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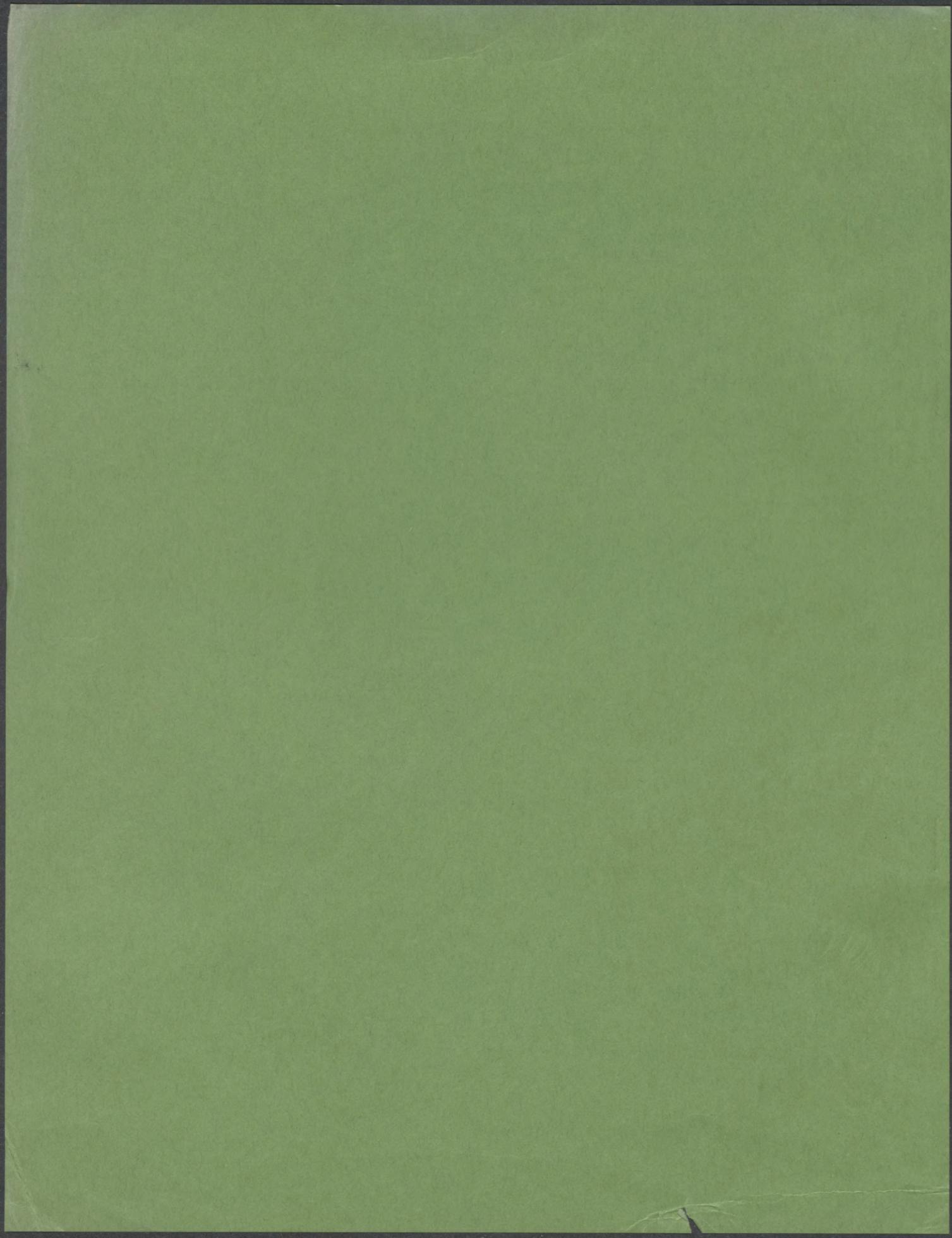
Department of Transportation and Related Agencies Appropriations

Fiscal Year 1977

94th CONGRESS, SECOND SESSION

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PART 2—Justifications (Pages 903-1234)
RELATED AGENCIES



**DEPARTMENT OF TRANSPORTATION AND RELATED
AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1977**

HEARINGS
BEFORE A
SUBCOMMITTEE OF THE
COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE
NINETY-FOURTH CONGRESS
SECOND SESSION

Printed for the use of the Committee on Appropriations

PART 2—Justifications (Pages 903-1234)

Civil Aeronautics Board
Interstate Commerce Commission
National Transportation Safety Board
Panama Canal Company



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DEPARTMENT OF TRANSPORTATION AND RELATED
AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1977

HEARINGS

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS

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(II)

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CIVIL AERONAUTICS BOARD

SALARIES AND EXPENSES

SUMMARY AND HIGHLIGHT STATEMENT

The Civil Aeronautics Board is an independent agency having responsibility for the regulation, promotion, and development of U.S. civil aviation and an air transport system properly adapted to the present and future needs of the domestic and foreign commerce of the United States, the Postal Service and the national defense. The Board carries out these responsibilities through the economic regulatory powers vested in it by the Federal Aviation Act of 1958, as amended.

The table below summarizes the Board's budget request.

	Fiscal Year 1976	Fiscal Year 1977	Increase 1977 over 1976
Permanent Positions.....	758	787	29
Average Employment.....	743	774	31
Salaries and expenses appropriation (\$000).....	19,883 <u>a/</u>	21,654	1,771
Payments to air carriers appropriation (\$000).....	<u>60,695</u>	<u>80,007</u>	<u>19,312</u>
Total budget request (\$000)	80,578	101,661	21,083

An appropriation of \$21,654,000 is requested for fiscal 1977 for Salaries and Expenses. This includes an increase of 29 positions and 31 man-years over the prior year. The appropriation required for Payments to Air Carriers is \$80,007,000, an increase of \$19,312,000 over the appropriation for fiscal 1976.

SALARIES AND EXPENSES

The Board finds itself in a time of singular challenge and change. It is a time when a unique confluence of forces presses on the agency creating special needs and capabilities which have shaped its proposed budget plan for fiscal 1977. It is a budget plan which reflects a turbulent economic time when the aviation industry--and consequently its regulator--are faced with unprecedented difficulties. It is a budget plan which reflects a materially increased current and anticipated workload in response to the pressures to expedite regulatory decision-making. Finally, it is a budget plan which gives recognition to the widespread public debate regarding the future of aviation regulatory policy--and the need for the Board to participate in that debate. A major effort must be made to examine regulatory policy alternatives, test them against the demands of the present and the future, and adopt changes where regulatory alternatives appear sound in serving those demands.

The following summary presents the Board's principal efforts to manage this multi-faceted program and sets forth the resource requirements necessary to balance the varied interests of the entities affected.

a/ Includes estimated supplemental of \$588 thousand for pay raise effective in October 1975.

Factors Increasing Normal Workload

Route Hearings

After a period of relative inactivity in route matters, the recent institution of such proceedings as the Baltimore-Norfolk Service Case, the Detroit-Boston Nonstop Route Proceeding, the Peoria Service Investigation, the Boston-Atlanta Nonstop Service Case, the Chicago-New Orleans Nonstop Route Proceeding, the Midwest-Atlanta Competitive Case, the Oklahoma-Denver Southeast Points Investigation and the Hilo Service Case marks an upturn in route hearing activity which will continue into fiscal 1977, creating heavy workload demands on the staff. In addition, inflation, the rising impact of charter operations on scheduled service, and the threat of excess capacity all dictate the need for a careful review of route hearing requests in order to select those which have the greatest potential for public benefits. The regular route authorization caseload (both formal and informal) is increasing substantially because carriers are trying to rationalize their route systems through suspensions and deletion of points, route exchanges, mergers and capacity control agreements. New traffic opportunities are also being sought through proposed interchange operations and requests for removal of existing restrictions in certificates.

Cargo and Charters

In the cargo and charter licensing area, fiscal years 1976 and 1977 will see workload increasing by 15 and 48 percent respectively over fiscal 1975. This stems from several sources including: processing of applications in the Transatlantic Route Proceeding, the Supplemental Renewal Proceeding, and the Automotive Cargo Investigation; a new rule which requires all air carriers to obtain a surety bond or establish an escrow account for the protection of customers' charter deposits, and to file quarterly escrow account reports which must be reviewed by the staff; an expected large volume of requests for waivers and exemptions from charter rules; increased filings of travel group charters (TGC) resulting partly from the recent liberalization of the TGC rules; and new regulations establishing special event charters and one-stop inclusive tour charters.

Rate Matters

The workload in the Rates and Fares program is closely related to the number and nature of air carrier tariff filings. Filings increased from 42,688 in fiscal 1963 to 89,957 in fiscal 1971, and to a total of 101,055 in fiscal 1973. For fiscal 1974, filings received reached 116,146 and 124,544 for fiscal 1975. For fiscal 1976, the estimate is 150,000 filings and for fiscal 1977, it is 153,000.

Tariff filings are made at the discretion of the individual carriers. Frequently, there are multiple-carrier filings, which escalate the workload to be disposed of in a limited period. Since passenger fares and property rates are initiated by carrier filings with the Board, and complaints may be filed by any interested party, the Board has very limited discretion as to workload volume, scheduling, or processing. The work must be completed within the statutory deadlines and, at the same time, the Board must insure that just and reasonable rates and fares become effective.

The 23 percent increase in tariff filings, fiscal 1977 over 1975, not only impacts the staff reviewing and processing the filings but also, results in a commensurate increase in the workload of the staff performing the economic and legal analysis of substantive tariff changes. The industry is experiencing a continuing escalation in the

cost of doing business, as a result of rapidly rising fuel costs and the general inflation in the economy. On the other hand, traffic growth has been at a standstill, and recovery is expected to be at a moderate rate. These trends come at a time when earnings are substandard in relation to the 12-percent return on investment found reasonable by the Board. This situation will generate a volume of tariff filings, well above what might be expected in more normal times involving both domestic and international carriers and both passenger fares and cargo rates.

The Domestic Air Freight Rate Investigation will command a commitment of time on the part of both analytical and legal staff through fiscal years 1976 and 1977. This proceeding encompasses the total pattern of general cargo rates and rates for specific commodities, and is at least as complex as the Domestic Passenger Fare Investigation. Board decision is expected during fiscal 1977. It is anticipated that preparation and implementation of the Board's decision will entail a commitment of staff as in the fare investigation. Moreover, the Administrative Law Judge has recommended that a new proceeding be instituted to determine the feasibility of establishing a standard load factor for freight rate-making purposes which, if instituted by the Board, will require analytical and legal staff time in fiscal year 1977.

International Aviation Matters

The Board will pursue its efforts to strengthen the economic position of the flag carriers. The staff continues to review the preferential practices of foreign governments giving their national carriers unfair competitive advantages over our flag carriers. We are determined to maintain a firm but fair approach in negotiation positions in dealing with foreign governments in their demands for new or additional rights and we will seek to adjust existing exchanges of air rights with other countries under circumstances where exchanges indicate growing unfavorable balances. A major problem continues to be the role of international charter service. It is anticipated that special efforts will be needed to seek renewals and possible expansion of charter understandings. Also, the analytical activity necessary to develop a full record in the North Atlantic Fares Investigation is another area which presents the staff with additional workload.

Consumer Activities

It is anticipated that the current intensification of various organized consumer interests will continue to have a significant impact upon the activity of the Board. This impact is felt not only on the need to analyze formal complaints filed by such groups, but particularly in the rapidly growing volume of correspondence from members of the Congress, individuals, and consumer groups.

The scope of the Board's consumer-related activities was substantially broadened in fiscal 1975 to insure: adequate resources and independence for the consumer activities staff; representation before the Board in matters of primary concern to the users of air transportation; and participation in all Board proceedings, formal and informal, on a basis equal to all other parties. With its expanded authority, the Consumer Advocate's staff can initiate proceedings before the Board, participate in pending proceedings, and provide expertise in the form of informational notices on topics of consumer concern. The work involves preparation of position papers with the attendant research effort and presentations in hearings, conferences and other forums and this work is expected to escalate in fiscal 1977.

The need to simplify tariffs for consumers is a matter of concern to the Board. With increasing complexity of fare and rate structures and little movement by carriers to date to make a serious effort toward simplification, it is necessary to devote more manpower to identifying and recommending solutions for the more complex tariff provisions.

In another consumer area the Board has issued an advance notice of rule-making seeking suggestions on development of a procedure which will provide more adequate, timely, and simplified notification of available fares to the buying and selling public. The Board anticipates comments and proposals from the broad segment of the industry, including the carriers and travel agents, and from the traveling public, and final resolution of this matter can be expected to be complex and move well into fiscal year 1977.

Enforcement Activities

During fiscal years 1976 and 1977, enforcement activity will continue to focus on the seven substantive program areas (integrity of Board processes, antitrust violations, consumer-oriented violations, charter violations, unauthorized air transportation, tariff violations and cargo violations), with increased emphasis in the last three areas. In the past year, areas such as cargo, which have historically been given little attention, have begun to develop as major areas. We expect this trend to continue in the next two fiscal years. We further expect that the monitoring of any injunctions, which may result from the currently existing Grand Jury probes into ticket discounting will necessitate a considerable expenditure of investigative time and effort as well as legal effort in those areas where violations are found. We also expect major investigations to develop in the area of unauthorized air transportation where persons not now within the regulatory framework are operating as common carriers. Of course, work in the other four program areas must continue with a view toward correcting any consumer-oriented problems, especially in advertising and overcharging areas.

Present resource constraints still hamper the achievement of the goal of industrywide enforcement in a number of program areas, including the sensitive area of illegal political contributions. Nonetheless, in fiscal 1977 the Board plans to investigate and analyze information in virtually every area and within the limited capability of its enforcement legal staff, to prosecute violations of law during this period of major transition in air transport.

Information Systems

Additional workload in fiscal 1977 will flow from the need to develop plans and prepare economic regulations for major new accounting and reporting systems for the airline industry, including completion of a proposed rule and implementation of a costing system that will provide profit and loss data and related cost details by product line, e.g., passenger, cargo, and military types of common carriage. This effort will result in the most significant change in the CAB's Uniform System of Accounts and Reports for Certificated Air Carriers since its inception and will provide a tool unique among regulatory agencies. Also, it will move the Board's prescribed accounting and reporting systems more in line with business accounting practices.

In fiscal 1977 we anticipate the need for a data system capable of providing the information necessary to monitor and evaluate liberalized

and expanded activity by the charter operators. New domestic charter rules are the one-stop inclusive tour charter, and the special event charter. Also, since the Board's present charter reporting system was instituted about eight years ago, there has been a virtual revolution in the nature of the services offered. This has rendered the present system almost obsolete in today's environment.

Expediting Decision-Making and Regulatory Reforms

The Board is disturbed that the pace of regulatory decision-making has contributed to the dissatisfaction with regulation in general and regulatory agencies in particular, a dissatisfaction shared by consumers and industry. The Board prides itself in attempting, over the years, to speed up its operations while holding down its requests for additional personnel. To do this, the Board has made numerous delegations of authority to the staff on recurring and non-controversial matters. Show cause orders have been used in lieu of formal proceedings. Subparts M and N were adopted to the rules of practice to expedite formal proceedings where applicable. And the computer has been utilized especially in the routes, rates, international, planning and research, carrier accounting and reporting and financial management areas to reduce manpower inputs.

The Board is also deeply concerned about the immediate difficulties confronting the aviation community. Fuel, labor and other costs have risen. Traffic has been depressed. Aviation's dependence upon imported petroleum could present special difficulties if supply is suddenly disrupted. Also, it is a time when a widespread debate concerning regulatory policies and the future of regulation swirls about the regulators and the regulated.

Under these conditions, the Board has undertaken a regulatory reform effort relative to the major role it must play in any decisions regarding changes in the existing regulatory regime. In order to fully implement its systematic approach to improving our regulatory system, the Board is requesting 29 additional positions for fiscal 1977 for the following activities which affect primarily the route, charter, international, rates and fares, accounting and reporting and enforcement activities of the Board's work.

Improving Information Systems

Reinforce the Board's research, analytical and informational capabilities to assist the Board in evaluating its policies. This will enable the Board to assist Congressional and Executive reviews of the organization, procedures, functions and results of the regulatory processes. The Board will consider whether to inaugurate its own series of experiments to assess the operation of the U.S. domestic air transport system under different regulatory constraints. Consideration of regulatory objectives will entail, among other things, continuing, comprehensive and detailed analysis of changing conditions affecting air transportation.

Economic Regulatory Issues

Participate fully and constructively in the current debate over the future of aviation regulatory policy by encouraging the testing of regulatory precepts against the demands of future economic climates and by serving as a catalyst and providing a forum to examine regulatory issues. Along these lines, the tremendous escalation in the price of aviation fuel, cost of which for domestic service is now more than 50 percent above that in January 1974, together with the

general inflationary trend in the economy, has posed the question of whether the rate-making standards arrived at in the Domestic Passenger Fare Investigation (DPFI) continue to be best suited to today's climate. To assist in this reassessment, a task force has been formed. This group is composed of senior analysts normally dealing with day-to-day regulatory activities, and its formation creates an additional workload on the analytical staff. Since the cost of airline operations has risen dramatically in terms of constant dollars, the first assignment to the task force was a thorough research and evaluation of whether or not a higher load factor standard should be applied in the future for rate-making purposes; e.g., should a different balance be struck between the quality of service for which the passenger is asked to pay and the fare he must pay for that service. This undertaking was in progress at the beginning of fiscal 1976, resulting in the institution of a rule-making proceeding in August 1975. The complexity of the issues will require considerable commitment of legal and analytical staff in fiscal years 1976 and 1977. Beyond this, the Board intends to review the return on investment standard to consider whether a change may now also be indicated in that rate-making criterion in light of altered conditions in capital markets, and questions which have been raised in recent months as to the reasonableness of the 12-percent standard.

