the cargo preference laws have been administered in the other agencies. This is almost concluded.

We have had considerable past relationship with the Department of Agriculture in the handling of the Public Law 480 cargoes, and we will be prepared to sit down with these organizations, again, early next year, to work out a means of operation as provided in the new act.

Senator CANNON. In your statement you alluded to the possibility of OBO ships doing foreign-to-foreign carriage; for example, from the Persian Gulf to Europe. The 1970 act gives you authority to promulgate regulations on such carriage.

What do you plan to do in that regard?

Mr. GIBSON. Our present intention is that we will hope to let contracts for the construction of OBOS at the latest during February of next year, prior to that of course will be the determination of operators who have the financial resources to build those ships, their submission of their plans of operation, including economic feasibility, and having received those plans, we would then during a process of reviewing them determine the type of restriction that would be placed on this operation.

During the hearings on the bill, we made it plain that we thought it was necessary, with the bulk of the carriers that are provided in the new bill, to permit them to make certain way to way voyages that were incidental to American foreign commerce.

That is the sole restriction that we placed in it, that there is no intention of providing subsidy for strictly foreign to foreign voyages in either ship construction or operation.

Senator CORTON. Mr. Gibson, I am very happy indeed to see you here today. I remember when you were before our committee in March 1969. For once in my life I guess I can claim to have been a good prophet, because usually I am not.

You may recall that I was very apprehensive about the possibility of the Maritime Administration being buried in the Department of Commerce. I didn't like the idea that although you ranked as an Assistant Secretary, you were not, in fact, an Assistant Secretary. I was afraid the time might come when you would have to go through two or three layers or more to get to the Secretary, and that maritime activities might not receive the same consideration which they would as an independent agency.

Fortunately, you are now to be an Assistant Secretary of Commerce dealing directly with the Secretary, and there should be no danger of maritime affairs being in any way neglected.

That is a correct statement is it not?

Mr. GIBSON. It certainly is.

Senator COTTON. For that I am very glad.

You are to be commended for your fine service in helping the administration, the Congress, and this committee in framing the provisions of the Merchant Marine Act of 1970. I am sure you consider the act a firm foundation for future progress in trying to save and build the American merchant marine.

Mr. GIBSON. Yes; I do.

Senator COTTON. I congratulate you on that. I don't need to ask you any further questions. You have already demonstrated what you can do in this field.

Just as a matter of form, however, I would like to ask if it is your intention to stay with this job unless the President should call on you to assume duties of a greater magnitude.

Mr. GIBSON. Yes.

Senator COTTON. Thank you. I am for you and delighted that you have been designated.

Mr. GIBSON. Thank you, Senator.

Senator INOUE. Thank you very much, Senator Cotton. The committee counsel may ask you to provide additional information, Mr. Gibson, which I hope you will do for the record.

Mr. GIBSON. I'd be pleased to.

Senator COTTON. May I ask just one more question, Mr. Chairman.

Senator INOUE. Certainly.

Senator COTTON. Again as a matter of form, I'd like to ask, without implication, a question concerning your investments. Do you know of any interest or investment which, either directly or indirectly, could give rise to any suggestion of conflict of interest with the duties of the position you are about to assume?

Mr. GIBSON. I know of no such conflict.

Senator COTTON. Thank you.

Senator INOUE. Thank you.

Have you had any indication that the new tax provisions will result in new vessel construction for the noncontiguous trade?

Mr. GIBSON. Yes, I have. I think it's too early to make the announcement, but I am confident that a very substantial announcement will be made by one of the operators early next year.

Senator INOUE. Before closing this hearing, I would like to place into the record a letter from U.S. Senator Clifford P. Case, addressed to the Honorable Warren G. Magnuson.

U.S. SENATE,
Washington, D.C., December 3, 1970.

HON. WARREN G. MAGNUSON,
*Chairman, Senate Commerce Committee,
New Senate Office Building, Washington, D.C.*

DEAR MR. CHAIRMAN: It is a pleasure to commend to you and the members of the Committee the nomination of Andrew E. Gibson to be an Assistant Secretary of Commerce for Maritime Affairs.

Mr. Gibson has long been involved with maritime affairs, in the Navy, in the Merchant Marine, and for nearly two years as Maritime Administrator.

I am sure the Committee can act on the nomination with confidence that he will serve in this new post with the same distinction that has marked his entire career.

Sincerely,

CLIFFORD P. CASE, *U.S. Senator.*

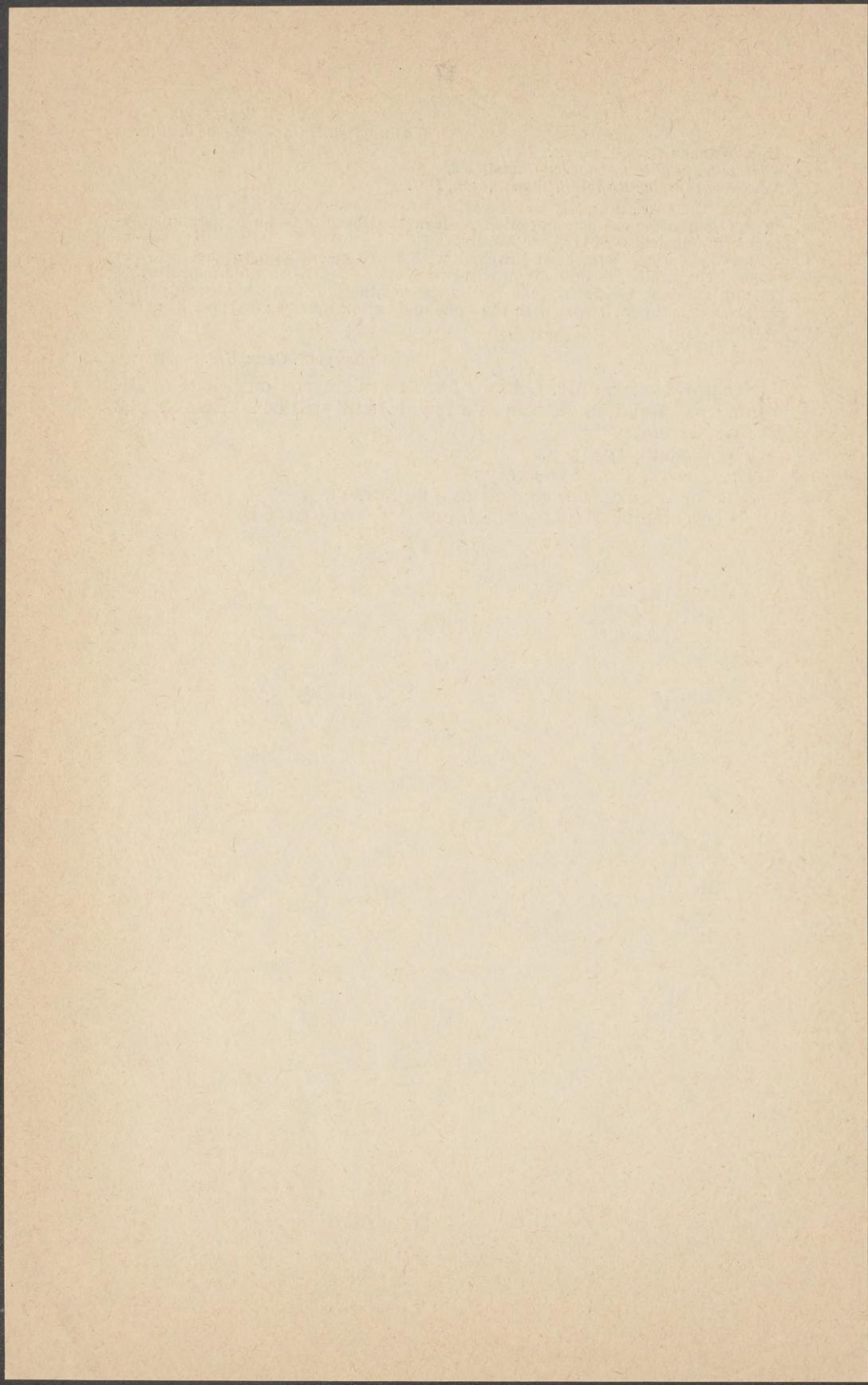
Senator INOUE. Mr. Gibson, I congratulate you on behalf of the committee, and I am certain in a few days we will be addressing you as Mr. Secretary.

Thank you very much.

Mr. GIBSON. Thank you very much.

Senator INOUE. The committee is adjourned.

(Whereupon, at 11 a.m., the hearing was adjourned.)



ROBERT D. TIMM, OF WASHINGTON, TO BE A MEMBER OF THE CIVIL AERONAUTICS BOARD

WEDNESDAY, DECEMBER 16, 1970

U.S. SENATE,
COMMITTEE ON COMMERCE,
Washington, D.C.

The committee met at 9:40 a.m., in room 5110, New Senate Office Building, Hon. Warren G. Magnuson (chairman of the committee) presiding.

Present: Senators Magnuson, Hartke, Hart, Moss, Inouye, Cotton, and Pearson.

The CHAIRMAN. The committee will come to order. This morning we have the nomination which was referred to the Committee on Commerce, of Robert D. Timm of the State of Washington, to be a member of the Civil Aeronautics Board, for a term of 6 years, expiring December 31, 1976. He succeeds John G. Adams, whose term expires at the end of the year.

Mr. Timm is here, and we have his biography on file, which we will put in the record in full.

(The biography follows:)

BIOGRAPHY OF ROBERT D. TIMM

Born October 2, 1921, Harrington, Washington.

Education

Graduate of the Harrington Schools; B.A. Degree in Economics, University of Washington, 1943. (U.S. Marine Corps Reserve, 1943 and 1944.)

Business affiliations

Owner of considerable wheat farms in Harrington. Trustee of Fidelity Mutual Savings Bank in Spokane, Washington since 1959. Director of South Sound National Bank in Lacey, Washington since 1967. Director of Timmco, Inc., since 1966. Former Director of Great Northwest Life Insurance Company, Spokane, Washington—1959-1964. Partner in several development corporations in the Puget Sound area.

Governmental experience

At present Chairman of the Washington Utilities and Transportation Commission—he was appointed to a 6-year term in 1966.

He is a member of the National Association of Regulatory Utility Commissioners.

He is Chairman of the NARUC Committee on U.S.-Canada Energy Supply.

He is member of the NARUC Committee on Gas.

Prior to his becoming Chairman of the Commission, he was administrative officer of the Washington Utilities and Transportation Commission—1965-1966.

He is a member of the Washington State Thermal Siting Council.

He was a Member of the Washington State House of Representatives from 1951-1959.

He was a Member of the Legislative Council for three terms.

Chairman of the Interim Committee on Agriculture and Reclamation.
 Chairman of the Western Interstate Committee on Agriculture and Public Lands.

Chairman of the Western Interstate Committee on Education.
 Member of the House Rules Committee.

Chairman of the Republican House Caucus—1955-1959.

Assistant to Governor Dan Evans—1964-1965.

He was on Board of Education, Lincoln County—1955-1958.

On Executive Committee of the Western Interstate Commission for Higher

Member of Governors' Advisory Committee—1953-1955.
 Education—1955-1958.

Political experience

Precinct Committeeman, 1957-1964; State Legislator, 1951-1959; Republican National Committeeman since 1959; Chairman of Republican Western Conference; and was Chairman of Program Planning Committee at the 1968 National Convention in Miami.