New Charter Policy

Test new charter concepts which could greatly expand the availability of low-cost air transportation to the public. These include one-stop inclusive tour charters and special events charters which were introduced in early fiscal 1976 and which the Board will continue to monitor. In addition, the Board currently has under consideration advance booking charters which could be proposed in the near future by the rule-making process. The process of analysis, testing of regulatory policies and experimentation represented by these undertakings as well as others, will absorb much of the Board's thought and energies during the next two years.

Service to Small Communities

Reevaluate air service to small communities and problems confronting local service and commuter air carriers in light of a combination of factors, including recent inflationary trends, the escalation of fuel costs, and the phaseout of the older and smaller aircraft used by certificated carriers to serve many of the smaller communities. These issues must be addressed in the context of civic insistence that air service by certificated carriers be retained through the provision of subsidy if necessary or adequate commuter carrier replacement service. Furthermore, as a result of an adverse court decision, the experimental "flow-through" subsidy plan of the Board, initiated in 1974 with the Frontier/Air Midwest case, has been terminated. The Board will therefore be reviewing the entire small community service question in the light of this action and the above factors.

Enforcing New Regulations

Analyze the enforcement impact of proposed regulatory reforms. To the extent that the regulatory regime is changed, new kinds of violations and new areas requiring enforcement attention will result and procedural reforms, such as reduction of time spent in determination of action on third party complaints, will result in increased workload.

Procedural Reform

Examine and evaluate CAB procedures to assure that the Board is responsive to current and future demands. In this regard, the Board established the CAB Advisory Committee on Procedural Reforms, composed of a diverse group of individuals from outside government. Working with Board staff, the Committee analyzed CAB administrative procedures and made recommendations to the Board for reforms. The Board is currently seeking public comment on this report and plans to implement those reforms which are shown not only to expedite the Board's route, rate, international and enforcement workload but to offer all affected parties a fair opportunity to be heard and to assure that all relevant issues will be considered.

Reduce Reporting Requirements

Initiate a program to reduce CAB reporting requirements. As a first step toward implementing this program, discussions have been initiated with staff of the Securities and Exchange Commission to compare the reporting requirements of SEC and CAB for possible duplication. This has led to the formation of an SEC/CAB task force which will review the reporting requirements and recommend areas where the two agencies can share data and agree upon common reports, thereby eliminating a burden upon private industry.

Experimentation

Explore possible experimentation with different regulatory concepts which could result in increased competition. The Board has initiated action by proposing the consideration of a program of experimentation with free entry and exit into selected aviation markets and more freedom for carriers to set fares. To assure a full discussion, the Board docketed the experimental program (docket number 28048), and asked for comments from all interested parties. After analyzing the comments that were submitted to the Board, the staff concluded that it is not possible to design an experiment of temporary duration and/or limited scope which will provide reliable and meaningful data as to the impact of the removal of entry, exit, and price controls throughout the entire U.S. air transportation system. The Board has not approved or otherwise acted upon the response. It has, however, ordered the staff response placed in the public docket and has authorized its release for public comment. The Board will continue to investigate the possibility of experiments that might yield significant data that will help disclose important factors about the impact of deregulation on aviation. In this regard, the staff is working to design such limited experiments for the Board's consideration.

International Policy Review

Participate in the Government-wide review of international aviation policy. The staff will perform analytical work required by the issues resulting from the continuing Government-wide review. Continuing staff involvement will be required to keep pace with the ever-increasing workload associated with the growing complexity of international aviation problems and the substantial growth and multi-lateral negotiation/consultation conferences.

Regulatory Evaluation

Maintain a responsible and objective sense of self-examination. Along these lines, the Board, during fiscal 1975, initiated a special

independent staff study to appraise the effectiveness of the current economic regulatory regime and consider alternatives, some of which involve statutory changes. The report concluded that the environment in which the industry functions, and the industry itself, had changed substantially. In today's climate, the report concluded, the extent to which domestic air transportation is regulated with respect to entry, exit and price is no longer desirable. The Board will address these and related questions of regulatory policy when the Congress considers the Administration's proposed Aviation Act of 1975. Also, the Board will be able to draw upon various outside sources to assist it with specialized knowledge, experience, and judgments in analyzing current policies, considering proposals for policy changes, and developing such regulatory policies which are necessary or desirable.

Budget Implications

The question of whether the Board needed additional funds, especially regarding the sensitive issues of procedural and regulatory reform and route and rate experimentation, was taken up as an amendment to our fiscal 1976 budget. In this regard, the Board requested and the President and Congress approved an additional \$300,000 to our fiscal 1976 Salaries and Expenses estimates in order to fund outside analytical work, among other methods, for dealing with changing issues on the regulatory scene. We believe that the debate on the issue of regulatory policies will reach critical decision-making phases in fiscal 1977. And, we will continue to require flexibility to draw upon our internal resources and various sources outside the Board for the specialized knowledge, experience and judgments, which are a necessary component of our decision-making process. Accordingly, our budget request for fiscal 1977 includes a request of a similar amount, \$300,000, allocated to our five regulatory programs. In addition, the 29 new positions that the Board is requesting will be utilized, as discussed above, in analyzing current policies considering proposals for policy changes and developing the new regulatory policies which are found necessary to cope successfully over the long-run with the realities of a changing economic environment. We believe these position increases and the \$300,000 contract money will provide the Board with the continuity of resources necessary to pursue an active and flexible program for designing and testing various regulatory and procedural reform proposals and expedite its workload. It will also enable us to initiate domestic and international route, charter, and rate policy studies to further the debate of issues which need to be explored as we seek an intelligent synthesis of current regulatory policies with present and future economic realities.

Management Initiatives

The Board, by the very nature of its size, functions, organization, location and operations, conducts a vigorous examination of its program activities. A salient feature of this process is the ability to shift manpower quickly to meet critical needs and changing priorities. For example, for fiscal 1976, the President and Congress approved 40 new positions for the Board. Originally 23 of these positions were estimated to be needed to strengthen our enforcement activities. However, between the time we submitted our fiscal 1976 budget and our latest manpower review, the need to improve the Board's performance in speeding up its decision-making process assumed a priority second only to our initiatives on the whole question of regulatory and procedural reform. Achieving a reasonably current status is especially acute in the route authority area where, as mentioned earlier, the Board recently began an active program to examine the new service needs of the traveling public. Eight major new route cases have been instituted to date, and this trend should continue and accelerate through this 1976 and 1977 time frame.

Further, management reviews showed that certain aspects of the air carrier financial and traffic information system and consumer advocacy activities, if strengthened with increased manpower, could contribute to speeding-up the decision-making process while assuring full disclosure and representation of the issues affecting the interests of the consuming public. These considerations of priorities resulted in deferring our original plans for enforcement work and reallocating additional positions to our route, charter, international, reporting and accounting and consumer activities. Hence, the allocations in this budget for fiscal 1976 and 1977, reflect the changing priorities of the Board without losing sight of the fact that work must continue to move forward in all areas.

Because manpower is the Board's only effective means for processing its workload in a reasonably current fashion, even after taking into account the productivity gains of our modern ADP capability, the Board has reinforced its efforts to manage its resources to make sure that we are utilizing them in the most effective way. In this regard, we recently decided that rather than request additional field auditor positions for fiscal 1977, we would investigate other means for fulfilling our field audit responsibility. This question currently is under intensive review and there are no estimates for additional dollars or manpower in this budget for field audit work greater than an effort comparable to fiscal 1975. In any case, it will be necessary for the Board to maintain a small staff of professional auditors to respond to specific information needs of the Board and its staff and to design, guide, supervise and test carrier financial and traffic results to assure conformance with the Board's regulatory requirements.

Another management innovation that the Board intends to utilize during fiscal 1976 and 1977 is term employment. This type of appointment will be used to fill positions that will last longer than one year but are clearly of a project nature and will terminate upon completion of the project. This kind of employment should be especially well suited to attracting persons who are not interested in a career in the Federal Service but who will be able to make a substantial contribution on the Board's regulatory reform efforts. The flexibility afforded the Board will allow us to meet critical temporary analytical demands relative to regulatory reform in the route, rate, charter, service to small communities, international, accounting and reporting and enforcement activities, without committing the Government to permanent employment. As the project-type work tapers off, the Board in subsequent years intends to request only enough dollars to fund the man-years associated with performing its on-going, permanent-type workload.

Summary

Accordingly, based on the regulatory imperatives and the management actions as indicated above, the Board requests 29 additional positions for fiscal 1977. These positions are needed to allow us the flexibility to perform the in-depth analytical work associated with the question of regulatory and procedural reform. And many of these positions will be needed only temporarily. Insufficient human resources will aggravate a sensitive situation and prevent the effective performance of our statutory responsibilities at a time when the President has proposed a regulatory reform program which would not substantially reduce the workload of the Board. The increased resources requested were arrived at only after all possible internal reallocations were considered. Our plans to examine regulatory policy alternatives and, at the same time, to expedite a materially increasing workload result in significant rises in the level of our major programs. In sum, the increases requested here will permit us to handle a substantial portion of the work of today while we strive to lighten the regulatory burden on the consuming public and the industry.

PAYMENTS TO AIR CARRIERS

The \$80,007,000 appropriation requested in fiscal 1977 is to provide for subsidy payments to eight local service carriers and three Alaskan carriers. No funds are included in this budget for amounts which may be due some local service carriers under petitions filed for increases in past-period subsidy or for an overall increase in the class rate level that could result from a petition to reopen Class Rate VII and establish a new class rate. Neither are funds included for Pan American or Trans World whose petitions for subsidy amount to approximately \$250 million on an annual basis.

The 1977 subsidy appropriation request, which is \$19.3 million more than the 1976 appropriation, reflects (a) an increase over the estimates in the 1976 budget of \$7.6 million in Class Rate VII payment. The higher subsidy estimate results from a decline in traffic growth caused by the economic downturn and continued increases in fuel and labor costs as well as other operating expenses; (b) an increase of \$2.7 million for a new temporary rate for Air New England; (c) a decrease of \$2.5 million as a result of providing for no past-period subsidy for Frontier Airlines in this budget; and (d) an increase of \$11.5 million for obligations for fiscal 1976 and the transition quarter that are not funded by the appropriations for those periods. Present indications are that a supplemental appropriation may be required in the transition quarter so that we can meet the Government's subsidy obligations to the local service carriers.

The Board will continue in its efforts to assure adequate scheduled air services to the smaller communities as an integral part of its mandate to promote, foster, and develop the nation's air transport system to meet the ever-growing domestic and international needs of U.S. commerce, the Postal Service and the national defense. In this regard, the Board is considering an entirely new class rate mechanism which may be needed to place greater emphasis on subsidy support of inherently uneconomic service to small communities.

SELECTED WORKLOAD DATA

	Receipts During Year		Completions During Year		On Hand, End of Year	
	FY 75	FY 76	FY 75	FY 76	FY 75	FY 76
Formal route cases	23	43	30	35	51	59
Informal route matters	320	345	296	340	103	108
Cargo and charter licensing	5,638	5,153	4,974	5,746	1,050	457
Formal hearing proceedings	78	78	77	75	43	46
Opinion writing	99	131	90	147	62	46
International negotiations/consultations	97	105	98	106	4	3
International studies/analyses	746	685	753	693	23	15
International aviation problems	831	779	838	798	43	24
Review of tariff filings	124,544	152,000	123,808	152,000	8,330	8,330
Tariff referrals and complaints	1,469	4,750	1,489	4,750	91	91
Formal passenger and property rate investigations	38	65	43	65	43	43
Passenger and property rate exemptions	18	100	17	100	2	2
Government rates	391	246	476	298	108	56
Subsidy rates and analyses	148	167	112	157	75	85
Subsidy claims and payments	672	643	672	643	12	12
Intercarrier rate agreements	992	2,000	955	2,000	129	129
Acquisitions, interlocks and agreements	4,173	4,224	5,910	4,320	423	327
Regulation of accounting and reporting systems	1,146	1,787	1,302	1,545	787	1,029
Carrier report schedule filings	53,000	56,000	52,500	55,000	1,025	2,025
Analysis and evaluation	402	445	398	448	15	12
Statistical data reports	649	676	656	683	69	62
Audit of subsidized carriers	472	450	86	160	170	956
Audit of nonsubsidized carriers	861	750	329	245	1,246	1,751
Formal and informal enforcement actions	1,486	2,360	1,065	1,770	810	1,400
Enforcement investigations	1,961	2,950	1,520	2,240	817	1,527
Consumer complaints	12,864	14,150	13,158	14,206	1,156	1,100
			16,175	16,175	1,156	1,200

Summary of Budget Estimates, Fiscal Year 1977
(Dollar amounts in thousands)

	1976			1977			Difference: Increase (+) or Decrease (-)		
	Max. No. of Perm. Pos.	Av. No. of all Pos.	Dollar Cost	Max. No. of Perm. Pos.	Av. No. of Perm. Pos.	Dollar Cost	Max. No. of Perm. Pos.	Av. No. of all Pos.	Dollar Cost
<u>Payments to Air Carriers:</u>									
Total appropriation.....	-	-	60,695	-	-	80,007	-	-	+19,312
<u>Salaries and Expenses:</u>									
Awards of Operating Authority:									
Personnel compensation and benefits....	252	249	5,510	267	265	5,883	+15	+16	+373
Other objects.....			1,214			1,504			+290
Total.....			6,724			7,387			+663
Regulation of Rates and Fares:									
Personnel compensation and benefits....	197	193	4,203	207	204	4,517	+10	+11	+314
Other objects.....			921			1,117			+196
Total.....			5,124			5,634			+510
Regulation of Agreements and Interlocking Relationships:									
Personnel compensation and benefits....	60	58	1,286	60	58	1,326	-	-	+40
Other objects.....			290			329			+39
Total.....			1,576			1,655			+79
Regulation of Air Carrier Accounting and Reporting:									
Personnel compensation and benefits....	87	85	1,795	90	88	1,888	+3	+3	+93
Other objects.....			760			887			+127
Total.....			2,555			2,775			+220

Summary of Budget Estimates, Fiscal Year 1977
(Dollar amounts in thousands)
(continued)

	1976			1977			Difference: Increase (+) or Decrease (-)		
	Max. No. of Perm. Pos.	Av. No. of all Pos.	Dollar Cost	Max. No. of Perm. Pos.	Av. No. of Perm. Pos.	Dollar Cost	Max. No. of Perm. Pos.	Av. No. of all Pos.	Dollar Cost
Appropriation and Activity									
Enforcement and Consumer Advocacy:									
Personnel compensation and benefits....	96	94	1,941	97	95	2,045	+1	+1	+104
Other objects.....			531			659			+128
Total.....			2,472			2,704			+232
Management Support:									
Personnel compensation and benefits....	66	64	1,102	66	64	1,129	-	-	+27
Other objects.....			330			370			+40
Total.....			1,432			1,499			+67
Recapitulation:									
Personnel compensation and benefits....	758	743	15,837	787	774	16,788	+29	+31	+951
Other objects.....			4,046			4,866			+820
Total.....			19,883			21,654			+1,771
Net adjustment to base (see Summary of Requirements for Detail).....			-588			-			+588
Total appropriation.....	758	743	19,295	787	774	21,654	+29	+31	+2,359
Grand total, all appropriations.....	758	743	79,990	787	774	101,661	+29	+31	+21,671

Appropriation: Payments to Air CarriersSummary of Requirements
(in thousands of dollars)

Appropriation - 1976 enacted				60,695
	<u>Net difference - 1977 over 1976</u>			
	1976	1977	Difference,	
	<u>Adjusted</u>	<u>Estimate</u>	Increase (+)	
			Decrease (-)	
Local service operations	58,332	68,600	+10,268	
Alaskan operations	<u>4,360</u>	<u>4,345</u>	<u>-15</u>	
Current year operations	62,692	72,945	+10,253	
Adjustment of prior year subsidy	<u>2,500</u>	-	<u>-2,500</u>	
	65,192	72,945	+7,753	
Unobligated balance available:				
Start of year	-4,497	7,062	+11,559	
End of year	-	-	-	
	60,695	80,007	+19,312	<u>+19,312</u>
Total estimate of appropriation				80,007

Appropriation: Payments to Air CarriersSummary of Estimated Obligations and Outlays
(in thousands of dollars)

	<u>Actual</u> <u>1975</u>	<u>Estimate</u> <u>1976</u>	<u>Estimate</u> <u>TQ</u>	<u>Estimate</u> <u>1977</u>
Estimated subsidy accrual (amount to be due carriers under final mail rates for carrier operations during the year)	62,986	72,926	18,231	72,945
Reduction for amounts obligated in prior years ...	<u>-320</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total (net) obligations .	62,667	72,926	18,231	72,945
Unliquidated obligations:				
Brought forward from prior years	5,784	4,869	5,911	6,001
Carried forward at end of year	<u>-4,869</u>	<u>-5,911</u>	<u>-6,001</u>	<u>-5,979</u>
Net outlays	63,581	71,883	18,141	72,967

PAYMENTS TO AIR CARRIERS

Subsidy rates are established by the Board pursuant to section 406 of the Federal Aviation Act and are paid by the Board out of a no-year appropriation made annually by Congress. Essentially, the objectives of this program are to further the commerce, Postal Service, and national defense of the United States by providing air service to those communities that would otherwise be without such service because the traffic they generate is insufficient to permit a profitable operation without subsidy.