Civil affiliations

He is a Trustee of the United Church of Christ; Member of the Washington State Grange; Member of Washington Association of Wheat Growers; and Member of the Lions Club, American Legion of Harrington and Elks Lodge.

Family

He has a wife, Patricia; two daughters, Mrs. James Caylor, and daughter Terry at home.

STATEMENT OF ROBERT D. TIMM

The CHAIRMAN. Mr. Timm has a very distinguished career at home, and in many fields; he is now presently the Chairman of the Washington State Transportation and Public Utilities Commission.

As I understand it, Mr. Timm, you haven't had sufficient time to provide us a great deal of detail about your financial matters.

Mr. TIMM. I have submitted a financial statement with an appendix which contains my stocks and those kinds of investments.

The CHAIRMAN. The rule of the committee is that we do not put financial statements in the record. We put them in the file, and they are open to any member of the committee or the press or anyone who wants to look at them.

But you have a preliminary statement here which I understand would just about cover any amounts in the detailed statement you might submit later.

Mr. TIMM. Yes, sir; I think so.

The CHAIRMAN. I hope you will submit that later to the committee.

Mr. TIMM. I will.

The CHAIRMAN. I don't see any particular item here that would bear upon a conflict of interest as far as the CAB is concerned.

Mr. TIMM. In our own State—

The CHAIRMAN. If you were to be recommended for Secretary of Agriculture, I might have something to say about that. But, Senator Cotton, Mr. Timm has been a very prominent farmer in our State for many, many years, and most of his assets involve the ownership of farm properties and farmland and insurance.

Mr. TIMM. Yes, sir.

The CHAIRMAN. Now my colleague Senator Jackson is here, and he has another meeting. These are kind of busy days for all of us in the Senate. And Congressman Tom Pelly is here, too.

But I wanted to ask Senator Jackson to speak at this time.

STATEMENT OF SENATOR HENRY M. JACKSON OF WASHINGTON

Senator JACKSON. I am very happy, Mr. Chairman, to be here this morning and join with Congressman Pelly in presenting Mr. Robert Timm to the committee. Mr. Timm of course is a native of the State of Washington, and graduated from the University of Washington. He served in the Marine Corps during the war, and in addition has had a very broad business and governmental experience.

I think the important thing is that he will bring to the Board the kind of experience that will be helpful in the deliberations of that important body.

The chairman has alluded to the fact that he is the chairman of the Washington Utilities and Transportation Commission. It's been broadened in recent years to include transportation as well as utilities regulation aspect. And I think it's that sense of generalism that will certainly help the Board in dealing with some of the broad economic and social problems that they have to deal with in connection with their deliberations that will be extremely helpful to the Board itself.

As you know, Mr. Timm, in addition to being in the farm business, has been involved in banking and insurance, has had a distinguished record in our State House of Representatives. He has been active in party politics. He has been active in scientific affairs. And I can say that he has the respect of the leaders in both political parties in our State, and I am very happy to join in recommending him to the committee for confirmation.

I regret that I am chairing a committee downstairs, and we have a small problem concerning Indians.

The CHAIRMAN. Well, Mr. Timm started out as a Republican precinct committeeman.

Senator JACKSON. Not too long ago, either; he is pretty fast; 1957 I think.

The CHAIRMAN. He was a Republican national committeeman.

All right, Congressman Pelly, we will be glad to hear from you.

STATEMENT OF HON. THOMAS M. PELLY, U.S. REPRESENTATIVE FROM WASHINGTON

Mr. PELLY. Senator Magnuson and Members of the Senate, I take great pleasure in joining with the junior Senator from the State of Washington in appearing before you this morning in behalf of Robert Timm, who as has been stated is now chairman of the Washington State Utilities and Transportation Commission. I feel that in appearing in his behalf, first of all I do so as a long time friend, and one who has respected Mr. Timm and I think that respect is shared by the community both in eastern Washington where he lives, and has his farm, and also in western Washington and in Seattle in my own district.

The business community and the public generally holds Mr. Timm in great respect and regard, and I think that on the basis of his integrity and his experience, that I can do no less than assure the Senate that he will represent the national interest as a member of the Civil Aeronautics Board, and I hope that this great committee will see fit to confirm him.

The CHAIRMAN. Thank you for your statement, Tom. Now the Chairman of the CAB, Mr. Browne, is here, and I asked him to sit up at the witness table in case someone might want to ask questions of him in relation to this nomination.

I just have a couple of questions I want to ask. One of the most difficult problems confronting aviation today is the problem of adequate scheduled local air services, which involves the question of smaller towns and communities.

Have you any ideas about the CAB's responsibility in seeking to preserve these local services?

Mr. TIMM. Senator, as you put it so well, I come from a kind of an area that has local carrier problems, and it is one of the major problems, I know that the CAB has to concern itself with.

Although I haven't specifically formulated any ideas on that, I know that the people in the local carrier areas deserve the same kind of service that bigger communities do, because they are supportive. And I guess it's a question of the number of dollars available to assist them in having this kind of service.

The CHAIRMAN. It has to make sense economically, as well. And if there is any area in the United States that is plagued with these problems it is the eastern part of Washington, and the eastern part of Oregon and throughout the Western United States.

Senator COTTON. There is one other section—

The CHAIRMAN. If there is another place that would be a great laboratory to study inadequate local air service it would be in New England, and particularly New Hampshire.

So I know that you have a background there that will make a contribution.

Now one question I wanted to ask Chairman Browne, as long as he is here. I understand that at the Board each member of the Board is assigned a geographical area of responsibility; is that correct?

Mr. BROWNE. That is correct. That is the way it has been so far; yes, sir.

The CHAIRMAN. Now that doesn't mean that the individual member has the sole responsibility for policy involving his area, but each pays more attention to his geographical area than others; is that correct?

Mr. BROWNE. Yes, sir; that is correct, and they normally represent the Board in international negotiations for that area.

The CHAIRMAN. Yes; because each member can't be an expert in every area.

Mr. BROWNE. That is correct, sir.

The CHAIRMAN. Now I am expressing only my personal opinion, but I am hopeful that Mr. Timm, if and when he is confirmed, would assume the same responsibilities geographically as Mr. Adams, the member he is succeeding, had.

Mr. BROWNE. Yes, sir.

The CHAIRMAN. It would be logical for the Board to delegate to Mr. Timm responsibility for the Pacific area.

Mr. BROWNE. I obviously can't speak for my other colleagues, but we certainly will take due notice of your suggestion.

The CHAIRMAN. Now one other thing, Mr. Chairman, before you leave. This committee intended this year to have oversight hearings on the economic problems of the airlines; the trunks, the local trans-

port lines, the future of the third level carriers, the supplementals, and all of the companies involved in air transportation.

We were going to hold those hearings last fall. But some other priorities prevented that. The committee expects early in the next session, as soon as possible to conduct those hearings.

We have no specific legislation in mind, but we wish to lay out on the table all of the problems which now confront the carriers and the Board. The economic problems.

Mr. BROWNE. I think we would welcome that opportunity.

The CHAIRMAN. As I have said many times—we are going into executive session here in a few minutes to discuss the plight of the railroads—I don't want to see our air transport system get in the financial distress being experienced by the railroads. And I am sure that you two don't want it that way either.

Mr. BROWNE. No, sir; we don't.

The CHAIRMAN. So we want to be ready for some real serious discussion about this. We would like to hear what the Congress can do, what the Board can do, what we can jointly do, what the industry can do, and see if we can't develop some plans to help the industry over a difficult period.

I am hopeful this last quarter is going to show a financial improvement. I don't know.

Mr. BROWNE. I'm afraid not, sir.

The CHAIRMAN. You are afraid not. Well, that makes it more imperative and more important that we go ahead with an inquiry so we can see where we are going and what we should do. That is what we intend.

Now we have an appropriations bill on the floor, in which we have agreed to add—how many millions for local air service subsidy?

Mr. BROWNE. \$23 to \$25 million.

The CHAIRMAN. And if that doesn't suffice, we are going to have to talk about a supplemental appropriation.

And if I can just keep some of the people in the administration from dipping their fingers into the new airport/airways trust fund, we will be better off too. The trust fund is coming along pretty well. But, when we establish a trust fund, or a special account, everybody wants to take a look at it, in hopes of finding ways of diverting those funds to uses which were not intended by Congress.

So with that I am going to ask Senator Cotton if he has any questions. Senator Pearson is here, and Senator Hartke has some questions. Senator Cotton?

Senator COTTON. Thank you, Mr. Chairman. As far as the nominee is concerned, let me say that this is a hard-working committee and we don't usually waste time. You have the support and friendship of the chairman of this committee, Senator Magnuson, as well as Senator Jackson, your Congressman, Mr. Pelly, and a few other important people like the President of the United States. I don't know what we are hanging around here for, because none of us could stop your confirmation if we wanted to. [Laughter.]

Mr. TIMM. I am grateful for their support.

Senator COTTON. It will be a pleasure to add my humble endorsement to that of the President and the chairman of this committee.

Just as a matter of record, it is my understanding that in your position with the Utilities Commission of the State of Washington, you have been prohibited by law from owning any securities in either transportation or utilities. Is that correct?

Mr. TIMM. That is correct. We have a very strict law. I suspect it parallels the Federal law in this matter, and we not only could not own these things, any securities dealing with either utilities or transportation, and I don't.

Senator COTTON. So we don't need to worry too much about the list of investments you have filed with the committee.

And just one other matter of form. Your appointment is for how many years?

The CHAIRMAN. Six.

Senator COTTON. I am not suggesting that you are bound like a slave to serve every day of the 6 years, but if you are confirmed, is it your present intention to serve out your entire term?

Mr. TIMM. It is, sir.

Senator COTTON. I merely want to get this plug in, because I don't know when I will see you again. I just want you to know that my heart didn't bleed too much when the chairman was talking about the horrible air service in eastern Washington, because I guess I am about the only Member of the U.S. Senate that can't fly home. I have to go to Boston and go up by automobile.

Northern New England is of course always a marginal area. No airline wants to serve it because the very best they can ever possibly hope to do is break even—and they probably wouldn't quite do that.

Nevertheless, they all get the long routes and then proceed to curtail. Northeast has been renegeing on us for years, and has now thrown the ball to Mohawk. They are tied up with a strike anyway, but they started right in curtailing service.

We are a desert up in Vermont and New Hampshire. It's hard to get industries because the north country is so isolated. We simply don't have air transportation.

So on behalf of Senator Prouty of Vermont, who sits on this committee, and myself, I just want to get a plug in and tell you that we are, of all the regions of this country, starving most for air service. I shall be bothering you on this, as I have the rest of the members of the Board, and I want to get it on the record right now that I am starting as of this minute.

By the way, Mr. Brown, which member of the Board presently is responsible for New England? Mr. Murphy?

Mr. BROWN. The chairman referred to international areas. We don't divide the United States up. We have four areas for international.

Senator COTTON. It might be a good idea to do something similar for the United States.

The CHAIRMAN. But Member Robert Murphy comes from that area, and I would think that he would be particularly concerned about New England. He knows the background.

Mr. TIMM. Senator Cotton, if I could just say that I probably, if I am confirmed, will be the only member of the CAB that can also not fly home. Both cities that I live in are quite a distance from an airport, too.

Senator COTTON. Which of us is going to fly home first? You or me. [Laughter.]

Mr. TIMM. I will not try to answer that definitively right now. We will make it a race.

Senator COTTON. We are very happy to have a man of your caliber nominated, and I certainly join the chairman in endorsing you heartily.

Mr. TIMM. Thank you, Senator.

The CHAIRMAN. Senator Hartke?

Senator HARTKE. Thank you, Mr. Chairman.

I want to say, your coming from the State of Washington, and having two distinguished members of the State of Washington, Senator Jackson and Senator Magnuson, for you, I know you will have no difficulty being confirmed.

You are a member of NARUC at this time?

Mr. TIMM. Yes, sir.

Senator HARTKE. The Association of Regulatory Utilities Commissioners?

Mr. TIMM. Yes, sir.

Senator HARTKE. Do you participate in their activities, generally speaking?

Mr. TIMM. I am a member of three of their committees, one is the Committee on Gas, and am chairman of the Committee on United States-Canada Energy Supply, and I am on their Site committee.

Senator HARTKE. Site committee?

Mr. TIMM. The selection of sites for their conventions, and meetings, and this is an ad hoc committee.

Senator HARTKE. Are you selecting Chicago or Miami Beach?

Mr. TIMM. Seattle.

Senator HARTKE. Did you participate with any of the Commission in regard to the proposal for a railroad system?

Mr. TIMM. That meeting will take place tomorrow.

Senator HARTKE. I am talking about the passenger system, when we had the testimony here by your utilities commissioners.

Mr. TIMM. No; I did not. President Bloom testified on behalf of NARUC in the name of all of us. And in the name of our commission in the State of Washington.

Senator HARTKE. Did you agree with his testimony?

Mr. TIMM. I did.

Senator HARTKE. Do you believe that State commissions should have the right to discontinue transportation, should have authority to make decisions on transportation discontinuance such as railroads and airline service?

Mr. TIMM. Not precisely, no.

Senator HARTKE. That was the testimony he gave. Do you disagree with that testimony?

Mr. TIMM. I would disagree with that part of it, yes.

Senator HARTKE. What other part of his testimony would you disagree with?

Mr. TIMM. This would be the main part I would disagree with, and I think that perhaps NARUC was trying to talk about those things that were intrastate discontinuances.

Senator HARTKE. His testimony was to the effect that they wanted the right to pass upon any discontinuances in a State, to have the State

commissions have that right. This is the sum and total of his testimony.

Mr. TIMM. Then we may be talking about two different bills, Senator.

Senator HARTKE. I am talking about the railroad passenger service, the bill which caused controversy here. And now a system has been proposed by the Secretary of Transportation, Mr. Volpe.

What I want to know is whether or not you think that the State agencies should have authority in this field to make a determination as to the type of service that the public receives in a State like New Hampshire and Vermont and eastern Washington.

Mr. TIMM. I would disagree with his testimony in that respect, as it relates to my State only which has none or little intrastate routings.

Senator HARTKE. You think that this authority should be strictly within the national group, is that right?

Mr. TIMM. Yes.

Senator HARTKE. Do you think, in regard to local service, that the local communities have any authority whatsoever? Do they have any reason why their promotion of service for themselves should be given any consideration, other than being allowed to present their testimony?

In other words, what are the criteria for determining whether certain areas should continue to have service, or whether there should be expanded service, or discontinued service?

Mr. TIMM. Well, those are some things that specifically I know are under consideration by the Civil Aeronautics Board, and other Federal agencies, and I think it would be premature for me to comment on them.

Senator HARTKE. You don't have any general idea of the criteria you think should be established as to whether or not a community should have service, should have service discontinued, or should have new service?

Mr. TIMM. In broad terms, yes, I think that any community that is supportive, that supports a larger area—and there are many of these smaller growing vital cities—that ought to be one of the criteria that should determine this.

Senator HARTKE. Do you think that financial considerations should be the sole criteria? In other words, if an area cannot economically provide the financial support which is necessary for a local service, do you think that that should be a reason to discontinue the service?

Mr. TIMM. I do not.

Senator HARTKE. Do you believe that Government should subsidize that service, or do you think that the airline should be required to pay it out of a loss account? How would you pay for the economic loss in such a case?

Mr. TIMM. I would think that this would require subsidy.

Senator HARTKE. From the Federal Government?

Mr. TIMM. Yes, sir.

Senator HARTKE. In other words, you are in favor of subsidizing local service by the Federal Government in the event that local communities could not provide sufficient financial support otherwise?

Mr. TIMM. Yes, sir.

Senator HARTKE. Now how would you make that determination as to what general criteria you would use to determine how much lack of financial support would be a deterrent to that type of service? Or let me do it the other way around—how much traffic would you require

before you would go into a subsidy program from the Federal Government?

Mr. TIMM. Senator, I think you are probably beyond my detailed knowledge on this now, on how it's been done in the past. And so I think I would perhaps mislead you if I indicated I had any great knowledge about this.

So I would like to have some time to study that particular part of the policy.

Senator HARTKE. What about in the case of international service? If it was determined that international service of some sort was not economically justified, would you favor subsidy for any type of international service?

Mr. TIMM. Again, not knowing the exact policy in the past, this would certainly be an area that I would want to inform myself, what has been done in the past, and I don't have any particular feeling about this.

Senator HARTKE. Are you familiar with how planes fly now in certain areas—flying from Washington to Chicago, for example, two different lines leaving within an hour of each other, or leaving within minutes of each other?

Mr. TIMM. Yes, sir.

Senator HARTKE. And competing for the service at the same time of the day?

Mr. TIMM. Yes, sir.

Senator HARTKE. And both planes half full or half empty, depending on how you want to look at it?

Mr. TIMM. Yes.

Senator HARTKE. Do you favor that type of program? Do you think that type of program should be changed?

Mr. TIMM. Well, I've been on a commission which has in its small way, as compared with the larger scope of the Civil Aeronautics Board, tried to deal with the regulation of competition, and I know that there are some very genuine problems involved when you move into regulation of competition.

Senator HARTKE. Do you believe that the CAB should do the scheduling rather than have it being done by the airlines themselves?

Mr. TIMM. I have read some material on this subject, and it would seem to me that airline managements are going to have to do some hard coordinating at the executive decision level.

Senator HARTKE. What if they don't coordinate? Would you be in favor of the CAB taking over the scheduling?

The CHAIRMAN. We would have to change the law.

Mr. TIMM. Again, I retreat to the fact that I don't know anything more than the basic law that I have read controlling the CAB, and some very general discussions with some members of the Board who are interested.

I would again say that maybe friendly persuasion is a tool that could be used.

Senator HARTKE. What about rates? Do you think that rates should be based upon distance, or do you think that rates should be based upon the economic effect that they have upon the airline system, or upon the economic effect they have upon the transportation system generally?

Mr. TIMM. Well, again as I say, having lived in the regulatory world for a number of years, all of the things you suggest are possibilities, and again, I do not know the historic precedent that the Board has set on the matter of rates.

I understand there are some very important matters on this before them, and I will need some time to catch up on that.

The CHAIRMAN. Would you allow me at this point to put in the record—and I think what you are talking about is very important, this committee has discussed this on many occasions—but the law as it is now, and this is from the air carrier economic regulations, item 4, limits the authority of the CAB to restrict the rights of the carriers on schedules.

Now we would have to have a piece of legislation to get into that matter.

Rates, of course, you have complete authority on rates. And I want to put the law in this because this committee sits on this matter on many occasions, and there has been some serious problem in congestion in airports, which I am sure you know. But I wanted that in the record.

Senator HARTKE. The reason I raised this question on rates and schedules is that it is a known fact today that the financial condition of the airlines is not the healthiest of some of our industries. It seems to be following closely behind the railroad industry.

If these allegations are correct, then we are faced pretty soon with a number of problems. It's not a question alone of the short haul. And not alone questions of the areas which at the present time have very marginal economic returns to the railroads. We are going to be faced with the same type of thing that the executive session is going to be faced with in a few moments, of extending financial aid to the airlines.

In addition to that, the question of course arises, what can we do now to make sure that at least as far as the Government is concerned, we are not a participating factor in hurrying the financial demise of the airlines along?

What I know is that we have the 747's flying, and anyone who flies on them today can very seldom find that they are occupied completely. They fly in competition with each other on routes, as I said, half full. I have been on some that, if they are a third full, it's pretty high.

In some cases, I would imagine—especially in some of the runs—that you could put all the people on one plane and still have plenty of spaces left over.

What I was wondering, in other words, should there be a premium put or should there be a high priority put on making a change in this area with regard to rates, for example, in the short haul? Should the price be increased to the place where it is financially high enough to either require the passenger if he wants to fly to pay a premium to make that short haul, or otherwise to find some type of ground transportation? Should the fare from Washington to New York be twice what it is today, to encourage more ground transportation?

You are familiar with the overall transportation study which we are making in this committee, for an integrated transportation system?

Mr. TIMM. I am not totally familiar with that. Somewhat, because of my present position.

Senator HARTKE. Do you believe there should be a coordinated transportation policy for the United States between airline and surface transportation?

Mr. TIMM. It would seem to be a logical approach.

Senator HARTKE. Do you believe that this should—

The CHAIRMAN. Will the Senator yield?

Senator HARTKE. I would be glad to yield to the chairman.

The CHAIRMAN. We found in the preliminary hearings we held—Senator Pearson held them in his State, and we are going to hold them on the local transport—and the underlying part of the testimony was not so much the fares. No one really had much complaint about the fares. But the big complaint was reliability of taking a plane from a small-town area and not being able—there was no coordination of schedules between the trunks and the local transports.

This was the major underlying complaint; reliability of schedules. So that if you wanted to go from one of these towns in New Hampshire or eastern Washington or Indiana, to get to a major center or trunkline, there was no—they would cancel them without telling anybody about it. You'd go over to get the plane, and no, there's a new schedule. And it just didn't connect.

This is the underlying thing, and I think this is something we have to take a good long look at.

Senator HARTKE. I quite agree, Mr. Chairman. I would like to pursue this for a moment in regard to a total transportation system for the United States. You are familiar with the Washington area, I am sure, and the Northwest corridor of the United States, and what their problems are in transportation.

Do you think that a concept of regional areas of control would be desirable?

Mr. TIMM. I am not sure that I am qualified to answer on that specifically. I don't know that much about that approach. You are talking about—

Senator HARTKE. I am talking about the fact that something has to be done in regard to moving people and moving merchandise in this country, because we are faced with railroad strikes, with the fact that the Penn Central, which is the biggest operating transportation company in the United States, threatens to go out of business. We are faced with the fact that the airlines at least indicate publicly that they are in financial distress, and may be facing us with the same type of crisis prediction next year that we have from the railroad industry this year.

What I am asking you is, do you have any ideas of what you are going to do about all these problems?

Mr. TIMM. I suspect that if we were to talk in a few months, I would have some more definitive ideas.

Senator HARTKE. Where do you think the passenger, the consumer comes in all this? How does he get taken care of? How would you make that judgment ultimately, when it became a question of whether or not the financial condition of the airlines was concerned or whether or not you are going to provide a service to the consumer?

Mr. TIMM. In the position I hold, which is somewhat similar to the one I aspire to, I have always felt that the public interest should be the major concern of this type of agency.

Senator HARTKE. And if necessary, to accommodate that public interest, even if there is a financial loss, that should be met by subsidy from the Government, is that right?

Mr. TIMM. I would say that that should not be true in all cases, no.

Senator HARTKE. What cases would you think that that should not be true?