Although subsidy payments are received by the carriers, the real beneficiaries are the 400 or more small communities throughout the nation which receive air service provided by the local service and Alaskan carriers. Since Congress has chosen to develop modern and efficient air transport services for these communities through subsidy support, one of the Board's prime responsibilities in administering this program is to assure maximum public benefit for every subsidy dollar spent.

Subsidy support to carriers has materially assisted in achieving the national policy objectives set out by Congress. It has promoted the existence of an adequate, economically sound, efficient, and convenient air service which feeds traffic from small and medium sized communities into a network of service between major traffic hubs, which promotes the commerce of the United States and meets the needs of the Postal Service for safe, fast, and frequent delivery of mail. Many segments of the commercial air transport industry that have achieved self-sufficiency over the years were aided by subsidy in the early stages of development.

In fiscal 1977, subsidy is budgeted for eight local service carriers serving within the 48 contiguous states and the District of Columbia, and three carriers providing service within Alaska. Subsidy has not been projected for domestic trunkline, international, Hawaiian, or helicopter operations for several years.

The following carriers are expected to be paid subsidy in fiscal 1977:

Local Service Carriers

1. Air New England, Inc.
2. Frontier Airlines, Inc.
3. Hughes Air Corp. d/b/a/ Hughes Airwest
4. North Central Airlines, Inc.
5. Ozark Air Lines, Inc.
6. Piedmont Aviation, Inc.
7. Southern Airways, Inc.
8. Texas International Airlines, Inc.

Alaska Carriers

1. Alaska Airlines, Inc.
2. Kodiak-Western Alaska Airlines, Inc.
3. Wien Air Alaska Airlines, Inc.

The following table shows subsidy obligations and outlays for fiscal years 1975 through 1977. A reconciliation to the 1977 appropriation request of \$80,007,000 appears on page

Subsidy Obligations and Outlays
(In thousands of dollars)

<u>Fiscal Year</u>	<u>Obligations</u>	<u>Outlays</u>			
		<u>1975 Actual</u>	<u>1976 Estimate</u>	<u>Transition Quarter Estimate</u>	<u>1977 Estimate</u>
<u>Local Service</u>					
Prior year outlays..	-	5,225	-	-	-
1975.....	58,641	54,071	4,570	-	-
1976.....	68,581	-	62,866	5,715	-
Trans. quarter.....	17,145	-	-	11,431	5,714
1977.....	68,600	-	-	-	62,883
		<u>59,295</u>	<u>67,436</u>	<u>17,146</u>	<u>68,597</u>
<u>Alaska Operations</u>					
Prior year outlays..	-	383	(58)	(13)	(53)
1975.....	4,345	3,902	443	-	-
1976.....	4,345	-	4,062	283	-
Trans. quarter.....	1,086	-	-	725	361
1977.....	4,345	-	-	-	4,062
		<u>4,285</u>	<u>4,447</u>	<u>995</u>	<u>4,370</u>
<u>Total</u>					
Prior year outlays..	-	5,608	(58)	(13)	(53)
1975.....	62,986	57,973	5,013	-	-
1976.....	72,926	-	66,928	5,998	-
Trans. quarter.....	18,231	-	-	12,156	6,075
1977.....	72,945	-	-	-	66,945
		<u>63,581</u>	<u>71,883</u>	<u>18,141</u>	<u>72,967</u>

Local Service Operations

Subsidy for the local service carriers is estimated at \$68.6 million for each of the fiscal years 1976 and 1977. This level of subsidy is \$10.3 million higher than the amount provided in the 1976 budget. Of this increase, \$2.7 million is due to Air New England, the newest certificated carrier. This is the difference between the temporary annual subsidy rate for this carrier of \$3.2 million and the \$500,000 rate previously estimated in the 1976 budget. The carrier has filed a petition seeking a final rate of \$4.5 million annually. Air New England's subsidy is determined under an individual rate, not under the local service class rate.

The remainder of the increase, \$7.6 million, flows from Class Rate VII, as amended, which provides for an annual rate of \$65.4 million as against an earlier estimate of \$57.8 million. The carriers' increased subsidy need results from a combination of slower traffic growth caused by the current economic downturn and continued increases in fuel and labor costs as well as other operating expenses. Although there are a few signs that recovery from the business recession may have begun, there are also indications that price increase will continue to press expenses upward. Therefore, the benefits from improving rates of traffic growth may be eroded by higher costs.

It should be noted that petitions have been filed which could materially change the subsidy estimates for fiscal years 1976 and 1977. Texas International has asked for the establishment of a new rate and joined with the other six carriers in the class in requesting an amendment to reduce the ceiling limitations on sharing increases in eligible need. In addition, the staff is considering a new subsidy rate concept. For these reasons, our estimate of \$65.4 million for the class rate carriers must be regarded as tentative.

Frontier has a petition outstanding, requesting about \$9 million of additional subsidy payments for a past period December 2, 1969 through June 30, 1971. This case is scheduled for hearing during fiscal 1976. Because of the pending nature of this past-period rate, no provision has been made in this budget for any amount.

Allegheny Airlines, Inc., which was removed from subsidy in mid-1974, petitioned the Board to return to subsidy status. The Board denied Allegheny's petition through the show cause procedure, however, Allegheny has objected to this denial. The disposition of Allegheny's objection is still pending and no subsidy is projected.

The return by Cuba of a \$2-million ransom to Southern for its hijacked DC-9 aircraft resulted in a reduction of that carrier's subsidy for fiscal years 1974 and 1975 by a combined total of approximately \$500,000.

The recent court decision declaring "flow-through" subsidy illegal may require that all or part of the \$240,000 paid to Frontier between August 1973 and June 1975 and passed on to Air Midwest be reclaimed.

Alaskan Operations

Assuming continuation of the current subsidy rates for the three Alaskan carriers, the fiscal 1976 estimate of \$4.3 million is about the same level as 1975. Air service is essential to the Alaskan communities, since in many cases it is the only means of modern transportation. Therefore, subsidy support has played an important part in assuring development of essential air transportation.

In view of the changing economic conditions in Alaska, arising from activity connected with development of the North Slope oil reserves, the levels of subsidy support that will be needed to underwrite intra-Alaskan operations will be reviewed in fiscal 1976.

Hawaiian Operations

The two certificated carriers serving Hawaii have been on and off subsidy several times during their existence. Neither carrier is currently subsidized and no subsidy is contemplated during fiscal years 1976 and 1977.

International Operations

Pan American (Pan Am) and Trans World Airlines filed petitions for individual subsidy rates on April 3, 1974.

The Trans World petition was dismissed as procedurally defective in September 1974. On October 18, 1974, Trans World filed a petition for reconsideration setting out a subsidy request of \$61.6 million for the year commencing April 3, 1974 and \$54.2 million per year for subsequent annual periods. The carrier's petition for reconsideration is pending.

Pan Am's petition requested a final subsidy mail rate of \$194 million for each annual period beginning April 3, 1974. This petition is still under consideration by the Board. Pan Am's petition for a temporary subsidy rate of \$10.2 million a month, filed in August 1974, was dismissed by the Board in September 1974.

Domestic Trunkline Operations

On May 5, 1975, Trans World filed a petition for temporary and final subsidy rates for its domestic trunkline operations. The petition, which is pending before the Board, requests a final rate of \$184.1 million annually and a temporary annual rate of \$124.2 million.

Appropriation: Salaries and Expenses

Summary of Requirements
(in thousands of dollars)

Appropriation - 1976 enacted	19,295
Add: Proposed supplemental for pay increases	588
Budget authority	19,883

	<u>Net Difference - 1977 over 1976</u>		
	<u>1976</u>	<u>1977</u>	<u>Difference</u>
	<u>Adjusted</u>	<u>Estimate</u>	<u>Increase (+)</u>
			<u>Decrease (-)</u>
Awards of operating authority.....	6,724	7,387	+ 663
Regulation of rates and fares.....	5,124	5,634	+ 510
Regulation of agreements and inter- locking relationships.....	1,576	1,655	+ 79
Regulation of air carrier accounting and reporting.....	2,555	2,775	+ 220
Enforcement and consumer advocacy.....	2,472	2,704	+ 232
Management support.....	1,432	1,499	+ 67
	<u>19,883</u>	<u>21,654</u>	<u>+1,771</u>
Total estimate of appropriation.....			21,654

1,771

CIVIL AERONAUTICS BOARD

Analysis of Program Cost by Bureau and Office, Fiscal Year 1975 Actual
(In thousands of dollars)

Bureau/Office	Awards of Operating Authority	Regulation of Rates & Fares	Regulation of Agreements & Interlocking Relationships	Regulation of Air Carrier Accounting & Reporting	Enforcement and Consumer Advocacy	Management Support	Total
Offices of Members.....	473	385	118	-	30	-	1,006
Office of Consumer Advocate.....	60	40	-	-	322	-	422
Office of Equal Employment Opportunity.....	-	-	-	-	-	87	87
Office of General Counsel.....	599	286	182	52	52	-	1,171
Office of the Secretary.....	250	159	70	17	86	-	582
Bureau of Accounts and Statistics.	789	535	169	1,465	28	57	3,043
Bureau of Economics.....	256	2,542	210	-	-	-	3,008
Bureau of Enforcement.....	-	-	-	602	1,467	-	2,069
Bureau of Administrative Law Judges	553	175	146	-	58	-	932
Bureau of International Affairs..	839	-	-	-	-	-	839
Bureau of Operating Rights.....	1,701	-	419	-	-	-	2,120
Management Support Offices.....	<u>398</u>	<u>378</u>	<u>99</u>	<u>119</u>	<u>20</u>	<u>1,192</u>	<u>2,206</u>
Total Direct Program.....	5,918	4,500	1,413	2,255	2,063	1,336	17,485

CIVIL AERONAUTICS BOARD

Analysis of Program Cost by Bureau and Office, Fiscal Year 1976 Estimate
(In thousands of dollars)

<u>Bureau/Office</u>	<u>Awards of Operating Authority</u>	<u>Regulation of Rates & Fares</u>	<u>Regulation of Agreements & Interlocking Relationships</u>	<u>Regulation of Air Carrier Accounting & Reporting</u>	<u>Enforcement and Consumer Advocacy</u>	<u>Management Support</u>	<u>Total</u>
Offices of Members.....	525	398	123	-	34	-	1,080
Office of Consumer Advocate.....	80	55	-	-	356	-	491
Office of Equal Employment Opportunity.....	-	-	-	-	-	93	93
Office of General Counsel.....	717	323	141	54	74	-	1,309
Office of the Secretary.....	286	158	76	19	86	-	625
Bureau of Accounts and Statistics.	875	568	223	1,744	64	63	3,537
Bureau of Economics.....	274	3,040	224	-	-	-	3,538
Bureau of Enforcement.....	-	-	-	624	1,759	-	2,383
Bureau of Administrative Law Judges	650	207	207	-	88	-	1,152
Bureau of International Affairs...	981	-	-	-	-	-	981
Bureau of Operating Rights.....	1,901	-	463	-	-	-	2,364
Management Support Offices.....	435	375	119	114	11	1,276	2,330
Total Direct Program.....	6,724	5,124	1,576	2,555	2,472	1,432	19,883

CIVIL AERONAUTICS BOARD

Analysis of Program Cost by Bureau and Office, Fiscal Year 1977 Estimate
(In thousands of dollars)

Bureau/Office	Awards of Operating Authority	Regulation of Rates & Fares	Regulation of Agreements & Interlocking Relationships	Regulation of Air Carrier Accounting & Reporting	Enforcement and Consumer Advocacy	Management Support	Total
Offices of Members.....	587	433	131	-	29	-	1,180
Office of Consumer Advocate.....	91	61	-	-	382	-	534
Office of Equal Employment Opportunity.....	-	-	-	-	-	98	98
Office of General Counsel.....	828	369	148	57	73	-	1,475
Office of the Secretary.....	329	183	81	20	92	-	705
Bureau of Accounts and Statistics.	972	640	231	1,914	65	65	3,887
Bureau of Economics.....	291	3,319	244	-	-	-	3,854
Bureau of Enforcement.....	-	-	-	665	1,965	-	2,630
Bureau of Administrative Law Judges	680	216	213	-	91	-	1,200
Bureau of International Affairs...	1,078	-	-	-	-	-	1,078
Bureau of Operating Rights.....	2,038	-	481	-	-	-	2,519
Management Support Offices.....	493	413	126	119	7	1,336	2,494
Total Direct Program.....	7,387	5,634	1,655	2,775	2,704	1,499	21,654

CIVIL AERONAUTICS BOARD

Distribution of Man-Years by Program, Fiscal Year 1975 Actual

Bureau/Office	Awards of Operating Authority	Regulation of Rates & Fares	Regulation of Agreements & Interlocking Relationships	Regulation of Air Carrier Accounting & Reporting	Enforcement and Consumer Advocacy	Management Support	Total
Offices of Members.....	16	13	4	-	1	-	34
Office of Consumer Advocate.....	3	2	-	-	16	-	21
Office of Equal Employment Opportunity.....	-	-	-	-	-	4	4
Office of General Counsel.....	23	11	7	2	2	-	45
Office of the Secretary.....	12	8	4	1	5	-	30
Bureau of Accounts and Statistics.	28	19	6	52	1	2	108
Bureau of Economics.....	11	109	9	-	-	-	129
Bureau of Enforcement.....	-	-	-	23	56	-	79
Bureau of Administrative Law Judges	19	6	5	-	2	-	32
Bureau of International Affairs..	33	-	-	-	-	-	33
Bureau of Operating Rights.....	73	-	18	-	-	-	91
Management Support Offices.....	20	19	5	6	1	60	111
Total Direct Program.....	238	187	58	84	84	66	717

CIVIL AERONAUTICS BOARD

Distribution of Man-Years by Program, Fiscal Year 1976 Estimate

Bureau/Office	Awards of Operating Authority	Regulation of Rates & Fares	Regulation of Agreements & Interlocking Relationships	Regulation of Air Carrier Accounting & Reporting	Enforcement and Consumer Advocacy	Management Support	Total
Offices of Members.....	17	13	4	-	1	-	35
Office of Consumer Advocate.....	3	2	-	-	16	-	21
Office of Equal Employment Opportunity.....	-	-	-	-	-	4	4
Office of General Counsel.....	26	12	5	2	3	-	48
Office of the Secretary.....	12	7	4	1	5	-	29
Bureau of Accounts and Statistics.	29	18	6	55	2	2	112
Bureau of Economics.....	11	117	9	-	-	-	137
Bureau of Enforcement.....	-	-	-	22	62	-	84
Bureau of Administrative Law Judges	22	7	7	-	3	-	39
Bureau of International Affairs..	36	-	-	-	-	-	36
Bureau of Operating Rights.....	75	-	18	-	-	-	93
Management Support Offices.....	18	17	5	5	2	58	105
Total Direct Program.....	249	193	58	85	94	64	743

CIVIL AERONAUTICS BOARD

Distribution of Man-Years by Program, Fiscal Year 1977 Estimate

<u>Bureau/Office</u>	<u>Awards of Operating Authority</u>	<u>Regulation of Rates & Fares</u>	<u>Regulation of Interlocking Relationships</u>	<u>Regulation of Air Carrier Accounting & Reporting</u>	<u>Enforcement and Consumer Advocacy</u>	<u>Management Support</u>	<u>Total</u>
Offices of Members.....	19	14	4	-	1	-	38
Office of Consumer Advocate.....	3	2	-	-	16	-	21
Office of Equal Employment Opportunity.....	-	-	-	-	-	4	4
Office of General Counsel.....	29	13	5	2	3	-	52
Office of the Secretary.....	12	7	4	1	5	-	29
Bureau of Accounts and Statistics.	31	20	6	58	2	2	119
Bureau of Economics.....	12	124	9	-	-	-	145
Bureau of Enforcement.....	-	-	-	22	63	-	85
Bureau of Administrative Law Judges	23	7	7	-	3	-	40
Bureau of International Affairs..	38	-	-	-	-	-	38
Bureau of Operating Rights.....	79	-	18	-	-	-	97
Management Support Offices.....	<u>19</u>	<u>17</u>	<u>5</u>	<u>5</u>	<u>2</u>	<u>58</u>	<u>106</u>
Total Direct Program.....	265	204	58	88	95	64	774

AWARDS OF OPERATING AUTHORITYI. PURPOSE

Air carriers may not engage in air transportation between interstate points within the United States, or to or from the United States, without a certificate of public convenience and necessity, or a permit, or temporary authority from the Board authorizing such air transportation. Services by U.S. carriers are usually authorized by certificates of public convenience and necessity; services by foreign air carriers are pursuant to foreign air carrier permits; and air taxi services are operated under special exemptions.

Certificates are issued or amended after notice is given and interested parties have had an opportunity to be heard. Generally, the issuance of certificates or certificate amendments is opposed by those other air carriers who believe they would be adversely affected. Moreover, in many cases the Board must choose between competing applicants. The normal procedure includes a hearing before an administrative law judge who issues an initial or recommended decision, subject to review by the Board. In the international aviation area, the Board's primary purpose, apart from hearing and deciding formal cases, is to accomplish U.S. civil aviation objectives by participating in consultations and negotiations with foreign countries.