Mr. TIMM. Well, you suggested earlier, on the local carrier side, and I agreed with you, that this was necessary, but I think that at this time I'd limit my feeling on that to just that area.

Senator HARTKE. What if TWA told you tomorrow that they couldn't keep on going, though; what would you do?

The CHAIRMAN. You said TWA?

Senator HARTKE. Yes; they have financial problems. They say they are all right for next year, but what if they announced they couldn't keep going. What would you do?

Mr. TIMM. I would say that because the Board has some rate case before it, probably I would have to spend a great deal of time fairly immediately catching up on it, and I understand this will be decided sometime in the spring. Probably the Board is touching on that matter right now. And again, I think it would be premature for me to have a preconceived idea without knowing all the facts that have been presented—the testimony, the briefs. I have not had that kind of opportunity.

Senator HARTKE. Thank you, Mr. Timm. I wish you a Merry Christmas and Happy New Year.

The CHAIRMAN. What they will probably do is figure out something to do. We are going to discuss that a little bit in an executive hearing, and weigh the public interest as against—like the Penn Central would be in trouble, or a big airline in trouble—and these are things we have to face, and this is why we are going to have this hearing in some depth.

We do have a subsidy—\$50 million. It went up at one time through a combination of circumstances. We had it going down for a while. Now it's going back up again. And at one time it was up to \$68, \$70, \$80 million, to get them going.

But their new equipment has helped a little bit. But I agree it is a serious problem, and we have to face up to it. But it's partially the job of this committee, as well as the CAB. We have to work together on it.

Mr. TIMM. I understood that, in your question to Chairman Browne, that you suggested that those meetings would be coming along, and it would be a joint effort later, and I think that is a fine idea.

The CHAIRMAN. Of course. And we have some problems in air cargo that the Board is now considering, I understand. Is that right?

Mr. BROWNE. Yes, sir.

The CHAIRMAN. Senator Pearson?

Senator PEARSON. Mr. Chairman, I don't think I have any questions. Mr. Timm, I wish you well. I think this hearing emphasizes and underscores in a way that you undertake a most challenging assignment, one that is going to call upon what I view as superb qualifications and experience in this field.

This is a period of transition. Precedents are not going to be all controlling. So I think we are most fortunate that the President nominated you to this Board, and as one member of this committee, I look forward to working with you in the years ahead.

Mr. TIMM. Thank you Senator Pearson.

Senator PEARSON. And I thank the Congressman for coming to testify.

The CHAIRMAN. Senator Inouye.

Senator INOUE. Mr. Timm, I have been advised by my distinguished chairman and his equally distinguished colleague from the State of Washington that your membership on the CAB will mean that Hawaii's unique air transportation interests will be more than adequately represented.

And I have no reason to doubt my chairman. So I am very happy to endorse your nomination.

When you receive your work portfolio, you will notice that at the present time we have a rather touchy problem before the Board, the matter of the merger of our two airlines. There is another matter close to our hearts, which is a little outside our islands. This is in Micronesia. I do hope that you will give these two matters your very serious consideration. They mean very much to us.

Mr. TIMM. Thank you, Senator.

I might say that when at least two men that you probably know—one, the Governor of American Samoa, and the other the commissioner of the trust territories—heard that I might be considered for this, they got their lobbying in quite early on these two subjects that you are talking about. When I was still available.

Senator INOUE. You are part of us now, and so we expect you to represent Hawaii and not New Hampshire.

Seriously, sir, I congratulate you. I have had most pleasant dealings with the CAB, although I know your position is not a very happy one. You are damned if you do and damned if you don't. But as my colleague from Indiana, said, Merry Christmas and Happy New Year.

Mr. TIMM. Thank you.

The CHAIRMAN. Senator Hart?

Senator HART. Mr. Timm, I hope all goes well for you. This is not to imply the Great Lakes Basin doesn't have problems, but I won't press you on them.

The CHAIRMAN. Senator Moss?

Senator MOSS. I don't have any questions. I wish you well, Mr. Timm. I am sure you are embarking on this very important position, that you are going to have many problems, and I am sure we will be dealing on a friendly and cooperative basis with you.

Air transportation is certainly one of the great problems of the time, and you are going to be in the midst of it, so I wish you well, and seasons greetings. I think your nomination is a fine one.

Mr. TIMM. Thank you, Senator Moss.

The CHAIRMAN. If there are no other questions—

Senator COTTON. Before you two gentlemen leave, I just want 1 minute. I want you to know what a plight we are in. It saves my coming down and bothering you.

We have an airport that serves all of northern New Hampshire and northern Vermont. We had an accident in which a plane crashed, and 32 passengers and crew were killed.

The approach for years has needed an ILS. By dint of much effort, I succeeded in getting the Department of Transportation, under this new trust fund that does take care of some regional airports, to give us an ILS and make it a safer airport.

In the meantime, Northeast had gotten out from under and shifted the service to Mohawk. Mohawk immediately began to curtail it. It's a little feeder airline that renders service to the best of its ability. But we are in danger of losing the ILS that I fought for for years because we are in danger of losing our service.

A person is just as dead if he is killed going into a regional airport in a sparsely populated area of the country as he is dead going into Kennedy International.

The Governors of both Vermont and New Hampshire are questioning further support for maintaining the airport. It's a very, very crucial situation.

Mr. Brown is from our section. He knows the situation I am sure, to some extent. Mr. Murphy is from Rhode Island. I can't ask someone from Washington to take up the cudgel for our problem, but we were speaking more or less facetiously before. I want both of you gentlemen to realize that it is an extremely desperate problem. It is a region that extends over a large area, and no new industry will come in unless there is transportation to the Boston and New York markets for their executives, salesmen, and the rest.

It is practically devastating that area, because it is a turnaround situation. They don't go on to New Brunswick or up the west side of Vermont.

It is a problem that I am going to be pressing on, and I think justifiably because we have come to the parting of the ways. We have to get the service necessary to the installation of our ILS.

I want to just lay that before you and ask your sympathetic interest. Thank you.

The CHAIRMAN. Are there any further questions? If not, the committee will adjourn to executive session. Thank you, gentlemen.

(Whereupon, at 10:35 a.m., the hearing in the above-entitled matter was adjourned.)

**GEN. FRANK S. BESSON, JR., JOHN J. GILHOOLEY, DAVID
W. KENDALL, JOHN P. OLSSON, DAVID E. BRADSHAW,
CHARLES LUNA, ARTHUR D. LEWIS, AND REPRESENTATIVE CATHERINE MAY, TO BE INCORPORATORS OF THE NATIONAL RAILROAD PASSENGER CORPORATION**

TUESDAY, DECEMBER 29, 1970

U.S. SENATE,
COMMITTEE ON COMMERCE,
Washington, D.C.

The committee met at 10:10 a.m., in room 5110, New Senate Office Building, Hon. Vance Hartke presiding.

Present: Senators Hartke, Pastore, Prouty, and Griffin.

OPENING STATEMENT OF SENATOR HARTKE

Senator HARTKE. The hearing this morning is on the nominations referred to this committee for the purpose of appointing incorporators of the National Railroad Passenger Corporation for a period of 180 days following October 30, 1970. Frank S. Besson, Jr., David E. Bradshaw, John J. Gilhooley, David W. Kendall, Arthur D. Lewis, Charles L. Luna, Catherine May, and John P. Olsson.

I understand Mrs. May is not here.

We have a number of letters of endorsement and without objection they will be placed into the record.

I have just one brief comment at the outset. The legislation to establish a national corporation for the purpose of operating rail passenger service represented a rather bold step for the Congress to take.

In that legislation, we set forth a timetable which specified when certain things should happen. The corporation is to begin to function on or before May 1, 1971. Those of us who are familiar with the situation and especially those familiar with the act, do realize that proper timing is critical.

That is the reason I have been concerned about the administration's failure to name incorporators sooner. The bill was enacted October 30. It has taken nearly 2 full months for the President to make the nominations.

I am glad he acted at last. I only hope that there is adequate time for the incorporators to do an effective job.

This administration, like too many passenger trains, never seems to get things done on time. I hope the incorporators will improve the record of the passenger trains, and perhaps that of the administra-

tion at the same time. And I will be glad to compliment you on both should that goal be accomplished.

I was somewhat disappointed in the Secretary's delay, but it's certainly not your responsibility to carry out the provisions as set forth by the Department of Transportation. Do you have any preliminary statement, Senator Pastore?

Senator PASTORE. No; only to say that while I regret the fact that there was some tardiness, I do applaud the President on the caliber of the people he selected. Every individual here is very knowledgeable and I know that important decisions will have to be made some time after you do take your oath as incorporators. I am hoping that whatever we do, we do it rather speedily, because rail passenger service is in a bad way, it needs to be brought to life, and that has to be done very, very quickly.

And I want to congratulate each one of you for assuming this responsibility in the public spirit, and I repeat again, I congratulate the President for the names he has sent up here.

I have read the biographical sketch of each one of you. You are all men of great acumen, and I know you are going to do a satisfactory job. You have my best wishes and I daresay my prayers.

Senator HARTKE. Senator Prouty?

Senator PROUTY. Thank you, Mr. Chairman. I am very pleased indeed to congratulate each one of you on your nominations. I know you have a task of great magnitude ahead. I recall just a little over 10 months ago when I put forward the Rail Pax proposal, in the report accompanying a bill providing direct operating subsidies for the railroads.

A month later, after considerable work and persuasion and with cooperation of all members of this committee, the Senate adopted by a vote of 78 to 3 the legislation which is the most significant transportation legislation in the last 50 years.

I am sure you have all examined very carefully this legislation, and I am sure you are going to do the best to take advantage of your expertise and experience in restoring passenger services to this Nation, which is desperately needed at the present time.

I agree with the chairman of the subcommittee in expressing the hope that there will be an extension of the service provided within the basic system or network proposed by Secretary Volpe. And as one who lives in New England, I hope that service to northern New England particularly will be restored. I believe it is practicable to operate a passenger train between New York and Boston and Montreal, and I hope that this will be given serious consideration.

I think it can be made to pay. I remember years ago taking the train from Montreal to Washington and it was almost impossible to get reservations except well in advance. I think that situation could be restored if we had proper service and real efforts to get people to utilize passenger train service again.

I wish you all well in this undertaking.

Senator HARTKE. I understand each and every one of you has submitted financial statements for the record; is that correct?

Mr. OLSSON. Yes, sir.

Senator HARTKE. Let me ask, to start out with, Mr. Besson, do you have a statement you care to make?

Mr. BESSON. I have no statement to make, Mr. Chairman, other than the fact that I am completely convinced we need rail passenger service, and I am going to do my level best to see if I can do my part to re-establish it on an economical basis.

Senator HARTKE. Mr. Bradshaw?

Mr. BRADSHAW. Senator, I believe in the history it shows that the railroads of this country are one of the main contributing factors to the geographical coordination of this country and its economic growth.

I think it is unfortunate that it has gone downhill in the last years, and I think there is a great need and a place for a means of transportation in this country to move masses of people conveniently, safely, and economically, and hopefully at a reasonable profit to this new corporation. And I am happy to have the nomination, and hope to be able to do my best.

Senator HARTKE. Mr. Gilhooley?

Mr. GILHOOLEY. Nothing more, Mr. Chairman, than to say that I wholeheartedly agree with the objectives of the act, and shall do everything I can with my colleagues to carry them out effectively and efficiently.

Senator HARTKE. Mr. Kendall, of Michigan. I might point out that he had the good sense to be born in Indiana.

Mr. KENDALL. Sometimes I am sorry I ever left there.

Senator HARTKE. I don't blame you. You are still a Hoosier as far as I am concerned.

Mr. KENDALL. I couldn't be happier—I am sure my family is not, because we are not going to do some of the things we had planned to do—but to be able to do something about the problem which you have all put forward.

But at the moment, if I may say so, and agreeing with everybody else, right at the moment we are terribly busy trying to get into the nuts and bolts of what has to be done down the road, and it's going to be a tremendous task, and one which is somewhat hampered by time. But we can at least get it down, and our first objective is to do it carefully in each instance as we go along.

Senator HARTKE. Mr. Lewis?

Mr. LEWIS. I am enthusiastically a member of this organizing group. I do believe that the rail passenger service in this country must be developed and I am delighted to be a part of a group that takes on that chore.

Senator HARTKE. Mr. Luna?

Mr. LUNA. I hope I can add something to this group that has been appointed, and I hope that we are successful in what we set out to do.

Senator HARTKE. Mr. Olsson?

Mr. OLSSON. Senator, I am delighted to be here, and we are appreciative of your taking the time, on short notice, to schedule this confirmation hearing.

I think we all recognize the tight time schedule we are operating under, and that the task we have ahead of us here. We are all going to do our best to carry out the act and to provide efficient and modern train service in cooperation with an overall balanced transportation system.

We will be glad to answer any questions you have, sir.

Senator HARTKE. I want to thank you. Mrs. May is not here.

Just so there is no misunderstanding, I am sure you all understand that under the law you are the initial incorporators. And you are appointed for a period of 180 days from October 30, 1970. You could be reappointed to serve as directors after that time, but the eight directors of the corporation are to be nominated at a later date.

Are you aware of that fact?

Mr. OLSSON. Yes.

Senator HARTKE. I would hope that you could persuade the Secretary of Transportation, to make the arrangements to have before the Congress the names of the directors at the earliest possible moment and not delay.

We will be glad to accommodate you on a 24-hour-notice basis, but I don't think that that necessarily is in the best interests of this system.

Is there a consumer representative on this board of directors?

Mr. OLSSON. Of course the provision for the incorporators within the language of the act does not specifically require a consumer representative—although, it does on the Board of Directors.

Senator HARTKE. Right.

Mr. OLSSON. However, I think it is envisioned that Mrs. May would represent the consumer interest, sir.

Senator HARTKE. Can you spell out her specific qualifications in that regard?

Senator PASTORE. She is a former Congresswoman.

Senator HARTKE. You think that is sufficient?

Senator PASTORE. Yes.

Senator PROUTY. She is a very able former Congresswoman.

Senator HARTKE. I get the message from the right and left.

Senator PASTORE. If she doesn't know what the consumer interest is by now, she will never know. May I ask a question?

Senator HARTKE. Yes, Senator.

Senator PASTORE. I notice that Secretary Volpe has already set forth a tentative plan. Does that mean that the incorporators will be bound by the plan suggested by the Department of Transportation?

Mr. OLSSON. No, sir; the final plan will be put forth by the Secretary by January 28, and that will be the plan under which the incorporators will operate.

Senator PASTORE. Will you have the authority to change it?

Mr. OLSSON. We will be required to continue all service designated in the plan for 2 years and 2 months, sir. We will have the flexibility to make additions as we see fit.

Senator PASTORE. We in Rhode Island have been very much disturbed about passenger service, as you well know, and I think there are two members on the board of incorporators who are from Connecticut. I notice in the alternative routes in the preliminary report that you can either take the service via Springfield or Providence. If you choose the Springfield route it means that Rhode Island is blanked out completely.

Mr. OLSSON. Sir, the corporation would have the power or discretion to choose either of these alternatives, or both of those alternatives. If it so decides, it could provide for service between New York and Boston via Providence and also via Springfield.

Senator PASTORE. The point I am making is that if you do choose Springfield, you will blank out Rhode Island completely; is that clear?

Mr. OLSSON. Yes, sir.

Senator PASTORE. And you are going to lose a good sponsor, I'll tell you right now, if you do that.

Mr. OLSSON. We understand, sir.

Senator HARTKE. I think you raise a point that disturbs a lot of us.

Senator Percy is here, and he does have other business to go to. Senator Percy?

STATEMENT OF HON. CHARLES H. PERCY, U.S. SENATOR FROM ILLINOIS

Senator PERCY. Mr. Chairman, I appreciate very much your indulgence for 30 seconds. David Bradshaw is worth a great deal more than that but I am delighted to have him here.

He is a senior partner in the law firm of Bradshaw, Speranza & Veverka in Chicago, but I have known him as a special assistant to the attorney general of Illinois, a truly outstanding public servant, and he has tremendous faith in David Bradshaw.

He was appointed in 1959 by the Supreme Court of Illinois as chairman of a special supreme court committee to draft new rules for the appeal of criminal cases in the State. He was also appointed by the same court in 1961 as a member of a special committee to draft uniform criminal instructions to be used in the State.

I am honored and pleased to welcome David Bradshaw and certainly support his confirmation.

Mr. BRADSHAW. Thank you, Senator.

Senator PERCY. Thank you, Mr. Chairman.

Senator HARTKE. I will probably direct these questions to you, Mr. Olsson, unless someone else wants to make comments. The organizations that have run rail tours are quite concerned about the fact that they have a complete inability now to make any arrangements for the coming summer, because many railroads tell them point-blank that they are going out of the passenger business. And that goes back to the question I mentioned earlier about the delay.

We need to move seriously forward very rapidly in order to avoid not only the apprehensions of some of us about limitations of this organization but to provide some relief from the economic repercussions which could affect some businesses previously dependent upon service provided by the railroads.

Has there been any thought given to the means of accommodating these rail tour operators until the rail corporation actually takes over the operation of the passenger train?

Mr. OLSSON. We would attempt—once the final routes have been determined by the Secretary—to move as expeditiously as we could in certifying the operating information on schedules, routes to be followed and the like.

I think there is a problem—no question about it—in this initial period, until the final route determination is made.

Senator HARTKE. Can you give any assurance—the problem sort of self feeds. If these people cannot get definite assurance, if they are left with the idea, well, that you will do the best you can—that doesn't mean

much. Because if they want to schedule any type of tour which takes advance planning, as I am sure most of them do, they are left out in the cold. They are feeders of the passenger business, and if they are not going to be able to feed the business, the net result will be that you have a further decline in the business.

Mr. OLSSON. Yes, sir. This is one of the problems that we have had brought to our attention. We have been concerned about it; and, as a matter of fact, the Board has informally discussed this problem. The feeling is that as soon as we have the basic system, we will move promptly to determine the actual service to be made available.

I think you do have a period of time between now and then, sir, where there is a certain amount of uncertainty.

Senator HARTKE. Well, I wish you would keep the committee advised as to what progress you are making in this regard, and how soon you can accommodate them.

You know the old idea about people living on concern. They can't live on it very long.

Mr. OLSSON. Yes, sir; we will keep you informed.

Senator HARTKE. Because the concern turns to anxiety and frustration and that's more serious.

Mr. Lewis, you have been in the airline business. Are you familiar with the railroad ticketing service?

Mr. LEWIS. Only generally, sir.

Senator HARTKE. You are familiar with the airline ticketing service. Do you think the types of marketing and ticketing service used by the airlines if applied to railroads passenger service would increase the number of riders and revenues?

Mr. LEWIS. It is my belief that if you were to merchandise a rail passenger system with improved service on the road, you could generate more traffic than is riding today.

Senator HARTKE. Can such techniques as that be applied by this corporation?

Mr. LEWIS. Yes, sir.

Senator HARTKE. Do you think that rail service can be competitive with jet aircraft?

Mr. LEWIS. Well, not between New York and Los Angeles for the bulk of the people, but I think that if you looked at the total volume of people traveling—automobile, rail, air, bus—that rail service has a very vital role to play in this, a higher percentage in some markets and smaller in other markets.

Senator HARTKE. Congress evidently thinks there is a vital role to be played. Do you think the rates should be the same, or let me say it this way—the New York-Washington run, which is heavily traveled—

Mr. LEWIS. Right.

Senator HARTKE. Do you think the fares should be the same for the trains as aircraft, or do you think on such short runs that there should be some difference?

Mr. LEWIS. I think first you have got to upgrade significantly on a continuing basis the quality of service on the trains, and then I think you will have to experiment. I don't really think we know what the proper relationship and what the public will pay in relationship of one fare to the next.

I think flexibility, which this company has, is a very important thing, and we will have to experiment. I would hate to answer that question categorically without any more experience than the knowledge we have so far.

Senator HARTKE. Do you think that if there were a premium given to traveling on the ground, say for example that the air fare were twice what it is today, and the railroad service charge is the same as the Metroliner that travel patterns would be any different.

Mr. LEWIS. No question, you would increase Metroliner traffic. And also on the highways.

Senator HARTKE. What I am driving at is this; is there a chance through this corporation of achieving a better integrated transportation system where we would for example accommodate more of the people on the short hauls by ground transportation and people on the long hauls by air transportation?

Airlines are faced to some extent with short hauls being a very, very expensive, non-producing operation.

Mr. LEWIS. Yes, sir.

Senator HARTKE. And unless we are going to find them following the Penn Central, somebody has to start thinking about what we are going to do, other than being concerned about it.

Mr. LEWIS. Yes, sir; that's right. My feeling is that if you organize a good service on the ground with modern cars and perhaps new innovations as time goes on, that the role played by the railroads will increase significantly. But I don't know at this time what the proper fare relationships would be and it would change one market as against the other, I suspect, depending on whether it is principally a vacation or business market.

Senator PASTORE. Mr. Lewis, on the long run, I don't say this is a question for experts: I think most of us are familiar with the situation, and maybe I should know the answer but what would motivate anyone in taking the passenger train from New York to Los Angeles taking up all that time, no matter how comfortable it is, as against flying in a matter of hours?

Mr. LEWIS. Some people have never adjusted to the idea of flying. Some people simply can't get into an aircraft psychologically.

There are others where the time factor isn't important, but they like a leisurely enjoyment of something. Maybe a trip across the country, maybe the scenery. I don't think this would be a big percentage, but it may well be enough to keep certain trains operating.

Senator PASTORE. At a profit?

Mr. LEWIS. I think you have to experiment today before you know whether you can do it at a profit.

Senator PASTORE. I can see the efficacy and efficiency of running a train from Boston to New York through Providence, where, by the time you get to the airfield from the city it would be faster than the others. But on a long run, don't you find, having been in the airline industry, that more and more people are becoming oriented to flying on long distances?

Mr. LEWIS. Yes, sir.

Senator PASTORE. There might have been a fear in the beginning, but the record of safety is a very good one.

Mr. LEWIS. No question about that. I think that well over 90 percent of the people probably at any given time would fly, as contrasted to other commercial forms of transportation.

Senator PASTORE. That's been one of the big problems of modernizing.

Mr. LEWIS. But if you look at 100 percent of the market, I can't help but believe that there would be a residual demand for surface transportation for a variety of reasons. Some people are scared to fly. Some for example might want a surface trip to see the country.

If you look at the total number of people flying from the eastern part of the country to the West, making connections perhaps in Chicago, or what have you, you don't have to have a lot of people from many places to fill up the train. But you would have to give people good service, a sense of comfort and convenience. Give them a reason and let them know it's there, and talk to them about it.