II. FINANCIAL REQUIREMENTS

	<u>Actual</u> <u>1975</u>	<u>Estimate</u> <u>1976</u>	<u>Estimate</u> <u>1977</u>	<u>Increase</u>
Permanent positions	239	252	267	15
Man-years	238	249	265	16
Program costs (in thousands)	\$5,918	\$6,724	\$7,387	\$663

III. PROGRAM AND JUSTIFICATION OF STAFF REQUIREMENTS

This program involves a continuing review of the domestic and international operating authority of U.S. and foreign carriers, in light of changes in national and world conditions. Factors that are important in shaping the Board's policies and decisions include environmental considerations, consumer protection, and the need to conserve fuel, while simultaneously maintaining a viable U.S. airline industry that provides necessary services, especially to smaller and intermediate communities and to foreign points.

During fiscal 1975, severe economic pressures hit the airline industry on both the domestic and international scenes: spiraling labor costs, fuel cost increases, and retarded traffic growth in the face of domestic and worldwide inflation. Counter measures for these problems have been initiated by both the industry and the Board, and the short and medium-term outlook indicates a continuing need for remedial action. Fuel supplies are expected to remain limited and costly and a significant recovery in traffic growth rates is uncertain.

Moreover, commercial aviation regulation and the Board are in a period of transition of considerable dimension and difficulty. This transition has been brought about, in large measure, by economic events; but it has been stimulated as well by the advocacy of the Administration, Congressional sources and others of the need to reexamine regulatory policies and practices. The Board's ability to cope successfully with this transition will depend, in great measure, upon the additional positions being requested for this program. These resources will be utilized primarily to test new regulatory concepts regarding more liberalized entry and exit of carriers into selected

aviation markets; service to small communities; more liberalized charter programs designed to greatly expand the availability of low-cost air transportation to the public; modernized administrative procedures aimed at expediting decisions and maximizing staff capability; improved analytical and informational capabilities; and matters affecting international aviation policy.

In the regular route authorization area, carriers will continue to seek a rationalization of their existing route systems through applications for approval of suspensions and deletions, route exchanges, mergers, capacity control agreements, and the removal of existing restrictions in certificates. By fiscal 1977, the regular route authorization caseload (both formal and informal) will have been expanded significantly as a result of action in several new areas: a greatly accelerated and vigorous route hearing program which will require additional manpower support; extensive investigations of Pacific air service; continued work on post-decisional phases of the Transatlantic Route Proceeding; and U.S.-Canada route applications stemming from a new bilateral agreement.

In the cargo and charter licensing area, fiscal years 1976 and 1977 will see increasing workload, stemming from several sources, all of which create the need for additional manpower in this area. These sources include: processing of applications in the Transatlantic Route Proceeding, the Supplemental Renewal Proceeding, and the Automotive Cargo Investigation; a new rule which requires all air carriers to obtain a surety bond or establish an escrow account for the protection of customers' charter deposits, and to file quarterly escrow account reports which must be reviewed by the staff; a large volume of requests (already evident) for waivers and exemptions from charter rules; increased filings of travel group charters (TGC) resulting partly from the recent liberalization of the TGC rules; and new regulations establishing special event charters and one-stop inclusive tour charters.

Moreover, the formal investigation of air freight forwarder charters will continue into fiscal 1977. A general review of the authority held by certain long-haul motor carriers and foreign freight forwarders is also planned during fiscal years 1976 and 1977.

Additional positions will also be required to match the ever-increasing workload caused by the issues flowing from the continuing Government-wide review of international aviation policy; the growing complexity of international aviation problems; and the substantial growth of bilateral and multilateral negotiation/consultation conferences. The Board's general objective in the international area remains the formulation of recommendations which permit the promotion of safe, efficient and economical international air services for the traveling public, creation of a climate for U.S. carriers abroad to attain competitive equity vis-a-vis foreign carriers, and the encouragement of an international air transport system which fulfills the future needs of U.S. foreign commerce. Implementation of this multi-element objective has become increasingly difficult in recent years, especially in view of the deepening financial plight of our U.S. scheduled flag carriers, coupled with the discriminatory and preferential practices of certain foreign governments and carriers. This, in turn, requires a greater number of progressively more complicated negotiations/consultations.

The awards program consists of three areas: A. Regular Route Authorizations; B. Cargo and Charter Licensing; and C. International Aviation Activities. The Board needs 267 positions and 265 man-years in these areas in fiscal 1977, an increase of 15 positions and 16 man-years over fiscal 1976.

A. Regular Route Authorizations

Actual 1975	Permanent Positions		Increase
	Estimate 1976	Estimate 1977	
137	142	149	7

1. Formal Hearing Cases

The routes authority staff, acting in the public interest, participates in formal hearings by filing exhibits, testimony, briefs and motions with recommendations as to changes in the route structure of the air carriers. On the decisional level, the staff prepares draft Board opinions and orders based on the evidentiary record in formal proceedings and performs numerous other advisory functions.

In the next two fiscal years, formal hearings will clearly embrace a greater number of requests for additions to the present air system. We expect that this activity will include particularly applications involving first nonstop and first single-plane service and, to a lesser extent, requests for new competitive service. The rapidly expanding route program and the desires for a faster decision-making process will, of course, dictate a need for greater manpower resources in all areas which contribute to the total awards program, e.g., legal, data processing, statistical, judges, etc.

a. Service to Small Communities

Several factors have caused the carriers to reevaluate their service to small communities and seek to withdraw service where the economics warrant: recent inflationary trends, particularly the rapid escalation of fuel costs; the business downturn accompanied by softening traffic; fuel supply uncertainties; and the phaseout of the older piston aircraft used to serve many of the smaller communities. In fiscal 1974 the local service carriers served 51 airports where enplanements averaged under 10 passengers per day. By December 31, 1975, service had been suspended at 19 of these airports and applications were pending regarding a number of others. The remainder are likely subjects of future suspension applications should the factors described above continue to threaten the economic operation of small community service. A complicating factor is that further increases in automobile fuel prices will undoubtedly act as a deterrent of private transportation and may well result in civic insistence that air service by certificated carriers be retained. Judgments in these matters will become increasingly difficult.

As a result of an adverse court decision, the experimental "flow-through" subsidy plan of the Board, initiated in 1974 with the Frontier/Air Midwest case, has been terminated. The Board will therefore be reviewing the entire small community service question in the light of this action and other developments. Meanwhile, the Board is proceeding on an expedited basis to hold hearings on Air Midwest's application for a certificate.

b. Alaskan Service

A continuing heavy workload is anticipated, including completion of the Alaska Service Investigation (Bush Phase). The renewal of Alaska Airlines' Anchorage-Seattle route authority is ripe for hearing and could trigger a major route case. Other matters, such as peaking demands for North Slope airlift, relationships between the certificated Alaskan carriers and their replacement bush operators, and

the level and type of service required in low traffic generating areas of Alaska, will all produce a continuing and steady informal case workload throughout the period under review, and could require additional formal hearings.

c. Domestic Routes

The recent institution of such proceedings as the Detroit-Boston Nonstop Route Proceeding, the Peoria Service Investigation, the Chicago-New Orleans Nonstop Route Proceeding, the Boston-Atlanta Nonstop Service Case, the Oklahoma-Denver Southeast Points Investigation, the Midwest-Atlanta Competitive Service Case, the Baltimore-Norfolk Service Case, and the Hilo Service Case mark a substantial upturn in route hearing activity which will continue into fiscal 1977. Such expanded effort is fully in accord with the Executive and Congressional desires respecting a greater emphasis on competition. By the same token, inflation, the rising impact of charter operations on scheduled service, and the threat of excess capacity all dictate the need for a careful review of route hearing requests in order to select those which represent the greatest potential for public benefits. Factors to be considered include, for example, whether particular proposals will reduce airport congestion, provide the public with first nonstop or single-plane service, or, perhaps, only add additional competition in markets relatively well-served, and whether, so far as local service carriers are concerned, they hold out the promise of lessening dependence on subsidy. Coupled with the foregoing 'case' workload, will be a major effort by the staff to assist in the broad analysis of new route concepts and related administrative procedures now under consideration to improve regulatory performance in the face of changing conditions. As may be obvious, this activity is of extreme importance to the Congress, the public, the industry, and the Board.

d. International Routes

An important source of new workload has centered on the financial difficulties of the two principal U.S. international carriers, Pan American and TWA, culminating in various route suspension and transfer proceedings. There is expected to be a continuing heavy workload in this area.

Also, the Transatlantic Route Proceeding, the largest route case in the Board's history, will continue to draw on the Board's manpower resources in fiscal 1977. In addition, the Board has instituted major investigations of Pacific air service in the South Pacific Service Case and the Seattle Gateway-Japan Service Investigation.

The new route program for U.S. carriers emanating from the U.S.-Canadian bilateral accord of 1974 is proceeding as planned. The Chicago-Montreal Route Proceeding, the Las Vegas-Calgary/Edmonton Case, the California-Alberta Route Proceeding, and the Cleveland-Toronto Route Proceeding will be heard and decided in fiscal 1976 and fiscal 1977. In addition, there is a significant workload requirement attached to that portion of the new U.S.-Canadian route authority which is being handled through non-hearing procedures.

A number of applications for transborder authority between the United States and Mexico have been filed and are expected to produce case workload beginning in fiscal 1976.

e. Foreign Air Carrier Permits

A substantial number of foreign air carrier permits are granted for a limited period (five years or less) and, accordingly, are subject to renewal proceedings. During fiscal 1976-77, the Board will be considering the renewal of the permits held by certain foreign charter carriers. Foreign flag carrier permit amendment cases and new authority applications are also subject to full evidentiary hearing procedures. On the operating-staff level, the effort involved in reviewing applications of this nature includes the preparation of evidence requests, participation in prehearing conferences, hearings and oral arguments, and the filing of briefs and other pleadings. On a decisional level, it includes an intensive examination of the evidentiary records in these cases, recommendations to the Board, and the preparation of draft Board opinions and orders. We expect these activities to continue at about the same level as before.

f. Other Issues

The Board's responsibility under the Emergency Preparedness Planning Program will be carried out by performing the following tasks during the fiscal years 1976 and 1977: continue to improve and maintain in a current status the CAB's emergency relocation capability relating to the selection of emergency staff personnel, and to maintain the operational readiness of the CAB's predesignated emergency operating facilities; continue to prepare the annual assessment of the emergency airlift capability of the certificated air carrier industry under the War Air Service Program (WASP) and estimates of emergency passenger and cargo demands shown in the War Air Service Program Resource Report; continue to respond to the requests for data, comments and assistance, as may be required by the General Services Administration (GSA), Federal Preparedness Agency (FPA), the Department of Transportation (DOT) and other Federal departments and agencies; prepare supporting plans for and participate in tests and exercises as may be directed by the FPA; prepare reports on mobilization plans and programs, as may be requested by the Joint Committee on Defense Production of the Congress and the Director, FPA; assist the FPA, Office of Emergency Transportation (OET) and Federal Aviation Administration (FAA) in the development of emergency operating plans for air carriers operating from emergency safehaven airports; prepare analyses and studies for, and provide assistance to, the FPA and the OET on Federal plans and programs for non-defense-type emergencies; assist the FPA and the OET in developing and implementing plans relating to transportation work stoppages; and represent the CAB on the National Defense Transportation Association's Preparedness Council.

In compliance with the newly adopted Part 312 of the Board's Procedural Regulations, the staff is required to prepare and submit specific findings on fuel usage and environmental questions in connection with proposed new route operations. This requirement is in implementation of the National Environmental Policy Act of 1969 and provides that certain cases will include a consideration of the effect of any proposed action on the quality of human environment. As a result of this new field of analysis, a significant workload falls upon the staff, particularly in cases to be processed during the next two years.

2. Informal Route Matters

This always-important element of the route awards program includes requests by carriers for temporary exemption from various provisions of the Act or for temporary suspension of operating authority at designated cities, as well as motions for Board action by "show cause" proceedings, or for out-of-turn hearings. Also included is the pre-hearing phase of applications filed under Subparts M and N of the Board's Regulations. A continuing, perhaps increasing, flow of these informal applications is expected in fiscal 1976-77.

As part of the Board's program to insure the adequacy of air service, continuous efforts are underway to monitor carriers' load factors, frequency levels, on-time operations and general service performance, with the view to resolving any service deficiencies through voluntary action on the part of the carriers. Fuel price rises, inflation and declining traffic all impact on scheduled service, especially in the smaller traffic markets. As a result, we anticipate that the Board's oversight activities will continue to be an important activity and will, of necessity, expand.

3. Route-Related Studies

These activities include the preparation of analytical studies to provide the Board with a basis for making policy decisions; the development of recommendations, together with appropriate support, as to whether the Board should institute route proceedings on its own initiative; and the conduct of special studies and reviews involving analyses of traffic and service. In the recent past, such studies have related to air service sufficiency, airport congestion, air freight forwarding, and air taxi and commuter operations.

We will continue to devote manpower to the production of recurrent publications which provide a data base to the Board and the staff on carrier operating costs, commuter traffic, denied boarding and trunkline and local service enplanements. These reports are:

- * Local Service Carriers' Unit Costs. These publications, issued twice a year, provide the basic costing data for use in both formal and informal proceedings as prescribed by Subpart K of Part 302 of the Board's Procedural Regulations.
- * Commuter Air Carrier Traffic Statistics. Semiannual summaries of the traffic data reported by the commuter air carriers, prepared in order to keep the Board and the public abreast of developments in this expanding segment of the industry.
- * Denied Boarding Reports. Denied boarding statistics are released semiannually to inform the Board and the public of the carriers' performance with respect to oversales in both domestic and international operations.
- * Passenger Enplanements, by Airport. Semiannual summaries of passenger enplanements at all domestic points receiving certificated service are prepared to identify high and low traffic generating points and to indicate trends in activity at local service and trunkline stations.

Another function which will require significant manpower input involves the maintenance of a domestic route authority data bank for the 18 trunkline and local service carriers included in the data bank. Approximately 30,000 authorizations will be included. It is anticipated that the data bank will be updated at least on a quarterly basis.

Economic analysis outputs, relating to the route program for fiscal years 1976 and 1977, will include special studies and direct case support, to provide the staff with technical assistance on complex economic problems and to provide the Board with a basis for making policy decisions. Several specific projects are planned in this area:

- * Economic Review of Administrative Law Judges' Initial Decisions in Formal Cases. Serve as independent economic advisors to the Board on a wide variety of matters covered in the initial decisions of the administrative law judges. A thorough analysis is made of related individual case decisions and a summary of many others.
- * Economic Assistance to Board Staff. Provide interpretive analysis of economic data and assist the Board, administrative law judges, and other program staffs at various stages of the regulatory decisional process regarding route matters.
- * ADP Systems Coordination. Provide continuing liaison and coordination with other program elements on matters involving the application of computer and systems techniques to economic, financial, and route analyses.

B. Cargo and Charter Licensing

<u>Actual</u> <u>1975</u>	<u>Permanent Positions</u>		<u>Increase</u>
	<u>Estimate</u> <u>1976</u>	<u>Estimate</u> <u>1977</u>	
47	51	57	6

i. Supplemental Licensing

The activities involved in this program include the processing of applications for new and expanded supplemental air carrier authority--charter exemptions, long-term "wet" leases of aircraft, and special authorizations under section 417 of the Act. The program also involves the registration of air taxi operators, consideration of applications filed by air taxis for special exemptions, e.g., to use "large" aircraft, and the review of documents and reports filed by air carriers and charter operators in connection with inclusive tour charters, one-stop tour charters, study group charters, overseas military personnel charters, travel group charters, and special event charters.

Renewal of the supplemental air carriers' certificates is at issue in two major formal proceedings, the Supplemental Renewal Proceeding and the Transatlantic Route Proceeding. Also at issue are the authorization of additional supplemental air carriers, and modification of the present authority of the existing supplementals. These proceedings are available for decision by the Board in fiscal 1976. In addition the Automotive Cargo Investigation has been instituted to consider the needs of the automotive manufacturers for cargo lift capacity and the specific carriers and type of authority that are

required to meet these needs. This case probably will be decided by the Board in fiscal 1976.

a. Charter Program

The Board's work in the charter area has expanded significantly in the last year and this expansion will definitely continue into fiscal years 1976 and 1977. The number of requests for waiver of the charter rules and for exemptions to perform charters has greatly increased, and we anticipate no diminution in the level of this activity.

Inclusive tour charter and study group charter filings increased one-third in fiscal 1975 over the previous year. We expect that this steady increase, which has been evident in recent years, will continue during the next few years. In addition, the Board has adopted rules to allow one-stop inclusive tour charters. This regulation is substantially more liberal than the three-stop requirements in the present inclusive tour charter rules and is expected to increase substantially the number of inclusive tour charter filings. Moreover, since these new rules represent a substantial relaxation in requirements heretofore relied upon to maintain the Congressionally-mandated distinction between charters and individually-ticketed transportation, it will be necessary to monitor closely their impact on scheduled services to assure that the latter are not impaired.

During fiscal 1975, the Board liberalized the requirements for travel group charters. As a result, the number of travel group charter filings has tripled from fiscal 1974 to fiscal 1975. We expect that the number of travel group charter filings will continue to increase as the traveling public becomes more accustomed to the advance purchase requirement.

The Board has also established a new rule for "special event" charters permitting groups drawn from the general public to attend special or unique events. The rule requires the filing of applications to perform such charters, including submission of charter contracts, surety documents, and advertising material, all of which have to be reviewed by the Board prior to the operation of the program.