So what you can do when you properly merchandise the system, I don't know, I do have a belief that if you were to merchandise aggressively and provide good passenger service, we would be surprised at the response, particularly if it's faster and more convenient than today. It's very difficult to tell what the ratio would be or what the percentage would be.

Senator PASTORE. I realize this.

Mr. LEWIS. But there are two-and-a-half trains with good loads, New York to Miami, and you can ask why they go by train when they can fly there in 2½ hours.

Senator PASTORE. One of the big problems in mass transportation, as you know, is that there is always a crowding of buses but people going to and from work early in the morning and late in the afternoon, but of course during the day most of the buses are empty.

And if you are going to run one train a day between New York and Los Angeles just to accommodate the people—who have to be accommodated; I'm not ruling that out—just because they are afraid of flying, I'm afraid the subsidy will have to be big.

Mr. LEWIS. It may well be that you try and you fail. I just feel that the issue is of such importance to this country, we should make every effort.

Senator PASTORE. Mr. Luna is a trainman. Maybe he can get into this.

Mr. LUNA. I think what Mr. Lewis said is right, but in Canada its been proven time and time again, if you will upgrade the service and place it at a price that people can afford, they have ridden the trains in Canada all the way across Canada. This has been proven.

Mr. LEWIS. But you can never expect it to be a high percentage.

Senator PASTORE. Well, it will have to be looked into.

Senator PROUTY. If the Senator will yield?

Senator PASTORE. Yes, sir.

Senator PROUTY. A member of my staff is traveling by train from Montreal to Vancouver because he enjoys traveling by train, and the charge is very, very reasonable.

Senator PASTORE. How about the subsidy?

Senator PROUTY. Well, he is traveling on the Canadian Pacific, which I think is not subsidized.

Mr. LUNA. One in Canada is Government owned, and one isn't. The one that is Government owned keeps the passenger service. There is a system in Canada called red, white, and blue. Monday through Friday it is real cheap, on the weekend it is higher. And they have a system to try to keep the traffic flowing all week long. And if people think they can save money, they will go during the first days of the week rather than paying this high price on the other days.

Senator PASTORE. But that is nationalized?

Mr. LUNA. Yes, it is. Every other country in the world is nationalized.

Senator PASTORE. That's just it. It's become a serious problem, and I don't think we should kid ourselves about the participation on the part of the Government. Let's face it. We are paying for long haul; air travel has become very competitive and supercompetitive with rail service excepting short hauls, and I don't think we can do without it. You have to have it, to maintain it for a thousand different reasons, but we better make up our minds that the Government will have to help if we are going to keep this in a free enterprise system.

Senator HARTKE. I think Senator Pastore makes a point which I still think has to be met someplace along the road, and maybe you will have to start to meet that problem. But of course Government has to meet part of it too. No question, the airlines today are faced with a serious problem on two fields. One is that the short haul is in many instances proving to be a financial loss item to them. The other is that you can fly out of most of the major cities, and you can take your choice of planes, and none of them, is half full, even leaving from here, on the long hauls, to go to Los Angeles the same thing exists and that, should be corrected.

So some place along the line, some type of national transportation policy is going to have to be evolved taking into consideration the fact that we are going to have to provide service to people first. But that service is going to have to be of a kind that does not provide such a financial strain upon the operating companies or taxpayers that it becomes prohibitive.

Mr. LEWIS. I don't think there is any question that there has got to be greater integration on formulation of policy in the form of transportation than there has been. Transportation has matured, and it is time to integrate them.

Senator HARTKE. Mr. Luna, you are a representative of railroad labor. How do you envision labor in this total program?

Mr. LUNA. I think railroad labor is going to have to recognize the fact that we have to have give and take in this to keep this passenger service alive.

I think it is time we recognize that and time we sat down and met that issue.

Senator HARTKE. Is there any way railroad labor can help to reduce the cost of passenger service?

Mr. LUNA. Yes, sir. From my experience, the cost to the passenger service is these large terminals and terminal usage. That is one of the greatest costs of all the passenger service. They were built when there were a lot of trains on, and when you have a big establishment, the cost comes down a little. But not compared with the service when it comes down. There are a lot of ways it can be reduced. A lot of ways

that the through trains, where you don't have to switch them, and things like that, can be reduced and I think agreements can be worked out on all of that.

Senator HARTKE. At the same time we are considering your nominations, we are going to be moving very shortly on the floor of the Senate to follow up House action to do something about the financial crises which faces a major railroad in reorganization under the Bankruptcy Act, specifically the Penn Central.

So we may not have railroads running on time, but we certainly have them running out of our ears at the moment.

Since you are in the railroad labor field, and are very active, what progress if any is being made to alleviate another threatened railroad strike on March 1? What progress is being made to prevent a recurrence of congressional intervention on March 1 as we had on December 10?

Mr. LUNA. I met with the Assistant Secretary of Labor last night, and we are hopeful that we will start negotiations next week on it.

Senator HARTKE. Is that the first meeting?

Mr. LUNA. It's the first meeting I have had. They have had meetings.

Senator HARTKE. I talked to you yesterday and you hadn't had any.

Mr. LUNA. I had one last night. I figured you would ask me today.

Senator HARTKE. I see no real action being taken. I am disappointed. I think that people should know that no action is being taken to alleviate another threatened strike on March 1.

Mr. LUNA. I am hopeful we can settle it.

Senator PASTORE. Mr. Chairman, I want to excuse myself and I seek your indulgence. I hope you don't think I am discourteous but I have another meeting. I want you to know that the chairman has my proxy for all of you.

Senator HARTKE. Thank you.

Well, we are not going to settle that matter this morning. But I do think we ought to have more than a meeting called after one U.S. Senator suggests that nothing is being done. I would hope, Mr. Olsson, you would convey that to the Department of Transportation, and let them know they have a responsibility in this field and they ought to start exercising it.

Mr. Gilhooley, what can be done to improve the quality of rail service?

Mr. GILHOOLEY. Mr. Chairman, we are all very new at this and one of the things I would like not to do too broadly is to shoot from the hip. I think that many things can be done, and I think the example that has been worked out on the Metroliner service between New York and Washington gives some idea of the scope of the improvements that could come.

I think we have learned a lot from the experiences we have had, for example, with the Metroliner cars. There is a whole new generation of sophisticated, efficient equipment, and I think that body of data will be useful to us. There is a great deal with regard to marketing, as Mr. Lewis pointed out, and things of that kind.

Senator HARTKE. You come very highly recommended from Senator Javits, and I want you to know his letter will be included in the hearings today.

Mr. GILHOOLEY. Thank you, Senator.

Senator HARTKE. In your opinion, how much money should be invested in the turbo trains?

Mr. GILHOOLEY. We are just getting into that situation now. There were several of them running as prototypes here on the east coast and several in revenue service in Canada. One of the things we definitely decided to do is to look into the experience in Canada and here in the United States to see whether or not there can be some adaptation of the turbo principle to any new equipment we might purchase under the terms of this act. We are very much alive to the potential of the turbo train.

Senator HARTKE. Have you had an opportunity to look at the proposed system which has been put forward by the Secretary of Transportation?

Mr. GILHOOLEY. We have looked at it, and been briefed on it. It is a tentative one, as I understand it, and subject to further revision by the Secretary and the final one is to be promulgated some time toward the end of January.

Senator HARTKE. Do you think it is adequate?

Mr. GILHOOLEY. I would rather not comment on that at the moment, Senator, because we don't have the final plan in.

There are some things going on in the Department of Transportation to which I am not privy, and it would be premature for me to comment.

Senator PROUTY. The Interstate Commerce Commission has recommended certain additions to the system proposed by the Secretary, and I hope that serious consideration will be given to these recommendations. I think after you have had an opportunity to think about your new responsibilities and to develop some experience, you are going to be in a far better position to answer specific questions than you are at this time.

I do have just one more question Mr. Chairman. I understand that each of you has submitted a financial statement to the chairman which will be maintained in the committee files. I would like to ask this question for the record:

Can each of you indicate whether you have any financial interest whatsoever which either could give rise to a conflict of interest, or could give rise to the appearance of conflict of interest?

Mr. LEWIS. Senator, I own some Eastern Air Lines—I don't believe this represents a conflict of interest.

Senator PROUTY. I'm not asking for specific details now, just a general statement. I understand that you have filed the customary report concerning your financial interests with the chairman. I wanted to make clear for the record that none of you believe that there is any possibility of a conflict of interest between your position as an incorporator of Rail Pax and your financial interests.

(No response.)

Senator HARTKE. Mr. Kendall, I think you have a problem in connection with certain holdings.

Mr. KENDALL. I already turned them in to be sold.

Senator HARTKE. I see.

Senator PROUTY. At a profit?

Mr. KENDALL. No.

Senator PROUTY. Thank you, Mr. Chairman, that concludes my questioning.

Senator HARTKE. General Besson, do you think there will be a problem with freight trains interfering with passenger service?

General BESSON. Certainly there is going to have to be cooperation in scheduling, but this is something that has always happened and I don't envision any problem in resolving it.

Senator HARTKE. Have there been any thoughts—or maybe I should suggest that you give a thought to the idea that maybe tough penalty clauses should be written into the contracts with the railroads providing that if there is interference that there would be severe penalties.

General BESSON. I am certain that our considerations will be strong enough to insure the quality of service that we envision will be required.

Senator HARTKE. Are you familiar with the Europass system that exists in Europe where you can travel all over Europe on a single ticket using all the various railroads. The pass is valid for a period of time, for a month?

General BESSON. I know that it exists. My son used it.

Senator HARTKE. I suggested this about 4 years ago with the American railroads and this suggestion received concern and nothing else.

Mr. LEWIS. The airlines I believe adopted that program.

Senator HARTKE. I might say that if you are going to be innovators, you are going to have to be bold and imaginative, and if you are not, you are going to have participated in another great experiment that failed.

Mr. KENDALL, are you familiar with the auto-train concept?

Mr. KENDALL. Not really familiar with it, but I know about it, and it seems to hold out at least the germ of something that should be looked at.

You said something about innovation. I think we should look at everything that appeals in that way.

Senator HARTKE. Let me ask you all how much time you plan to devote to the Corporation.

Mr. LEWIS. As much as is needed, Senator, in the next 5 or 4 months.

Mr. LUNA. I am going to devote as much as I can.

Mr. BRADSHAW. We have tentatively talked about the immediate need to work 3 full days a week, plus if necessary the other two. And from reading the act and seeing the implementation that it needs, I would say that between now and May 1, I would be devoting practically all my working hours to this function.

Mr. OLSSON. As you have heard, this is a very hardworking Board, and I think everyone on it plans to spend whatever time is needed to get the job done.

Mr. KENDALL. We have scheduled meetings for Tuesday, Wednesday, and Thursday, and extra meetings for Monday and Friday. And there is just too much to do not to devote everything we have.

Mr. GILHOOLEY. We are going to give it everything we have, Senator; it is an enormous task. There isn't much time.

General BESSON. I have no problem on time.

Senator HARTKE. Now that you have all made public confession, I will accept your statements that you really plan to give your time to this.

Senator GRIFFIN. I don't know each and every one of these gentlemen. I notice Congresswoman May is not here. Will we have another meeting for her?

Senator HARTKE. We will work out something. We want to move as rapidly as possible.

Senator GRIFFIN. I concur. I know several of you personally, including Mr. Kendall from Michigan, one of the outstanding members of the bar there, and former general counsel for both President Eisenhower and to the Chrysler Corp.

And looking through the biographies, I am very much impressed with the background and experience and credentials that these appointees have. I think we are fortunate, frankly, to have such able people willing to devote a part of their time to such an important undertaking—one that is going to mean a great deal, not only so far as the railroads are concerned, but to the whole transportation industry and economy of this country. I am glad that we are moving on their nominations. I agree that we ought to move them through, as expeditiously as possible, as this Congress is close to winding up. I hope we can get them started performing their official duties as soon as possible.

Senator HARTKE. Any other statement, gentlemen? Let me say in conclusion that you have been charged by the Congress with a very difficult task, to rescue passenger service from years of mismanagement, neglect, and deliberate downgrading, and that is not going to be easy.

I emphasize the importance that Congress itself attaches to the success of the Rail Passenger Corporation. This legislation passed the Senate by a vote of 78 to 3 and it passed the House of Representatives by a unanimous vote.

So there is strong bipartisan support for this measure. In the months ahead we are going to be keeping a close watch on the development of the Corporation, and I hope you will keep this committee fully informed on a continuing basis of your progress and tell us when you think we can be of help and assistance, and don't wait until things are in a crisis condition, but move with us on a cooperative basis.

As I said, you need innovation, bold thinking, fresh approaches, imagination. You are going to be a major part of the key to success in this new venture.

I tell you now that I am disappointed in the amount of money which has been allocated to this project. I think it is far too little to accomplish the job which needs to be done. But that was a decision which was made at a different level, and the administration would not accept any more in this regard. So you are going to have to try to struggle along with limited resources that are available to you.

I think this will be one of the handicaps that you will be faced with, and I am disappointed that more has not been done to revitalize the rail passenger service as far as the financial end of it is concerned. Not that finances alone can provide a cure-all, but certainly it will be more difficult to do on an austerity budget.

I hope you enjoy the coming new year, 1971, and I wish you every success and I hope that you will apply yourselves wholeheartedly to the task ahead. And I commend you and I say to you now that we will do everything that this committee can to expedite your confirmation and I think you can rest assured as you leave this room, that there will be no hindrance from the Congress. I anticipate you will be confirmed without objection.

Thank you.

The letters of endorsement and the biographies of the nominees will be inserted in the record.

U.S. SENATE,
COMMITTEE ON COMMERCE,
Washington, D.C., December 28, 1970.

HON. WARREN G. MAGNUSON,
*Chairman, Committee on Commerce,
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: In view of the fact that I will be absent from Washington on December 29, I request that you read into the record my support of the nomination of Mr. David Kendall of Michigan to be an incorporator of the National Railroad Passenger Corporation.

Over the years, Dave Kendall has been a leader in civic and corporate affairs at both the local and national levels. He served President Eisenhower as his Special Counsel, following several years as a high ranking official of the Treasury Department. His background should give him special insights into the problems faced by the new corporation, and I feel sure the committee will find him well qualified for this new undertaking.

With best wishes,
Sincerely,

PHILIP A. HART.

U.S. SENATE,
COMMITTEE ON ARMED SERVICES,
Washington, D.C., December 29, 1970.

HON. WARREN G. MAGNUSON,
*Chairman, Senate Commerce Committee,
Washington, D.C.*

DEAR WARREN: I am pleased to write to you in support of the nomination of the Honorable Catherine May of Washington, to be an incorporator of the National Railroad Passenger Corporation.

Just as you have, I have worked closely with Mrs. May for many years in matters related to her district and the state.

Mrs. May has had a keen interest in railroads from a national, regional and state basis during her service in Congress. She represents a "railroad" district and has been involved in helping to resolve the many problems of railroads over this service. She is particularly aware of the unique problems of our state and the Northwest.

I am pleased to learn of her selection. It is important that the viewpoint of our region be expressed in the formation of this national system.

Her guidance in the incorporation will be most meaningful.

Kindest regards,
Sincerely yours,

HENRY M. JACKSON.

U.S. SENATE,
Washington, D.C., December 28, 1970.

HON. VANCE HARTKE,
*Senate Commerce Committee,
U.S. Senate, Washington, D.C.*

DEAR VANCE: John J. Gilhooley of New York will be before you on Tuesday morning, December 29, at 10 AM. He is an old friend of mine and I wanted very much to introduce him to the Committee personally. My difficulty is that I must be in New York this very morning for an engagement that cannot be put aside and so I would be grateful if you would be kind enough to read this letter by way of my introduction of him.

I consider Mr. Gilhooley to be a very able man, having seen him under all circumstances. I knew him when he was Assistant Secretary of Labor from 1957 to 1960 and was most favorably impressed with him as I was subsequently when he became a member of the New York Transit Authority in which he did an outstanding job with mass transit problems. I believe he is a fine selection for the post and commend him highly to the Committee.

Sincerely,

JACOB K. JAVITS.

DAVID E. BRADSHAW

David E. Bradshaw, Senior Partner in the law firm of Bradshaw, Speranza and Veverka in Chicago, is Special Assistant to the Attorney General of Illinois.

In 1959 he was appointed by the Supreme Court of Illinois as Chairman of a Special Supreme Court Committee to draft new rules for the appeal of criminal cases in the State. He was also appointed by the same Court in 1961 as a member of a Special Committee to draft uniform criminal instructions to be used in the State.

Bradshaw has been a member of several committees with the Chicago Bar Association, Illinois State Bar Association and the American Bar Association. From 1963 to 1969 he was appointed by the Governor a member of the Illinois Crime Investigating Commission. In 1962 he was a candidate for the Illinois State Senate, 3rd District.

A native of Chicago, Bradshaw received his LL.B from John Marshall Law School in 1952.

GEN. FRANK S. BESSON, JR.

General Besson, now retired after 38 years of military service, was designated in March 1969 by President Nixon to chair a Joint Logistics Review Board set up to make recommendations to the Secretary of Defense and Chairman, Joint Chiefs of Staff for defense-wide improvements in logistics in Vietnam.

Prior to his retirement in 1960, he commanded the U.S. Army Materiel Command (AMC) for seven years. In 1964 he became a four-star general, only the 75th in the 189-year history of the U.S. Army, and the first Army officer to achieve that rank as head of a logistical organization in peace-time. From 1958 to 1963 he served as Chief, U.S. Army Transportation Corps, one of the technical services consolidated into the AMC. From 1955 to 1958 as Chief of Programs in Headquarters, SHAPE, he was responsible for monitoring the NATO construction program.

With the Army Transportation Corps from 1945 to 1955 General Besson rose from Special Assistant for Army Aviation to the position of Commanding General, U.S. Army Transportation in Fort Eustis, Virginia. After World War II he served in the Western Pacific as Chief of Transportation on General MacArthur's staff responsible for controlling and rehabilitating the entire Japanese transportation system.

In 1944 he was appointed Director, Third Military Service in Iran in charge of transporting lend-lease materials to Russia and in 1945 was promoted to the rank of brigadier general at the age of 34.

General Besson graduated from the U.S. Military Academy in 1932 and received an MS in Civil Engineering from MIT in 1935.

JOHN J. GILHOOLEY

John J. Gilhooley, 49, of 35 Prospect Park West, Brooklyn, was born in Brooklyn, New York. He was graduated from St. John's University, Brooklyn, in 1942 and from Cornell University Law School in 1949.

During World War II he served as Naval Lieutenant aboard the battleship Texas, participating in five major actions—Normandy, Cherbourg, Southern France, Iwo Jima and Okinawa. He was commended by Admiral Nimitz for his service at Okinawa.

From 1949 to 1953 he was an associate in the law firm of Lowenstein, Pitcher, Hotchkiss & Parr engaged in general corporate and tax practice. When James P. Mitchell became Secretary of Labor, in the Eisenhower cabinet in 1953, Mr.

Gilhooley served as his Executive Assistant. After several years of service in that post and as Special Assistant, President Eisenhower appointed him as United States Assistant Secretary of Labor for Labor-Management Relations, in which post he served from 1957 to 1960.

Upon his return to New York from Washington in 1960, Mr. Gilhooley became a partner in the firm of Lowenstein Pitcher, Hoterkiss & Parr and continued a corporate, tax and labor practice.

In 1962 Governor Rockefeller appointed him as Commissioner of the New York City Transit Authority, a post he held until November, 1968, when he joined Laird Inc. as Chairman and President of its affiliated company Urban Industries, Inc.

Mr. Gilhooley is married to the former Josephine Ann Bergin. They have six sons, ranging in age from twenty years to six years.

DAVID W. KENDALL

David W. Kendall was born in Indianapolis where his father was superintendent of schools and was brought up in Princeton, New Jersey.

He graduated from Princeton with a BA degree and from the University of Michigan Law School and practiced for some years in Jackson, Michigan.

From 1954 to 1955 was General Counsel of the Department of the Treasury; 1955-57 Assistant Secretary of the Treasury; and from 1958-61 Special Counsel to the President.

He was Vice President/General Counsel for Chrysler Corporation 1962-68 and has since been in private practice in Detroit. He is a trustee of Kenyon College, Gambier, Ohio; director of Acacia Mutual Life Insurance Company and trustee of the Federal City Council, Washington, D.C., and Metropolitan Detroit Hospital Center. An Episcopalian, he has been a vestryman at St. John's Lafayette Square, Washington, D.C. and St. Paul's Episcopal Church, Jackson, Michigan.

He served in the Air Corps as a combat intelligence officer, Southwest Pacific in World War II. He received a LL.D from Indiana Central College in 1964.

JOHN P. OLSSON

Born: May 17, 1928, Chicago, Illinois.

Legal residence: Wilton, Connecticut.

Family: Wife: nee Margaret Griffith; Children: Elizabeth S., Kristin W., Mary G., Jennifer T., John E.

Home address: 8023 Fenway Road, Bethesda, Maryland 20034.

Education: Harvard Graduate School of Business Administration, M.B.A., 1955; University of Kansas, B.S., 1950.

Military service: 1951 to 1953—U.S. Navy, general line officer, served primarily on an aircraft carrier in Pacific.

Experience: 1969 to April 1970—United States Smelting Refining, and Mining Company, Assistant to Senior Vice President; 1967 to 1969—American Metal Climax, Inc., President, Specialty Metals Division; 1955 to 1967—Climax Molybdenum Company, a division of American Metal Climax, Inc., Vice President, Controller, and Budget Officer.

Professional memberships: Financial Executive Institute.

Date of appointment: April 28, 1970—Deputy Under Secretary of Transportation.

CHARLES LUNA

Charles Luna has been President, Brotherhood of Railroad Trainmen since 1963. Prior to that he served as Assistant to the President for three years.

From 1954 to 1960, Luna as Vice President, Brotherhood of Railroad Trainmen and from 1951 to 1955, Chairman, International Association of General Chairmen.

In 1949 and 1953 he was a member of National Wage Rules Committee and General Chairman, General Grievances Committee, with the Santa Fe Railroad.

A native of Texas, Mr. Luna started his career with the Santa Fe Railroad in 1928 as a switchman.

ARTHUR D. LEWIS

Arthur D. Lewis is Chairman of the Board, President & Chief Executive Officer of F. S. Smithers & Co., Inc., New York, a private investment firm.

From January 1968 to February, 1969, he was President and Chief Operating Officer of Eastern Airlines. He served as Senior Vice President and General Manager of Eastern Airlines from February 1964 to January 1968 and President and Chief Executive Officer of Hawaiian Air Lines from February 1955 to December 1963.