Equally significant is the fact that the Board still has under consideration the question of whether to abolish pro rata affinity charter flights. Such a move would compel such charters to be operated as inclusive tour, travel group or special event charters. Although the operation of affinity charters does not require any action by the Board, travel group, inclusive tour, and special event charters require initial screening by the staff for compliance with Board regulations. During 1974 approximately 14,000 affinity passenger charter flights were operated, while during the same period there were about 6,500 inclusive tour and travel group charter flights. Thus, to switch 14,000 affinity flights to another form of charter would more than double the "screening" workload.

The additional manpower resources requested for this program activity will be required to implement that part of the Board's regulatory reform effort which will test new charter concepts which would greatly expand the availability of low-cost air transportation to the public. These would include one-stop inclusive tour charters and special event charters, as mentioned above, and advanced booking charters, which the Board currently has under consideration. The process of analysis, testing of regulatory policies and experimentation represented by these undertakings, as well as others, will absorb much of the Board's thought and energies during the next two years.

b. Air Taxi Operators

Air taxi operators are exempted by the Board from various requirements of the Act, including the certificate requirements of section 401. Thus, air taxis are not required to obtain any special economic operating authorization, although they are required to register with the Board and maintain certain liability insurance coverage. They are further limited to the use of aircraft that have less than 30 seats and a payload capacity of less than 7,500 pounds. Workload in this area will decrease in fiscal 1976 due to the Board's decision to require registration once every two years, rather than annually. However, it will again increase in fiscal 1977 when the next registration will be required.

2. Forwarder Licensing

Activities in this area involve the processing of applications for air freight forwarder authority, including extension of pickup and delivery areas, the participation in formal cases regarding such authorizations, and the development of governing economic rules.

The Air Freight Forwarders' Charter Investigation, which was instituted to determine whether air freight forwarders should be allowed to continue to charter aircraft, is still in progress. This proceeding is ripe for decision in fiscal 1976.

Renewal of the air freight forwarder authority of certain long-haul motor carriers and railroad carriers is being examined in the pending Long-Haul Motor/Railroad Carrier Air Freight Forwarder Authority Case. Also at issue is the Board's "monitored" entry policy in this area.

The section 402 authority of certain foreign air freight forwarders will expire in fiscal 1976, and we anticipate that the Board will institute an investigation to review its overall policy towards such operators. This case will involve the preparation of exhibits and the participation in conferences and hearings.

C. International Aviation Activities

Actual 1975	Permanent Positions		Increase
	Estimate 1976	Estimate 1977	
55	59	61	2

The Board's primary objective in its international responsibilities remains the establishment and promotion of a dependable, economically efficient, technologically advanced and financially sound air transport system; the maintenance of a viable competitive atmosphere in the world's markets for U.S. carriers; and the encouragement of an international network properly responsive to the present and future needs of U.S. foreign commerce. A healthy U.S. international flag system is vital to U.S. national interest. It is dictated by global obligations, economic considerations, defense requirements and citizens' needs.

In the highly specialized technical work performed by the international staff, the four Board Members (exclusive of the Chairman) are assigned the overall responsibility for specific geographic area problems, to better coordinate U.S. efforts. The Members, additionally, participate with staff as representatives on U.S. delegations in the bilateral negotiations/consultations headed by the Department of State.

1. International Aviation Climate

The additional positions requested for this program activity are required to perform analytical work required by the issues resulting from the continuing Government-wide review of international aviation policy and to keep pace with the ever-increasing workload caused by the growing complexity of international aviation problems and the substantial growth of bilateral and multilateral negotiation/consultation conferences. The implementation of policy decisions in the international field will result in an even more substantial burden, especially in requests for formal and informal consultations with our bilateral partners.

The present economic picture for the international air transportation industry is one of continuing losses for many of the world's airlines, including the U.S.-flag carriers. In years past, the successive introduction of faster and larger aircraft by the carriers more than kept up with cost increases experienced by them. A current assessment of what can be expected from science and technology does not promise new hardware with large cost saving advantages for the immediate future. The cost advantages of wide-bodied aircraft have already been overtaken by the upward spiral of prices in the economy, and otherwise discounted by the disappointing traffic growth. Moderation in the price of some goods and services purchased by the carriers may be anticipated in the course of time. In general, however, the combination of higher fuel prices, greater demands by labor, and environmental control measures seems to point to the continued upward trend of airline operating costs and higher transport prices.

But burdens and pressures upon U.S.-flag carriers go beyond the general inflationary effects. They have had to contend with the payment of exceptionally high landing charges in certain countries, or payment of landing charges in countries where the national air carrier has been exempt from the payment of such charges. On another front, U.S. carriers have had to contend with foreign capacity and frequency restrictions, or with the preferential practices of some governments giving their national carriers unfair market advantages. Our carriers also have intense competition in some foreign markets (notably, the transatlantic), with the result that both yields and load factors have been adversely affected.

The Board is continuing its efforts to strengthen the economic position of our flag carriers. We have been reviewing the preferential practices of foreign governments giving their national carriers unfair competitive advantages over our flag carriers. We will maintain a firm but fair negotiating position in dealing with foreign governments in their demands for new or additional rights and will seek to adjust existing exchanges of air rights with other countries as circumstances permit or where exchanges are clearly out of balance.

In this climate the need for systematic analysis on a broad range of international air transport problems and the pace and complexity of intergovernmental discussions has increased sharply.

2. Negotiations/Consultations

In fiscal 1975 negotiations/consultations totaled 53. The pattern for the past five years indicates that the tremendous jump in negotiations/consultations which occurred in 1972 has been sustained over the three-year period that followed:

<u>FY 1971</u>	<u>FY 1972</u>	<u>FY 1973</u>	<u>FY 1974</u>	<u>FY 1975</u>
27	47	49	56	53

In addition to the increased workload in absolute numbers, each year individual negotiations/consultations have grown in complexity requiring even more sophisticated economic justification, exhibits and preparation. The projected negotiations/consultations for fiscal years 1976, including the 3-month transition period, and 1977 are 65 and 55, respectively. Final workload will be contingent upon foreign government requests and U.S. definition of future problem areas. Ad hoc developments can substantially alter these estimates.

3. Charters

A major problem in international aviation continues to be the role of charter services and the proper relationship of scheduled to nonscheduled movements. Over the years, there has been a substantially increased demand for charter travel. Since traditional intergovernmental air agreements apply only to scheduled services, regulation of international charter operations, including the grant of landing rights, has been set unilaterally by the policies of individual governments.

The Board, with the cooperation of the Department of State, has been engaged in attempts to "regularize" foreign landing rights for U.S. nonscheduled services by negotiating formal bilateral agreements pursuant to the U.S. International Air Transportation Policy Statement of 1970. Fiscal 1973 saw the very first charter bilateral with Yugoslavia. In fiscal 1974 the second and third charter bilaterals were signed with Canada and Jordan. A meeting in fiscal 1975 with the European Civil Aviation Conference (ECAC) resulted in a compromise understanding that both the multilateral procedure desired by ECAC and the bilateral path sought by the United States may be pursued simultaneously. This is expected to produce further negotiations, both bilateral and multilateral, in fiscal years 1976 and 1977.

In addition to full, formal bilateral agreements, the United States has several understandings of a less comprehensive nature. One, with Belgium, provides liberal traffic rights. Others, with Austria, France, Germany, Ireland, the Netherlands, Switzerland, and the United Kingdom, are generally built around the concept of accepting each other's "advance" charters, *i.e.*, U.S. travel group charters, European advance booking charters, and the newly inaugurated one-stop charters. Most have been expanded to provide some recognition of other charter types. The arrangement with Switzerland includes recognition of all U.S. types. During fiscal 1975 the understanding with the United Kingdom was extended through the end of 1975 and discussions concerning a charter regime were held with Italy. It is anticipated that a special effort will be required to seek renewals, and, where possible, to further expand the arrangement to include other charterworthiness recognition and/or specific traffic rights.

4. International Air Freight

Mirroring the general turndown in economic activities throughout the world, the volume of air freight traffic moving between the United States and other countries, has slowed. The continued introduction of wide-bodied aircraft in combination and all-freight services, along with the prospect for improvement in the world economic climate, promises a new future dimension.

The bilateral problems confronting the United States in the competitive development of international air freight markets are part of the continuing process of consultations with other countries, involving both the Board and the Department of State. These problems can be expected to increase over the foreseeable future, as international air freight transportation grows. Our concerns involve not only overcoming problems relating to U.S. air carrier services in international air freight, but also promoting opportunities for market development.

5. Multilateral Conferences

The 21st Assembly of the International Civil Aviation Organization (ICAO) was held in September-October, 1974. The Board provided the spokesman for the U.S. Delegation on the Economic Commission. This assembly directed the Council of ICAO, as a matter of urgency, to draw up a descriptive list of those major economic problems that are not already being dealt with through existing ICAO machinery, and to prepare a plan for consideration of these matters on a global level by convening a special air transport conference or an extraordinary Assembly session of Contracting States or to refer the matter to a regular Assembly session. The United States continues of the view that economic considerations are better handled in the traditional bilateral forum. However, recent developments in ICAO, particularly through the efforts of the lesser developed countries have been aimed at increased emphasis in air transport matters. This trend will obviously continue, and as a result, the Board will undoubtedly be called upon to play an even more active role in formulating U.S. recommendations than it has in the past.

The Council was also directed to continue and expand, on an annual basis, surveys of fares and rates in international air transport in cooperation with IATA and the International Air Carriers Association (IACA), and to undertake a study of existing bilateral tariff clauses, exploring the feasibility and merits of either an international ICAO standard clause or an international agreement embodying such a clause. Actions taken by the Assembly in relation to these matters also include establishment of a panel of experts to examine current machinery for development of international air fares and rates (both scheduled and nonscheduled), and to recommend possible improvements, taking into account the interests of both the air carriers and the air transport users.

In addition to the above, during fiscal 1975, ICAO discussed the question of "peaking" at international airports and requested the Secretary General to set up a working group to study this matter.

During fiscal 1975, the European Civil Aviation Conference (ECAC) continued its dialogue with the United States on matters of charters, and the levels of fares and rates charged by the international carriers across the North Atlantic. The Latin American Civil Aviation Conference held a plenary session in Buenos Aires, and the African Civil Aviation Conference held its Third Plenary in Kampala, Uganda.

As indicated above, the economic programs of ICAO, plus the escalating activities of other regional, multilateral bodies, will, of necessity, increase significantly the Board's involvement in these areas in the fiscal 1976 and 1977 timeframe.

6. Preclearance

Various problems concerning preclearance in Canada, Bermuda and the Bahamas cropped up during the year, however, these minor problems were resolved through formal and informal negotiations. Since the Canadians intend to establish preclearance operations at selected international airports in the United States, and the United States will be requested to extend its preclearance operations to additional airports in Canada, this subject will remain active throughout fiscal 1976 and beyond.

7. Studies and Special Projects

The Board conducts studies on policy issues and questions arising in U.S. air transportation relations with other countries on a

bilateral and multilateral basis. The studies are concerned with both contemporary and anticipated problems having major impact or significance. The Board is thus afforded a needed analytic base for making decisions and taking action relative to our international aviation interests.

The type of studies in question have ranged over a wide spectrum of air transport problems and interests, including:

a. Discriminatory, preferential, and restrictive business practices faced by U.S. air carriers in their operations abroad, serving to give special or unfair competitive advantages to foreign carriers.

b. Fifth Freedom problems being encountered by the United States in the world at large, and the technological, traffic and policy implications thereof.

c. Developments and trends in air charter freight movements, the economic opportunities realized, and the air relations problems raised with other countries regarding landing rights and other aspects.

d. The extent of government ownership of foreign air carriers and the direct and indirect financial assistance, or subsidies, received by them from government, and the implications for competing U.S. carriers.

e. The continued growth of collective action as represented by agreements among foreign air carriers, regional civil aviation organizations and other groups.

The Board is also engaged in "special projects" relating to the field of civil aviation including air transport. This effort has been represented by short-term loans of staff professionals on a reimbursable basis to the International Civil Aviation Organization (ICAO), a specialized agency of the United Nations (UN), and to the UN directly to help in their aviation assistance programs on behalf of the lesser developed countries. Such activity has involved, in recent years, a planning document for the development of regional air transport in the South Pacific, a study of civil aviation regulation by the Government of Honduras and related needs, and participation in a lecture program at the Civil Aviation Safety Centre, at Beirut. Board experts have also been loaned, from time to time, to the Agency for International Development.

Short-term training on an informal basis is also provided by the Board for staff personnel of civil aviation departments of foreign governments, as well as general orientations and briefings on Board mission, organization, etc., for visiting civil aviation officials from other countries.

AWARDS OF OPERATING AUTHORITYWORKLOAD

<u>Workload Item</u>	<u>Items Completed or Processed</u>			<u>Increase</u>
	<u>Actual 1976</u>	<u>Estimate 1976</u>	<u>Estimate 1977</u>	
1. Regular route authorizations.....	411	477	479	2
2. Cargo and charter licensing.....	4,974	5,746	6,578	832
3. Administrative Law Judges' proceedings.....	50	50	58	8
4. Negotiations/consultations.....	53	54	55	1
5. Informal intergovernmental discussions.....	40	45	45	-
6. Multilateral conferences.....	5	7	10	3

DISTRIBUTION OF AUTHORIZED POSITIONS BY ORGANIZATION

<u>Organization</u>	<u>Authorized Positions</u>			<u>Increase</u>
	<u>Actual 1975</u>	<u>Estimate 1976</u>	<u>Estimate 1977</u>	
Offices of Members.....	16	17	19	2
Office of Consumer Advocate.....	2	3	3	-
Office of General Counsel.....	22	25	28	3
Office of Secretary.....	11	11	11	-
Bureau of Accounts and Statistics.....	29	30	32	2
Bureau of Economics.....	11	12	12	-
Bureau of Administrative Law Judges....	22	22	22	-
Bureau of International Affairs.....	35	38	40	2
Bureau of Operating Rights.....	74	77	81	4
Management Support Offices.....	<u>17</u>	<u>17</u>	<u>19</u>	<u>2</u>
Total, Awards of Operating Authority.....	239	252	267	15

REGULATION OF RATES AND FARESI. PURPOSE:

The Federal Aviation Act of 1958 requires the Board to regulate the rates, fares and conditions of carriage of domestic air carriers. In international transportation, the Board is empowered to suspend both existing and proposed rates for a period up to one year and, upon a finding of unlawfulness after investigation, to order their cancellation. The Board has no authority to prescribe an alternative international rate. In establishing rates paid by the Federal Government, the Board has certain responsibilities with respect to the service mail rates paid to the air carriers by the U.S. Postal Service and rates paid by the Department of Defense for military traffic carried by commercial airlines under contract. In addition, the Board fixes subsidy rates and administers the Payments to Air Carriers appropriation primarily to make air transportation available to communities that would not otherwise be served.

II. FINANCIAL REQUIREMENTS:

	<u>Actual</u> <u>1975</u>	<u>Estimate</u> <u>1976</u>	<u>Estimate</u> <u>1977</u>	<u>Increase</u>
Permanent positions.....	187	197	207	10
Man-years.....	187	193	204	11
Program costs (in thousands)	\$4,500	\$5,124	\$5,634	\$510

III. PROGRAM AND JUSTIFICATION OF STAFF REQUIREMENTS:

The Board's basic objectives in the rates and fares program are: to provide fair and reasonable rates and fares and travel and business opportunities to the public; to insure an economically sound, privately-owned, commercial air network adapted to the needs of commerce, the Postal Service, and the national defense; and to carry out the Congressional intent to make air service available to the smaller communities of the nation with the least expenditure of Federal funds.

This program is broken down into three categories: A. Passenger Fares and Property Rates; B. Government Rates; and C. Subsidy Rates. The Board requests 207 positions and 204 man-years for the rates and fares program in fiscal 1977, an increase of 10 positions and 11 man-years over fiscal 1976.

These staff increases are partially attributable to workload demands that will require greater and more sophisticated analytical effort to protect carrier, consumer and public interests in evaluating carrier proposals which are expected because of: rising fuel costs and the general inflationary trend of the economy; the sluggish growth which has and will continue in both passenger and cargo traffic which the industry will counter, by offering discount promotional fares and a variety of special cargo rates; and the need to comply with final decisions in major rate cases. Beyond the customary day-to-day workload, vastly changed fuel cost and availability have imposed upon the Board the need to re-evaluate its longer-term regulatory approach in the area of rate-making. All indications are that this factor alone augurs permanent and significant change in the economics of the airline industry and, as a consequence, changes in service to the public and the testing of changes in the Board's rate-making policies.

In this regard, the staff increases are needed to implement the Board's regulatory reform efforts, which in this program concentrate primarily on assessing the impact of less regulation on fares; testing of the Domestic Passenger Fare Investigation's rate-making standards

and improving analytical and evaluative capability in light of rapidly changing economic and regulatory conditions.

A. Passenger Fares and Property Rates

Actual 1975	Permanent Positions		Increase
	Estimate 1976	Estimate 1977	
134	144	154	10

Air carriers are required to file all new tariffs or tariff changes with the Board, and the Board can suspend tariffs setting forth rates for domestic transportation for up to 180 days if the Board believes that they may be unlawful. During this time, the Board must conduct a hearing to determine whether the rates are unlawful and, if so, it must prescribe the lawful rates thereafter to be charged. Also, the Board can, of its own motion, investigate an existing rate and, if the rate is found to be unlawful after notice and hearing, require that it be changed.

The majority of tariffs are filed with the Board 30 days prior to intended effectiveness. During this period, the Board must review the filing, its economic justification, and the complaints and objections lodged against the tariff, and decide whether to permit it to become effective with or without investigation or to suspend it pending investigation. Investigations of suspended tariffs must be completed within 180 days, if final action on the suspended matter is to be taken prior to the tariff's effective date.

Tariff filings are made at the discretion of the individual carriers. Frequently, there are multiple-carrier filings, which escalate the workload to be disposed of in a limited period. Since passenger fares and property rates are initiated by carrier filings with the Board, and complaints may be filed by any interested party, the Board has very limited discretion as to workload volume, scheduling, or processing. The work must be completed within the statutory deadlines and, at the same time, the Board must insure that only just and reasonable rates and fares become effective.

Because of the very tight time frame imposed by the present statute, the Board has supported legislation, which would require that all tariff filings be made on at least 45-days' notice. At the same time, the legislation would require the Board to dispose of the filing at least 15 days prior to its proposed effective date. While this stretchout of the tariff filing process would not increase the period within which the Board is required to consider and dispose of tariff filings, it would insure more adequate advance notice to all interested parties as to whether or not the tariff will become effective. As it stands now, the traveling public, shippers, travel agencies, and carriers can be seriously inconvenienced by suspension occurring immediately before the effective date of the tariff.

The workload of this program is closely related to the number and nature of air carrier tariff filings. Filings increased from 42,688 in fiscal 1963 to 89,957 in fiscal 1971, and to a total of 101,055 in fiscal 1973. For fiscal 1974, filings reached 116,146, and 124,544 for fiscal 1975. For fiscal 1976, the estimate is 150,000 and for fiscal 1977, we project 153,000. Basically, this reflects an industry that is responding to the air transport needs of a dynamic nation and continually seeking to adjust and improve its fare and rate structures.

During fiscal years 1976 and 1977, decisions are expected in the Domestic Air Freight Rate Investigation, the Mainland U.S.-

Puerto Rico/Virgin Islands Fares Case, and the Hawaii Fares Case. The first of these can be expected to result in numerous tariff filings by all carriers and the latter two will require extensive filings to reflect revision in both fare structure and fare level in these important rate-making entities. Decision in the Liability and Claims Rules and Practices Case is also expected in fiscal years 1976 and 1977 and will result in a large volume of tariff filings.

Increased workload involved in the conduct of formal proceedings is expected to parallel the upward trend in tariff filings. The Domestic Night Coach Fare Investigation and the Domestic Common Fares Investigation will require a substantial commitment of both the analytical and legal staffs in fiscal years 1976 and 1977. The former investigation involves an examination into the parameters within which carriers should be permitted to offer night coach service at a reduced fare level, and has assumed particular importance as a result of the significant and continuing expansion of this service which has been and is taking place. The investigation into the practice of common faring is an outgrowth of the Domestic Passenger Fare Investigation (DPFI), and was instituted because the magnitude of the issues in that case made it impossible to devote adequate attention to the implication of common fares.

In international transportation, competition between the scheduled service carriers and the supplemental charter specialists is expected to continue in its intensity during the fiscal years 1976 and 1977, particularly as a result of liberalization of the charter regulations and introduction of one-stop inclusive tour charters. This development will increase the workload substantially, and can be expected to result in more extensive use of the Board's statutory authority over international fares. We anticipate that IATA will continue to play its long-standing role in the determination of international fares and rates. However, in recent years agreement within this forum has become increasingly difficult, and there have been several instances where both cargo rates and passenger fares have been open for considerable periods on important routes. On the highly competitive North Atlantic route, the fare structure has become increasingly complex and uneconomic, with almost all carriers sustaining substantial losses. Against this background, the Board instituted an all encompassing investigation of North Atlantic fares late in fiscal 1975, which will require the commitment of a very substantial amount of analytical and legal staff time well into and quite possibly beyond fiscal 1977.

The presence of three strong non-IATA carriers (Northwest, China Airlines, and Korean Airlines) in the Pacific, free to make individual tariff filings, requires Board activity over and above review of the IATA agreed structure. At the onset of fiscal 1976, independent filings had been made providing 90-day group excursion fares which undercut IATA fare levels and have prompted the Board to institute the Pacific Group Fares Investigation.

The tremendous escalation in the price of aviation fuel, the cost of which for domestic service is now more than 50 percent above that in January 1974, has fundamentally altered the economics of the airline industry. This, together with the general inflationary trend in the economy, has posed the question of whether the rate-making standards arrived at in the DPFI continue to be valid in today's climate. To assist in a reassessment of this question, a task force has been formed. This group is composed of senior analysts normally dealing with day-to-day regulatory activities, and its formation creates the need for additional analytical staff. Since the cost of airline operations has risen dramatically in terms of constant dollars, the first assignment to the task force was a thorough research and evaluation of whether or not a higher load factor standard should be applied in

the future for rate-making purposes; e.g., should a different balance be struck between the quality of service for which the passenger is asked to pay and the fare he must pay for that service. This undertaking was in progress at the beginning of fiscal 1976, resulting in the institution of a rule-making proceeding in August 1975. The complexity of the issues will require considerable commitment of legal and analytical staff in fiscal years 1976 and 1977. Beyond this, the Board intends to review the return on investment standard to consider whether a change may now also be indicated in that rate-making criterion in light of altered conditions in capital markets, and questions which have been raised in recent months as to the reasonableness of the 12-percent standard.

The task force is expected to assist also in longer-term projects which will go well into fiscal 1977. An internal staff group within the Board, formed in mid-fiscal 1975 to review the Board's economic regulatory policy and make appropriate recommendations for change, had submitted its report at the beginning of fiscal 1976. It calls for substantial changes in the Board's regulatory approach and various legislative amendments, and will require comprehensive and thoughtful analysis. In addition, the Board has undertaken a broad examination of various alternative possible avenues of regulatory reform and deregulation. Assessment of the impact of less regulation in the area of fares, together with the impact of the Administration's proposed Aviation Act of 1975, create the primary need for the additional positions requested for this program.

1. Review and Processing of Tariff Filings and Complaints

Airlines and air freight forwarders are required to set forth their rates, fares, and charges in tariffs that are filed with the Board and posted at airports, ticket offices, and other places where traffic is handled. Each tariff revision is reviewed for compliance with the Board's tariff regulations as well as for substance. The volume of tariff filings has risen over the years as a manifestation of a growing industry and is expected to continue to increase in the future. It is necessary to review each filing at the staff level to ascertain the nature of the changes proposed, e.g., whether they are matters of form or substance, so that the staff and the Board can promptly focus on the lawfulness of the proposed substantive changes. Because, in the absence of Board action rejecting or suspending tariffs, they become effective on the date stated on the tariff, failure to identify potentially unlawful proposals would mean, in all likelihood, that such filings would become effective to the detriment of the public or competitors.

The increasing volume of tariff filings results in a commensurate increase in the workload of the staff performing the economic and legal analysis of substantive tariff changes. The industry is experiencing a continuing escalation in the cost of doing business, both as a result of rapidly rising fuel costs and the general inflation in the economy. On the other hand, traffic growth has been at a standstill, and recovery is expected to be only at a moderate rate. Both these trends come at a time when earnings are substandard in relation to the 12-percent return on investment found reasonable by the Board. This situation will generate a volume of tariff filings, involving both domestic and international and both passenger fares and cargo rates, well above what might be expected in more normal times.

The traffic slump resulting from the general economic downturn has resulted in a series of controversial and often heatedly contested discount fare proposals. Although some predictions are that the economy will begin an upturn in mid-fiscal 1976, it is reasonable to expect, from past experience, a time lag of at least six months before such a trend is reflected in a significant renewal

in airline traffic growth. It is expected, therefore, that the controversy over discount fares will continue well into the fiscal years 1976 and 1977 time frame, and this will require considerable staff effort if the proposals are to be fully evaluated. Moreover, there is little doubt that the trend of increasing cost, declining traffic, and declining earnings will precipitate proposals for additional general fare and rate increases in the months ahead. Evaluation of such proposals in conformity with the principles established in the DPFI involves substantial and complex staff analysis.

The airlines also continue to make numerous tariff filings of increased cargo rates to recover higher costs, reflecting continuing increases in the price of fuel as well as other items of cost. The Board has followed a policy, pending completion of the Domestic Air Freight Rate Investigation, which requires a detailed comparison between rates and costs. On either basis, the cost data require continual updating to reflect the most recent increases. While this was first done on a monthly basis and limited to escalating fuel prices, it is now done quarterly and reflects unit increases in all categories of expense. Because of the continuous flow of tariff filings, this process, necessary as it is, will impose a significant workload for the foreseeable future.

In addition, at the beginning of fiscal 1976, a number of tariff filings had been made to provide for priority reserved freight service as a result of the Board's decision in the Express Service Investigation, which determined that the public would be better served if the Railway Express Agency were no longer permitted to reserve provision of this service to itself. A number of these tariffs were suspended on the ground that the rates appeared unreasonably high or otherwise unlawful, while those of other carriers were permitted to become effective. However, because of the controversial issues raised, the Board instituted an investigation of all priority reserved tariffs, involving evaluation of both rate level and structure. This proceeding is of major importance and will command considerable analytical and legal staff time in fiscal years 1976 and 1977.

A major issue which had developed by the beginning of fiscal 1976 revolves around the carriage of hazardous materials. The carriers have sought to embargo carriage of many, and in some cases all, hazardous articles, and in so doing have evoked complaints from the Department of Transportation and various shipper groups. The Board has accepted in principle the Department's primary responsibility for regulations governing such transportation and has rejected or deferred action on a number of carrier filings, pending future resolution of the issue. It is virtually certain that the carriers will continue to file increased rates for these materials as handling requirements are refined.

The significant increases in general cargo rate levels, which have occurred as a result of increasing costs, have created greater tariff activity in the area of specific commodity rates and off-peak, daylight container rates, as carriers seek to keep or regain traffic otherwise lost. These filings have evoked complaints and require close attention by the staff. Forwarders, too, are continually filing rate changes, chiefly increases reflecting those of direct carriers although reductions are also being filed. These filings have increased in number and are expected to continue to do so, since they tend to parallel filings of the direct carriers which continue to grow.

As mentioned previously, final decision in the Domestic Air Freight Rate Investigation is expected during the fiscal years 1976 and 1977. This decision will necessitate system-wide tariff filings by each of the trunkline and local service carriers. In addition, Board decisions in the Liability and Claims Rules and

Practices, Mainland-Puerto Rico/Virgin Islands Fares and Hawaiian Fares Investigation cases are expected. All of these, as well as its recent decision in the Airport Security Charges case, will require a large volume of tariff filings, all of which must be reviewed for conformity with the decisions.

The need to simplify and clarify tariffs was specifically endorsed by the Board in a letter dated February 26, 1975, to air carrier presidents. With increasing complexity of fare and rate structures and the apparent unwillingness of the carriers to make a serious effort toward simplification, it is necessary to devote more manpower to identifying and recommending solutions for the more complex tariff provisions.

In another area of simplification, the Board has issued an advance notice of rule-making seeking suggestions on development of a procedure which will provide more adequate, timely, and simplified notification of available fares to the buying and selling public. This has been a very difficult problem over the years and one for which a satisfactory solution has not yet been found. The Board has received comments and proposals from a broad segment of the industry, including the carriers and travel agents, and from the traveling public, and final resolution of this matter can be expected to be complex and move well into fiscal year 1977.

The Board's efforts toward the objective of a computerized tariff system continue. This is an extremely complex endeavor, requires considerable work in conjunction with the carriers' tariff filing agents to insure compatibility of systems, and has progressed to the point of design and programming for the domestic passenger fare portion of the system. This project will continue to require significant amounts of staff time to test the program developed and to initiate its extension to other areas of air transportation.

Finally, it is anticipated that the current intensification of various organized consumer interests will continue to have a significant impact upon the activity of the staff. This impact is felt not only in the need to analyze formal complaints filed by such groups, but particularly in the rapidly growing volume of correspondence from members of the Congress, individuals, and consumer groups. In fiscal year 1975, the staff of one rates and fares element alone responded to more than 2,700 letters, averaging between two and three man-hours per letter in processing time. The pace at which this activity is growing is indicated by the fact that receipts from members of Congress during the last half of fiscal year 1975 were 18 percent above those in the first half.

2. Formal Investigation of Passenger Fares and Cargo Rates

The Domestic Air Freight Rate Investigation will command a substantial commitment of time on the part of both analytical and legal staff through fiscal years 1976 and 1977. This proceeding encompasses the total pattern of general cargo rates and rates for specific commodities, and is at least as complex as the Domestic Passenger Fare Investigation. Board decision is expected during fiscal 1977. It is anticipated that the preparation and implementation of the Board's decision will entail a substantial commitment of legal staff. The Administrative Law Judge has recommended that a new proceeding be instituted to determine the feasibility of establishing a standard load factor for freight rate-making purposes which, if instituted by the Board, will require substantial analytical and legal staff time in fiscal year 1977.

The Domestic Night Coach Fare Investigation and the Domestic Common Fares Investigation both involve complex issues and will require a great deal of analytical and legal staff time well

into fiscal year 1977. It is virtually certain that resolution of the issues surrounding the carriage of hazardous materials will require a formal proceeding. It is expected that the proceeding will be instituted in fiscal 1976 and will require substantial staff time during the fiscal years 1976 and 1977.

Hearings in the No Frills Fares case were held during the first half of fiscal 1976 and will occupy considerable analytical and legal staff time throughout that year and possibly beyond. These fares represent a rather novel approach to pricing scheduled service in that they reflect a relatively steep discount predicated upon the allocation of a fixed amount of seating capacity and the lack of inflight amenities customarily available to passengers. Hearings have also been held in the Rules and Practices Relating to Live Animals in Domestic Freight Transportation Investigation. This subject has aroused considerable consumer interest and it is also expected to require the assignment of considerable staff time well into fiscal 1977.

The North Atlantic Fares Investigation, which encompasses the entire gamut of issues relating to fare level and structure in scheduled service, will entail concentrated effort on the part of a substantial number of the Board's staff well into fiscal 1977 and quite possibly beyond. In addition, the Pacific Group Fares Investigation and the Transatlantic Container and Cargo Charter Rates cases will be activated in the fiscal years 1976 and 1977. The latter will require allocation of significant staff time well into fiscal 1977 since it involves the complex question of the relationship between the level of cargo rates for high volume containerized shipments on scheduled services and full planeload charter rates. Other cases likely to be before the Board for decision in fiscal years 1976 and 1977, include the Hawaiian Airlines Senior Citizen Standby Fares and the Western Air Lines U.S.-Mexico Passenger Fares cases.

3. Rate-Related Activities

The Board's economic analysis activities, in support of its rates and fares program, continue to expand and gain in significance. The U.S. airline industry has been burdened in the past year with a deepening recession, rampant general inflation and unprecedented increases in the cost of aviation fuel. In addition, the Congressional and Executive branches of our Government have undertaken a searching review of the organization, procedures, functions and results of the regulatory processes. The Board also has under consideration, a series of experiments to assess the operation of the U.S. domestic air transport system under limited or no regulatory constraints. This new look at regulatory objectives is compelled by the economic and social developments we are experiencing. Comprehensive and detailed analysis, on a continuous basis, of changing conditions affecting air transportation is essential. The economic analysis activities provide the Board with such a capability and assist the staff at various stages of the regulatory decisional process. They will be used in developing policy guidelines for the Board to deal effectively with rapidly changing conditions. This is another factor creating the need for additional positions for fiscal 1977.

Concerted efforts will be made to analyze and interpret such developments, among others, as: continuing increase in the price of aviation fuel and the general inflationary trends; declining traffic growth and higher air fares; liberalization of charter regulations and intensified competition between scheduled and nonscheduled services; proliferation of discount fares to attract more passengers and, at the same time, prevent uneconomic diversion of standard-fare passengers; efforts to improve the financial health of the U.S. airlines engaged in international operations, by means of fare restructuring, route reorganization, capacity reduction and the elimination of competitive

disadvantages; energy conservation and environmental matters; and the interplay between intrastate and federally certificated interstate operations.

Economic analysis outputs relating to the rates and fares program will serve as guidelines by the Board to test its policies and their application to future problems and individual case decisions in the rapidly changing economic conditions. Special projects planned include:

- * Integration of New Aircraft Types into the Air Transport System. A study designed to measure the economic impact of the Concorde SST on transatlantic operations is expected to be completed in fiscal 1976. The study will focus on fares, service patterns, U.S. carrier market share, traffic projections and estimates of revenue diversions by the Concorde from U.S.-flag carriers.
- * Recurrent Monitoring of Phase 7 of DPFI. In Phase 7 of the DPFI, the Board established a fare level that is expected to yield the domestic trunks a 12-percent rate of return on investment on their scheduled passenger operations in the 48 contiguous states. The performance of these carriers, in terms of progress in achieving the 12-percent goal, is being monitored on a quarterly basis, utilizing the methodology adopted by the Board in Phase 7 of the DPFI and is constantly being reviewed and improved upon. This methodology is also utilized in evaluating proposed fare increases.
- * Energy Conservation. Problems relating to the price and availability of airline jet fuel impose additional time and effort on the Board's staff. Shortages and price differentials are continually monitored by the staff. Assistance in resolving allocation and supply problems is provided to the Aviation Fuels Management Office of the Federal Energy Administration, as requested, to assure an equitable distribution of available jet fuel supplies to the airline industry. Assistance is also provided to the Aviation Fuels Management Office in developing short- and long-term plans and programs to alleviate potential jet fuel supply shortages.
- * Revenue, Traffic and Yield Data by Fare Category. Represents a quarterly analysis of overall revenues, traffic and yields, by fare category (e.g., standard fares compared to discount fares). The data are presented, by carrier, for each calendar quarter and compared with the same quarter in previous years. The developed trend data facilitate analysis of the impact of recent fare increases as well as of the effect that discount fares have on traffic and profitability.