Mr. Lewis was a consultant for Defense Air Transport Administration from 1951 to 1955 and is a member, Board of Regents, University of Hawaii, and on the Board of Governors, Iolani School for Boys in Hawaii.

He attended the University of Texas from 1935-1941 majoring in economics and business administration. Mr. Lewis completed the Advanced Management Program at Harvard University Graduate School of Business in 1952.

 U.S. REPRESENTATIVE CATHERINE MAY

Born in Yakima, Washington, Congresswoman Catherine May (Mrs. Donald W. Bedell) is the first woman to be elected to the U.S. House of Representatives from the State of Washington. A former teacher, writer, commentator and producer of radio programs, Mrs. May was elected to the Washington State House of Representatives in 1952, where she served for six years. She was first elected to Congress in 1958 and has served six consecutive two-year terms in the U.S. House of Representatives. In the 91st Congress, Mrs. May served on the Joint Committee on Atomic Energy and the Committee on Agriculture.

Mrs. May holds a degree in Education from the University of Washington, was head of the High School English Department at Chehalis, Washington for four years, and later served as a writer with the National Broadcasting Company in New York. She was also associated with broadcasting activities in the State of Washington.

In her home state, Mrs. May served as vice chairman of the governor's state-wide Committee on Educational Television, was legislative chairman of the Washington State Federation of Republican Women's Clubs, was a member of the Governor's Safety Council, a member of the Washington Association for Retarded Children, the Young Republican Federation, Alpha Chi Omega, Business and Professional Women, and is an honorary member of Zonta, Altrusa, and Soroptomist Clubs. She is a member of St. Michael's Episcopal Church in Yakima.

Mrs. May was one of five members of the House of Representatives serving on the National Commission on Food Marketing which, in 1965 and 1966, studied and reported on the structure and performance of the American food marketing system. In the fall of 1965, Mrs. May was a United States delegate to the Interparliamentary Union Conference at Ottawa, Canada, and in 1967, was a delegate to the Interparliamentary Union Conference in Majorca, Spain. In the 89th Congress, Mrs. May was appointed to membership on the Committee on Standards and Conduct formed as a bi-partisan study group on standards and conduct for Members: of the House of Representatives. In 1962, Mrs. May was one of six members of the House of Representatives to serve on the Joint Committee on Republican Principles. She has been President of the Western Regional Republican Conference since 1965. In 1968 Mrs. May was one of five original members of the House of Representatives appointed by Presidential candidate Richard M. Nixon as a member of his Key Issues Committee.

Mrs. May has two children, 1st Lt. James C. May, 24, USMC, and Melinda, 19. She resides with her husband at 4101 Cathedral Avenue, N.W., Washington, D.C. 20016.

INTERSTATE COMMERCE COMMISSION

WASHINGTON, D.C. 20423

FOR RELEASE:

737-9765 EXT. 680

Immediate
December 29, 1970

NO. 196-70

COMMISSION ISSUES REVIEW
OF RAIL PASSENGER SYSTEM

The Interstate Commerce Commission released today its review of the Secretary of Transportation's preliminary report on the basic National Rail Passenger System. The results of the review are contained in a letter to DOT Secretary John A. Volpe from ICC Chairman George M. Stafford.

The Commission, while agreeing generally with the basic plan announced by DOT one month ago, offered, however, six modifications considered necessary to the overall success of a viable railroad passenger network. In his letter to Secretary Volpe, Chairman Stafford said:

1. We urge preservation of rail passenger service along the west coast between Seattle and San Diego. Service over this fast-growing corridor would link some of the nation's largest metropolitan areas between which a tremendous amount of intercity travel occurs. If successful, it could greatly contribute to the alleviation of the notorious highway congestion and air pollution problems of this region.
2. We think it essential that rail passenger service linking the south and southwest with the west be maintained, as at present, on a thrice weekly basis between New Orleans and Los Angeles. Omitting service across the southern tier, the preliminary designation

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effectively precludes transcontinental passenger service for the entire southeast as well as for millions living in or near the numerous large cities of the southwest such as Beaumont, Houston, San Antonio, El Paso, Tucson and Phoenix.

3. Trains between Chicago and San Francisco should run over the "Feather River Canyon" route of Western Pacific between Salt Lake City and San Francisco, and the "Rocky Mountain" route of the Denver & Rio Grande Western between Denver and Salt Lake City. This routing will not only assure the continuance of a uniquely scenic travel experience, but also will assure continued service at Denver and Salt Lake City.

4. Washington and Chicago should be linked by direct through rail service, so that the nation's capital could be directly and conveniently accessible by rail from mid-western and far western points. This is the kind of route which, under current highway and airway congestion problems, could well regain a substantial clientele of business travelers.

5. Trains between Chicago and Seattle should be designated to run via St. Paul-Minneapolis with specified stops at the Twin Cities. Otherwise, it is possible, under the preliminary designation, for those trains to be routed over another corridor, completely depriving the states of Wisconsin, Minnesota, North Dakota, and Montana of rail passenger service.

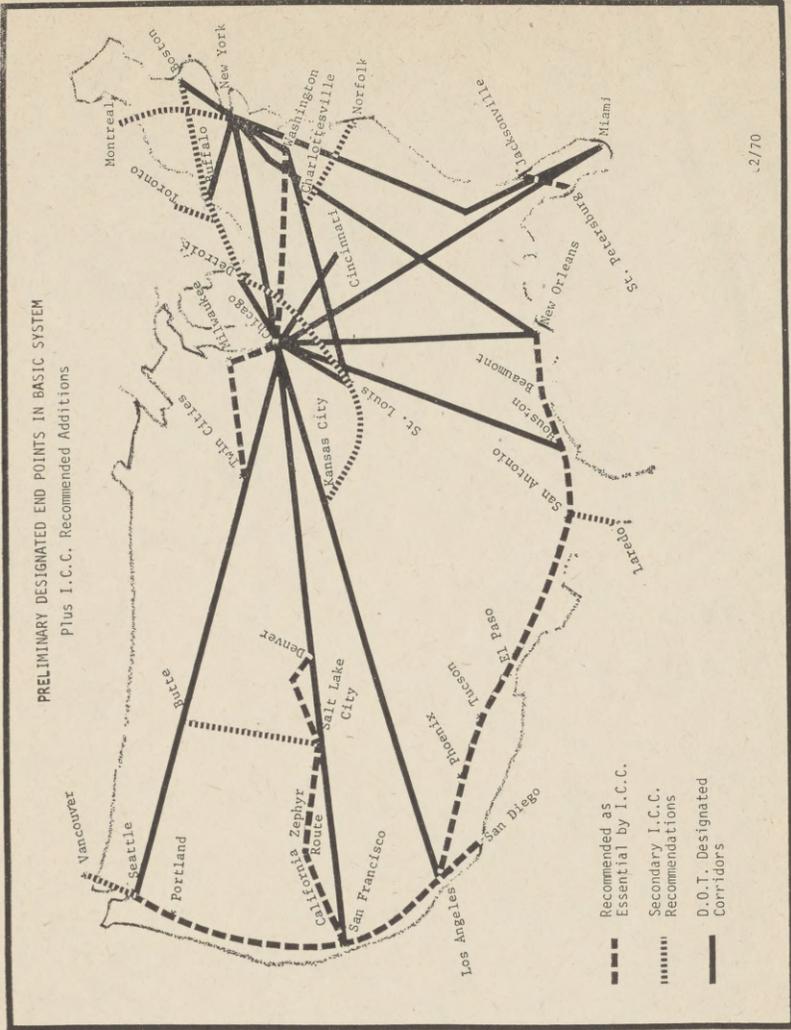
6. The Tampa-St. Petersburg area should not be left without rail passenger trains. This part of Florida generates comparatively heavy vacation travel and is inhabited by many older retired people for whom train travel is a virtual necessity. Since you have designated routes along the east coast of Florida, our proposal would involve a relatively short extension of already recognized routes.

Included in today's review is a map showing the routes proposed in the basic DOT plan, as well as the recommendations outlined by the Commission.

In announcing the Commission's review of the DOT plan, Chairman Stafford issued the following statement:

"The action taken by the Congress in enacting the Rail Passenger Service Act of 1970, and the Department of Transportation in drafting its preliminary route system is a significant first step in the effort to preserve and promote a viable nationwide railroad passenger network. DOT, faced with a critical time factor in implementing the legislation, should be particularly commended for the work it has done in drafting its preliminary report.

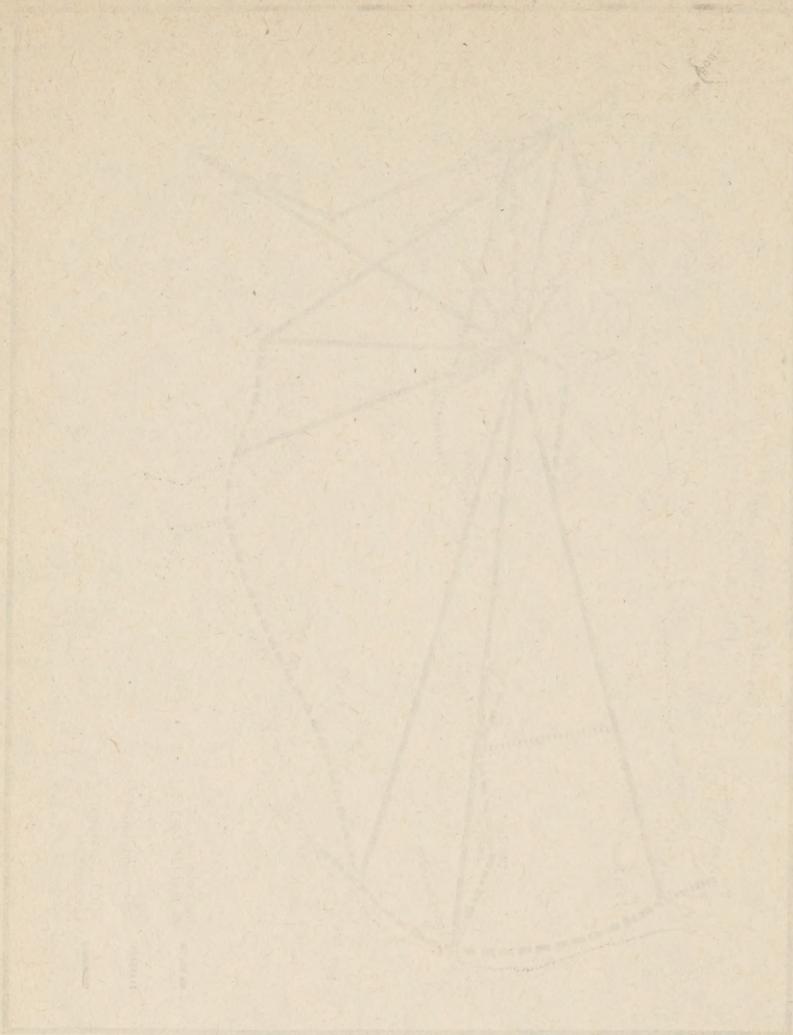
"Our comments are offered in a constructive sense, designed to contribute conclusions we have developed over the past twelve years. Through continued inter-agency cooperation, every effort must be made to determine what railroad service the country needs and will support."



2/70

Whereupon, at 11 a.m., the hearing was adjourned.





The hearing was adjourned at 11 a.m.