- * Effect of Selected Discount Fares on Traffic and Service. Periodic studies are planned to analyze the impact of selected discount fares on capacity, traffic growth and profitability. Examples of experimental discount fares recently introduced are: demand scheduling transcontinental service, "no-frills" fares, bicentennial fares and area fares.
- * International Balance of Payments Analysis. The magnitude of the air transport industry has reached such proportions as to have a considerable effect on the U.S. international balance of payments. An analysis is performed annually of the balance of payments position of the United States in providing air service in international markets. Consideration is given to travel expenditures in foreign countries plus passenger fares to foreign carriers made by U.S. travelers; and travel expenditures in the U.S. plus passenger fares to U.S. carriers made by foreign visitors.
- * Analysis of Aircraft Eligible for Retrofit Program. This study will examine in detail the economic ramifications for the airline industry in applying Federal Aviation Administration's noise standards proposal to the certificated industry's fleet. In addition, this study will serve as a model of economic impact that may be used to evaluate future proposals for technical modifications of the fleet.
- * Market Value Analysis Report. Pertinent data and analytical comments on airline stocks are prepared for each calendar quarter. The study contains financial and investment data for the trunk and local service groups as well as for selected individual carriers. Included also are market price trends and price/earning ratios.
- * Recurrent Monitoring of Available Seats by Carrier Equipment Type. An analysis is prepared for each calendar quarter of the average number of available seats each scheduled air carrier is providing on its major types of equipment. Special attention is given to any significant changes in the average number of seats over a given time. One of the uses for this report is in the computation of the rate of return on investment for the domestic scheduled passenger operations in the 48 contiguous states, in accordance with the standards established in the Domestic Passenger Fare Investigation.

B. Government Rates

<u>Actual</u> 1975	<u>Permanent Positions</u>		<u>Increase</u>
	<u>Estimate</u> 1976	<u>Estimate</u> 1977	
20	20	20	-

Government rates consist of two principal work areas, namely postal rates and military rates. It involves the establishment of service mail rates paid by the U.S. Postal Service to air carriers for the transportation of mail, and the determination of minimum rates for the military contract charters provided by commercial air carriers and paid for by the Department of Defense. The Board's actions in this area have a direct impact upon air transportation charges paid by the Government and the economic health of the air transport industry.

1. Service Mail Rates

The Board establishes service mail rates which are paid by the U.S. Postal Service to U.S. carriers for the movement of U.S. mail by aircraft in domestic and foreign transportation. A review of the reasonableness of such rates may be made by the Board on its own initiative or by petition from either the Postmaster General or an air carrier.

Mail rates are developed through formal or informal procedures for specific geographic operating areas such as domestic, transatlantic, transpacific, Latin America, intra-Alaska and intra-Hawaii.

The hearing in the investigation to determine Domestic Service Mail Rates was completed in September 1975 and briefs submitted by the parties to the Administrative Law Judge in January 1976. The Judge's initial decision is anticipated during the last quarter of fiscal 1976, but final decision by the Board may not be reached until the first half of fiscal 1977. This represents the second phase of the investigation which was severed by the Board in recognition of the rate complications raised by the inauguration of containerized mail services. Temporary domestic service mail rates were fixed in January 1974 to give appropriate account to increased operating costs. In October 1974, these rates were further increased to provide for fuel costs escalation. Other miscellaneous amendments were adopted throughout fiscal years 1974 and 1975 to cover new container types which were introduced into mail services. In March 1975 the Board denied the requests of several carriers for the issuance of a show cause order to fix the domestic service mail rates for the past period March 28, 1973 through December 1974. In July 1975 the Board denied requests by several carriers for increased temporary domestic service mail rates, effective January 1, 1975.

In March 1974, the Board instituted an investigation of worldwide International Service Mail Rates. Hearing on this case was completed in January 1976, and briefs by the parties to the Administrative Law Judge are due March 16, 1976. Enactment of the International Air Transportation Fair Competitive Practices Act in January 1975, amended the Federal Aviation Act of 1958 with respect to the Board's establishing international mail rates. As a result, the issues in the investigation have been significantly expanded to give consideration to international mail rates fixed by the Universal Postal Union (UPU) and the competitive disadvantage to U.S.-flag carriers which may result from UPU rates being paid foreign carriers. The temporary international service mail rates were increased in

October 1974 to provide for the precipitous rise in fuel costs for international air transport services. In February 1975 the temporary rates were further increased to accommodate overall cost inflation. In May 1975 the carriers petitioned for further increased temporary mail rates so as to include therein the elements currently reflected in the UPU rates. This latter case is presently in process by the Board.

In the first quarter of fiscal 1975, two Alaskan carriers requested fuel surcharges be provided to their intra-Alaska service mail rates to provide for significant fuel cost escalations. In the last quarter of fiscal 1975, the Board fixed fuel surcharges to these service mail rates. In the first half of fiscal 1976, two additional Alaskan carriers petitioned for fuel surcharge increases to their intra-Alaska service mail rates. Further rate-making activity in this area will depend on whether or not there is significant stabilization in the cost of aircraft fuels.

2. Military Rates

The Board establishes the minimum rates at which the U.S. civil air carriers are paid by the Department of Defense for domestic, overseas, and foreign charters and for selected scheduled services. On its own initiative and upon request, the Board undertakes a rule-making proceeding to review and revise the rates as may be required.

In January 1975, the rule fixing final, foreign and overseas military rates was adopted by the Board for effectiveness on and after that date. In that rule-making, the Board's procedure for setting fuel surcharges was applied to both military and commercial supplied fuels. Up until the end of fiscal 1975, such fuel surcharges were being set on a monthly basis. Due to the general stabilization of commercial fuel prices, the Board effective July 1, 1975 went to a quarterly period for amendment of the fuel surcharge applicable to foreign and overseas military rates.

In January 1974, a full scale review of the domestic military charter rates was initiated by the Board. In accordance with its modified procedure of setting interim final rates on a prospective basis, the Board adopted interim final rates pending completion of the full scale review. Proposed rate adjustments were adopted in October 1975 and by January 1976 filing of comments thereon were completed. It is expected that the full scale review will be completed in fiscal 1976.

Since October 1973, due to the financial distress of some U.S.-flag carriers and the need for fuel conservation, the Board has permitted the U.S. scheduled carriers to transport military charter passengers on scheduled services at the military round trip charter rate. This substitution service, allowing elimination of the contracted charter flights, was successively authorized on short-term bases despite strong controversy as to the long-run economic merits. Therefore, with the current authorization being extended through fiscal 1976, the Board believed an investigation was warranted and in July 1975 set the matter down for hearing. Prehearing conference before the Administrative Law Judge is scheduled for January 29, 1976. While further procedural dates have not been yet established, it is expected this matter will probably continue into fiscal 1977.

The volume of military contract operations in foreign and overseas services increased substantially in fiscal 1975 with revenues totaling \$207.2 million, compared with \$140.7 million in fiscal 1974. The curtailment of short-range operations in fiscal 1976 and the withdrawal of an additional long-range carrier will undoubtedly bring heavy competitive pressure to bear on the remaining carriers to obtain any additional volume of military transport business.

With expectation of continued cost increases, fluctuations in military transport requirements and the volatile economic situation always present in international services, it is expected that another foreign and overseas military rate review will be necessary in fiscal 1977, and with the investigation of the carriage of military charter passengers on scheduled services underway, the workload will tend to increase.

C. Subsidy Rates

Actual 1975	Permanent Positions		Increase
	Estimate 1976	Estimate 1977	
33	33	33	-

Section 406 of the Federal Aviation Act vests the Board with the responsibility for determining and making subsidy payments to U.S. air carriers. Such air carriers, certificated for the carriage of U.S. mail, are generally eligible for subsidy in those situations where the carrier demonstrates a statutory need therefor. The Board decides the need and amount for an individual carrier or a class of carriers on a case-by-case basis. The amount of subsidy to be paid is designed to cover each carrier's operating loss individually or as a member of a class and to provide it a reasonable opportunity to earn a fair return on the investment used to provide its air transportation services to the communities.

The subsidy rate for each carrier is determined only after notice and opportunity for hearing, and is subject to judicial review. Most cases are processed by show cause procedures. However, cases also may be handled by full evidentiary hearings before the Board and its administrative law judges. Subsidy rate cases may be initiated by a petition filed by the carrier or by an order of the Board upon its own initiative.

Neither the Act nor the Board guarantees that each carrier will earn a profit at the prescribed rate, but rates are established so as to provide a reasonable opportunity to do so under honest, economical, and efficient management. This is in line with public utility rate regulatory theory under which losses incurred in past years, while on closed rates, cannot be made up with Federal funds in fixing future rates; and rates, once established, remain final and closed until reopened.

1. Local Service Operations

Since 1961, the local service carriers have received subsidy under a class rate system. This system maintains carriers in a closed-rate status, which tends to assure maximum efficiency and maximum public benefit for each dollar of subsidy paid; provides carriers with profit incentive to improve the economy of operations; provides effective control of payments while affording carrier management-wide operational flexibility; and encourages airline financial stability.

Under the Board's power to reopen rates prospectively on its own initiative, it maintains a continuing program of reviewing all established subsidy rates. Consequently, when any class rate appears to be providing excessive compensation to the industry--or, conversely, when a rate seems inadequate to meet the legitimate needs of the local service carriers--the Board possesses a mechanism for making adjustments as situations require.

These subsidy determinations are made in accordance with the rate-making principles which the Board has developed to implement the mandate of the Act under which only those losses incurred under honest, economical and efficient management shall be underwritten.

Setting rates for the local service carriers has become much more complex with the growth of their subsidy-ineligible services. The need of the carriers' subsidy-eligible services must be determined from a review of the overall system operations. To this end, the staff requires the carriers to support their claims by detailed data relative to the eligible and ineligible services performed in pairs of points served. This has entailed an increasingly complex system of monitoring by the staff of system cost allocations, review of revenue yield formulae to better identify revenues by markets, and classification of services performed based on density of passenger enplanements at stations.

The Board reopened the Local Service Class Subsidy Rate on July 1, 1973 to adjust subsidy payments to reflect changes in the economic conditions within the local service industry. Class Rate VII, which established subsidy rates for local service carriers from July 1, 1973 forward added even more complexity to the efforts required to administer subsidy. A review mechanism was established under which the operating results of the carriers are examined each six months (based on year ended data for March and September of each year) to determine a subsidy rate for each six month period beginning January 1 and July 1 of each year.

Initially, the reviews were concerned only with ineligible operations. One-half the earnings from the ineligible service which are in excess of an allowable return and tax are offset against the subsidy payable for eligible services. The net result is the subsidy rate adjustment for the next six months. However, beginning with the rate effective January 1, 1975, a mechanism for sharing changes in eligible need was introduced. Under this mechanism, one-half of any improvement or deficiency in the earnings of the eligible services are subtracted from or added to ceilings on earnings for these services established in the base period. In no case is this six-month subsidy rate to exceed the permanent ceiling established in Class Rate VII.

In July 1975, the carriers operating under Class Rate VII filed a petition asking that the ceiling provisions be released. Texas International filed separately requesting a complete reopening of the rate. Both of those petitions were denied. In November, the carriers requested the Board to reconsider this denial and release the ceiling provisions effective January 1, 1976. This matter is still pending.

Class Rate VII incorporated an "open tax policy" under which the tax positions of local service carriers are subject to continuous review. If a carrier experiences losses sufficient to remove any tax liability, its tax allowance is discontinued. On the other hand, when a carrier demonstrates that it has entered a tax position, then the rate is adjusted to reflect a tax allowance. The provision for retroactive adjustments of taxes based on actual tax returns requires the continuous monitoring of all the carriers' tax positions.

Three petitions for individual future-period subsidy rates were received from local service carriers in fiscal 1975. Allegheny Airlines filed a petition for subsidy commencing on January 3, 1975. The carrier's objection to the Board's order reaffirming a service mail rate as the fair and reasonable compensation for Allegheny's operations is still pending. Texas International's petition for temporary and permanent subsidy rates commencing January 31, 1975 was denied in May 1975. Air New England, the new

local service carrier certificated to operate in the New England area, petitioned for subsidy support on January 24, 1975. An order fixing a temporary rate was issued in April 1975. The carrier filed a petition on August 6, 1975 requesting a revised temporary rate and amending upward the amount requested for a final rate. A revised temporary rate was established in September 1975. A final subsidy rate for Air New England will be determined when sufficient operating experience has been accumulated.

Frontier Airlines has a petition outstanding, requesting increased past-period subsidy payments for the period December 2, 1969 through June 30, 1971. This case has been set for a hearing during fiscal 1976 and will require substantial staff effort during the year.

In estimating the proper level of subsidy to be paid for necessary eligible services, consideration will be given to adjustments that ensure consistency with statutory provisions of the Federal Aviation Act to prevent overpayment. These include: (1) revision of route structures to enable the carriers to achieve greater operating efficiency; (2) cross-subsidization of eligible services by profitable, ineligible services; (3) charter profit offset; (4) review of rate of return levels; and (5) disallowances of certain expenses deemed inappropriate for subsidy support.

The staff is continuing research begun in fiscal 1975 on new conceptual approaches to the payment of subsidy under a class rate formula to support only services to small communities.

2. Domestic and International Trunkline Operations

After many years of operating without subsidy, two U.S.-flag international carriers, Pan Am and TWA, have applied for subsidy under section 406 of the Act. They cite adverse impact of the fuel-price situation as the main reason for requesting aid. TWA has also requested subsidy for its domestic operations. These requests constitute the largest and most complex subsidy cases instituted in nearly two decades. To process them may require increased manpower.

3. Alaska Operations

Three carriers (Alaska, Kodiak-Western Alaska, and Wien Air Alaska) currently are receiving payments under the Act for services performed in the state of Alaska. All three carriers are receiving subsidy under individual rates. These rates will be reviewed in the light of changed economic conditions in Alaska arising from the construction of the Alaskan pipeline and related oil production activity to determine what levels of subsidy, if any, will be necessary to sustain their operations within Alaska.

4. Loan Guarantee Matters

More staff time is being devoted to the processing of current loans guaranteed by the Federal Government under 76 Stat. 936 due to a marked increase in activity in this area in the fourth quarter of fiscal 1975. Three applications for loan guarantees were filed in this quarter as against one application in all of fiscal 1974. Processing of one of these applications was completed in fiscal 1975.

Texas International's application for a loan guarantee of \$1.8 million for one DC-9-15 aircraft was approved in July 1975. The application of Alaska Airlines for a loan guarantee of \$15.4 million for six B-727-100 aircraft was approved in August 1976. The applications of Hawaiian Airlines for a loan guarantee of \$28.8 million for four DC-9-50 aircraft and Texas International's loan guarantee of \$4.8 million, were approved December 1975. An application received in August 1975

REGULATION OF RATES AND FARESWORKLOAD

<u>Workload Item</u>	<u>Items Completed or Processed</u>			
	<u>Actual 1975</u>	<u>Estimate 1976</u>	<u>Estimate 1977</u>	<u>Increase</u>
1. Passenger and property rates:				
a. Review of tariff filings.....	123,808	152,000	153,000	1,000
b. Special tariff permission applications.....	2,506	2,500	2,750	250
c. Free transportation tariffs...	3,884	5,000	5,500	500
d. Processing tariff referrals and complaints.....	1,489	4,750	5,000	250
e. Passenger and property rate investigations.....	43	65	75	10
f. Passenger and property rate exemptions.....	17	100	110	10
2. Government rates:				
a. Service mail rates.....	208	222	112	-110
b. Military rates.....	268	76	105	29
3. Subsidy rates and analyses.....	112	157	99	-58

DISTRIBUTION OF AUTHORIZED POSITIONS BY ORGANIZATION

<u>Organization</u>	<u>Authorized Positions</u>			
	<u>Actual 1975</u>	<u>Estimate 1976</u>	<u>Estimate 1977</u>	<u>Increase</u>
Offices of Members.....	13	13	14	1
Office of Consumer Advocate.....	2	3	3	-
Office of General Counsel.....	11	11	13	2
Office of Secretary.....	7	7	7	-
Bureau of Accounts and Statistics.....	20	21	23	2
Bureau of Economics.....	110	118	123	5
Bureau of Administrative Law Judges...	8	8	8	-
Management Support Offices.....	16	16	16	-
Total, Regulation of Rates and Fares.....	187	197	207	10

REGULATION OF AGREEMENTS AND INTERLOCKING RELATIONSHIPSI. PURPOSE

The Civil Aeronautics Board has jurisdiction over the acquisition of control of an air carrier by any person, over consolidations, mergers, and acquisitions of control between or among air carriers, and any other common carrier, or any person engaged in any other phase of aeronautics (Section 408). Interlocking relationships of directors and officers between air carriers, common carriers and aeronautical enterprises are also within its purview (Section 409). The Board likewise has jurisdiction over intercarrier agreements, under Section 412, including those between United States and foreign flag carriers who are members of the International Air Transport Association (IATA). IATA's activities concern various matters, including agreements on international rates and fares. The authority to approve or disapprove such agreements and the new authority to suspend and investigate international rates and fares give the Board a stronger voice than formerly in the determination of international rates and fares.

II. FINANCIAL REQUIREMENTS

	Actual <u>1975</u>	Estimate <u>1976</u>	Estimate <u>1977</u>	<u>Increase</u>
Permanent positions	58	60	60	-
Man-years	58	58	58	-
Program costs (in thousands)	\$1,413	\$1,576	\$1,655	\$79

III. PROGRAM AND JUSTIFICATION OF STAFF REQUIREMENTS

The Board's basic objectives in administering this program are to: (1) insure that proposed consolidations, mergers, acquisitions, intercarrier agreements, and interlocking directorates involving air carriers, are consistent with the public interest; and (2) influence to the extent possible, the fixing by IATA carriers of fair and reasonable international rates and fares. Within the framework of these objectives, emphasis will be directed towards: the Air Carrier Reorganization Investigation; the Institutional Control of Air Carriers Investigation; interlocking relationships involving, among others, air freight forwarders and air taxi operators; monitoring and evaluating developments concerning IATA fare and rate conferences; intergovernmental discussions on development of a profitable pattern of fares; and analysis of the economics of full planeload charter service. In order to fulfill these goals, the Board needs 60 positions and 58 man-years in fiscal 1977, which represents no increase over fiscal 1976.

This program is divided into two categories: A. Antitrust Activities; and B. Rate Agreements (IATA).

A. Antitrust Activities

	<u>Permanent Positions</u>			
<u>Actual</u> <u>1975</u>	<u>Estimate</u> <u>1976</u>	<u>Estimate</u> <u>1977</u>	<u>Increase</u>	
43	43	43	-	

As in past years, the Board will place special emphasis in 1977 on processing in a timely fashion matters arising under sections

408, 409, and 412, of the FA Act which concern, respectively, acquisitions of control, interlocking directorates and intercarrier agreements. Because these cases involve important business considerations and, in some instances, cannot be implemented without Board approval, they warrant review as expeditiously as possible. Particular attention will be focused on multilateral agreements affecting the interests of third parties.

1. Acquisition and Interlocking Relationships

Sections 408 and 409 of the Act provide that control and interlocking relationships subject thereto are unlawful unless and until approved by the Board. Requests for approval of control relationships may be assigned for hearing, or reviewed on the basis of written pleadings. Interlocking directorates presented to the Board for approval frequently raise significant regulatory problems because of potential conflicts of interest. In such instances, any approval by the Board customarily is conditioned upon the filing periodically of special reports designed to provide an ongoing review of the relationship. It is expected that significant interlocking relationship cases will be presented in the future as air carriers undoubtedly will continue to select as their officers and directors, persons who are active in related business endeavors, thereby raising issues of possible conflicts of interest.

a. Certificated Air Carriers

A few certificated air carriers have reorganized their corporate structures in recent years in a manner which would permit diversification into businesses other than direct air transportation. The Board is now considering in the Air Carrier Reorganization Investigation what policy should govern such reorganizations. Also, as part of its responsibility under sections 408 and 409, the Board has ordered the Institutional Control of Air Carriers Investigation to inquire into the relationships between certificated air carriers and financial institutions which hold substantial amounts of airline stock or which are substantial creditors of the airlines, or which lease flight equipment to the airlines. The general purpose of this Investigation is to determine whether, and in what manner, the various financial institutions may influence airline managements, and whether the Board should take action with regard to any control or interlocking relationships which may exist. The comprehensive case will require substantial staff input over a prolonged period.

b. Noncertificated Air Carriers

Control and interlocking relationship applications involving air freight forwarders and air taxi operators will continue to represent a substantial workload principally because of the large number of carriers in these categories. Many of these relationships can be dealt with through the use of the section 408(a)(5) exemption (non-hearing) proviso applicable to noncertificated air carriers. However, the increasing number of these cases will continue to require considerable manpower.

2. Intercarrier Agreements

Section 412 of the Act requires each air carrier to file with the Board copies of certain types of agreements affecting air transportation, which are entered into between the air carrier and any other carrier. The Board, in considering whether to approve an agreement, must decide whether it is adverse to the public interest or in violation of the Act.

Among the more important types of agreements are resolutions adopted by the members of air carrier trade associations, such as the Air Traffic Conference of America (a division of the Air Transport Association of America) and the International Air Transport Association. These resolutions concern important intercarrier traffic arrangements and often third party interests, e.g., relationships between carriers and travel agents. In the ATC Bylaws Investigation, the Board approved the formative document of the Air Traffic Conference and directed that new proceedings be initiated concerning various ATC practices and programs, including ATC's policy of secrecy of information, travel agent procedural protections, and the exclusion of non-certificated air carriers from some certificated air carrier industry programs. Considerable staff resources will be devoted to these upcoming proceedings, which will commence in fiscal 1976 and carry over to the following year. Otherwise, we expect no diminution in the effort needed for review of these significant agreements.

Numerous other agreements will also require close scrutiny. In the past, such cooperative arrangements have concerned, for example, the purchase by air carriers of spare parts from sole source suppliers, the development of a new interline priority freight service, the joint loading of freight by air freight forwarders, and intercarrier technical assistance programs.

Air carriers frequently request Board authorization for intercarrier discussions intended to lead to section 412 agreements as approval of such meetings conveys antitrust relief. Previous requests have related, for example, to discussions to the pooling of equipment and revenues among United States international air carriers, and to discussions about the development of a new industry personal credit card program. Authorizations granted by the Board for intercarrier discussions customarily include conditions which permit the Board to monitor the discussions by sending observers to the meetings or by reviewing carrier reports summarizing the results of the meetings. This monitoring activity will continue in fiscal years 1976 and 1977.

B. Rate Agreements (IATA)

Permanent Positions			
<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Increase</u>
<u>1975</u>	<u>1976</u>	<u>1977</u>	
15	17	17	-

Although the authority to suspend international tariffs, which the Board received in March 1972, has imposed a greater responsibility on the staff for the review of individual carrier tariff filings, IATA will continue to constitute the primary framework for the establishment of international passenger fares and cargo rates for scheduled services. The workload in the international area has increased steadily in recent years and this trend is expected to continue in fiscal years 1976 and 1977.

The IATA schedule normally calls for worldwide passenger and cargo conferences to be held in alternate years, with the agreements effective for a two-year period. However, considerable controversy has developed among the carriers due to the increasing complexity of the issues that must be resolved in both the passenger and cargo areas, and the trend is increasingly toward one-year agreements. The North Atlantic passenger fares conference has involved meetings spanning many months in recent years. The Board's staff is required to undertake a virtually continuous monitoring and evaluation of developments, and is under considerable time pressure since the matter is usually resolved and agreement reached only at the last minute. There is every reason to expect a similar experience in fiscal years 1976 and 1977.

The situation with respect to North Atlantic service has become particularly acute because of the serious financial difficulties facing all major carriers, and the significant charter activity in this geographic area which is making it increasingly difficult for the IATA carriers to reach agreement on an economically sound pattern of fares for scheduled service. Because of the many and complex issues involved in this most important international market, the Board instituted the North Atlantic Fares Investigation in the latter part of fiscal 1975, and is already assembling extensive factual data which it ordered the carriers to provide as a preliminary to the customary procedural steps. This proceeding will require a great deal of analytical staff time through fiscal 1977 in addition to that normally required in disposing of IATA agreements.

To the extent one-year fare agreements are becoming increasingly the norm, the frequency with which the staff must contend with the entire IATA process is doubled. The procedures involve preliminary analysis of the issues to be discussed at the conferences, generally followed by a Board policy statement; monitoring of the conference's progress; initial analysis of the agreements filed and preparation of a procedural order which affords opportunity for public comment; and finally, evaluation of carrier justification, comments and objections of all interested parties, and preparation of recommended disposition by the Board. In addition to the trend toward one-year agreements, individual area agreements rather than on a worldwide basis, is becoming more frequent, resulting in a succession of filings rather than one package. This trend has accelerated as the carriers have sought to recover fuel cost increases which vary in different parts of the world. Moreover, IATA agreements are usually arrived at after lengthy negotiation and, as a consequence, are usually filed a short time before their intended effectiveness. All of these influences heighten the workload peaks which must be dealt with expeditiously by the staff.

The Board's new statutory authority has enhanced the effectiveness of both the preconference policy statement and ultimate disposition of the agreements. By the same token, it has materially increased the workload of the staff since it makes possible a greater number of alternative courses of action, all of which must be carefully evaluated. The ability now to take effective action with respect to tariff filings has also engendered an escalation of interest in IATA agreements by third parties, particularly the supplemental carriers and various consumer groups. Frequently, the pleadings are extensive and their analysis places an added heavy burden on the Board's staff. This development, along with the increasing complexity of the issues, has created a continuing trend toward greater staff responsibility and workload which is expected to continue at an accelerated pace through fiscal years 1976 and 1977.

REGULATION OF AGREEMENTS AND INTERLOCKING RELATIONSHIPSWORKLOAD

<u>Workload</u>	<u>Items Completed or Processed</u>			<u>Increase</u>
	<u>Actual 1975</u>	<u>Estimate 1976</u>	<u>Estimate 1977</u>	
1. Acquisitions and interlocking directorate matters.....	4,962	3,325	3,330	5
2. Intercarrier agreements.....	948	995	1,045	50
3. Intercarrier rate agreements (IATA)	955	2,000	2,250	250

DISTRIBUTION OF AUTHORIZED POSITIONS BY ORGANIZATION

<u>Organization</u>	<u>Authorized Positions</u>			<u>Increase</u>
	<u>Actual 1975</u>	<u>Estimate 1976</u>	<u>Estimate 1977</u>	
Offices of Members.....	4	4	4	-
Office of General Counsel.....	7	7	7	-
Office of Secretary.....	4	4	4	-
Bureau of Accounts and Statistics.....	6	6	6	-
Bureau of Economics.....	9	11	11	-
Bureau of Administrative Law Judges....	6	6	6	-
Bureau of Operating Rights.....	18	18	18	-
Management Support Offices.....	<u>4</u>	<u>4</u>	<u>4</u>	<u>-</u>
Total, Regulation of Agreements and Interlocking Relationships	58	60	60	-

REGULATION OF AIR CARRIER ACCOUNTING AND REPORTING

I. PURPOSE

The purpose of this program is to provide, in accordance with section 407 of the Federal Aviation Act of 1958, for the collection and maintenance of a body of facts required in the promotional and regulatory processes of the Board. This is done through the design, prescription, and administration of uniform systems of accounts and reports; verification of carrier conformance with prescribed accounting and reporting regulations; audit of carrier books, records, and reports; and the statistical analysis of data and reporting thereon to the Board and the public.

II. FINANCIAL REQUIREMENTS

	<u>Actual 1975</u>	<u>Estimate 1976</u>	<u>Estimate 1977</u>	<u>Increase</u>
Permanent positions.....	84	87	90	3
Man-years.....	84	85	88	3
Program costs (in thousands).....	\$2,255	\$2,555	\$2,775	\$220

III. PROGRAM AND JUSTIFICATION OF STAFF REQUIREMENTS

The regulation of rates and fares, the awards of operating authority, the development of subsidy rates, the payment of subsidy and other activities of the Board, require a large body of various data that must be furnished periodically by the carriers. In order to obtain data that are valid, that will meet the various needs of the Board, and that will permit comparisons between carriers, the Board prescribes a uniform system of accounts and reports, and monitors and audits that system in various ways to assure its integrity and responsiveness to the changing needs of the Board, the industry, the air carriers, other Government agencies, and the changes in accounting concepts and practices.

The program is broken down into three categories: A. Prescribing Accounting and Statistical Systems; B. Statistical Information and Carrier Reporting; and C. Field Audits.

A. Prescribing Accounting and Statistical Systems

	<u>Permanent Positions</u>			
	<u>Actual 1975</u>	<u>Estimate 1976</u>	<u>Estimate 1977</u>	<u>Increase</u>
	23	24	26	2

This category of work includes the development and administration of uniform accounting and statistical information systems to support the Board's route, rate, subsidy and other regulatory activities. In an industry as dynamic as air transportation, these information systems must be constantly renewed in order to adapt to the present and future needs of the Board, the industry, other Government agencies, and the growing consumer interests in regulatory matters. These systems must also be responsive to the numerous accounting and statistical developments taking place in professional organizations and governmental bodies which are remolding accounting principles and disclosure standards for American business.

The extent to which the Board's information systems are responsive to the changing priorities of the air transport industry is directly related to the skilled manpower that is available to handle the increased workload associated with the accounting regulation program. Up until now, the Board has been able to handle the growing workload through streamlined work procedures and improved productivity. However, additional positions are necessary to develop and test conceptual plans and prepare economic regulations for major new accounting and reporting systems for the airline industry, including completion of a proposed rule and implementation of a costing system that will provide profit and loss data and related cost details by product line, i.e., passenger, cargo, military and civilian types of common carriage. The costing refinement project will be developed and implemented in two phases, the first of which will address certificated route air carriers and the second, certificated supplemental air carriers. It will result in the most significant change in the CAB's Uniform System of Accounts and Reports for Certificated Air Carriers since its inception and will provide a tool unique among regulatory agencies. These additional positions will also be utilized to maintain the integrity of these systems, once implemented, as well as existing systems, through visits to carrier offices for on-site review of the internal procedures and by providing accounting and policy guidance through the issuance of industry directives. Moreover, items currently on the Board's docket, including the Air Carrier Reorganization Investigation, the Institutional Control of Air Carriers case, the Priority and Nonpriority Domestic Service Mail Rates - Phase II case, and the Domestic Air Freight Rate Investigation will also create additional accounting and reporting workload.

During fiscal years 1976 and 1977, many new or revised accounting and reporting rules will be developed and implemented in addition to a new air carrier cost accounting system. Specific areas of concentration include: implementation of aircraft seating standards for regulatory purposes, summary reporting of discount fare data, regulatory rate of return data based on criteria established in the Domestic Passenger Fare Investigation, improved reporting of charter operations, redesigned accounting for lease transactions, uniform reporting of accounting for unearned transportation revenues, new accounting for airframe and aircraft engine overhauls, expanded disclosure of income tax accounting practices, redefinition of affiliated company investments for equity accounting, and stockholder reporting to evaluate the concentration of air carrier control and interlocking relationships. Revisions to the Uniform System of Accounts and Reports are also expected to provide for the conversion from hard copy to automated media submission of Form 41 reports.

At the other end of the spectrum, the Board recently began a vigorous program of self-appraisal which regularly reviews the reporting requirements imposed on the air transport industry for the purpose of relieving the air carriers of preparing reports which have become out-dated and unnecessary. As another part of this program, a joint task force with the Securities and Exchange Commission was established to develop singular reporting to satisfy the needs of both agencies thus reducing the burden on the carriers and the public.

In fiscal 1977, the staff of this program will concentrate their efforts on the following projects:

- * Design and implement a new product-line costing system for certificated route and supplemental air carriers.

- * Conceptually revise the Form 41 reporting requirements in a manner that will maximize automatic data processing capabilities so as to substantially reduce air carrier reporting burdens and expedite the availability of such data. In lieu of receiving hard copy reports of financial and traffic data, the Board would receive automated inputs such as tapes, cards, etc., from which the Board will generate hard-copy reports.
- * Realign the reporting of changes in financial condition and the projection of cash requirements to provide a basis of evaluating and forecasting air carrier financial position and operating results.
- * Design reporting requirements to adequately disclose and regulate intercorporate transactions, holding company controls and influence over carrier operations, as well as subsidiary and other diversified activities, as are determined necessary from the findings of the Air Carrier Reorganization Investigation.
- * Establish a new part of the Economic Regulations to incorporate reporting provisions to monitor the standards of the Domestic Passenger Fare Investigation in such areas as load factor and seating standards, discount fare standards, rate of return standards, etc.
- * Pronouncements by the Financial Accounting Standards Board necessitate that the CAB make changes to its requirements for the submission of accounting plans to provide for more realistic reporting periods and to obtain more accurate, uniform and meaningful data.
- * A pronouncement by the Financial Accounting Standards Board revising the disclosure standards for unamortized discount and premium on debt necessitates realignment of CAB disclosure requirements to recognize contemporary accounting practices.
- * Revise the reporting requirements applicable to air carrier business combinations effected through purchase by providing for expanded disclosure of such transactions, particularly the identification of tangible assets purchased and goodwill involved pursuant to pronouncements of the Financial Accounting Standards Board.
- * Design and implement a recurrent system for accumulating and processing freight origin and destination information upon conclusion of the Domestic Air Freight Rate Investigation.

B. Statistical Information and Carrier Reporting

Actual 1975	Permanent Positions		Increase
	Estimate 1976	Estimate 1977	
36	38	39	1

In a time when substantial changes in the regulation of air transportation are contemplated and experimental programs are instituted, the Board will, more than ever, require accurate and current statistical information for measuring and evaluating results. The Board's increased emphasis on the protection of consumer interests and on speeding up its decision-making process in all regulatory areas also requires comprehensive air transport financial and traffic information. In addition, other Federal agencies and international organizations require statistical data produced by the Board to carry out their programs. State and municipal governments rely heavily on Board-produced statistics for aviation planning and analysis.

The usage made of these statistics by the Board and the aviation community continues to become more sophisticated and broader in scope. This creates an environment in the statistical data function which dictates increasingly more precise evaluation and monitoring of data reported to the Board and places more emphasis on timely release of special-purpose publications.

The 1976 effort in the statistical data area has already been impacted by the increased focus on charter operations brought on by anticipated changes in regulations affecting that segment of the industry. We anticipate the need for a data system capable of providing the information necessary to monitor and evaluate the newly liberalized charter rules. Moreover, the Board's present charter reporting system was instituted about eight years ago. Since that time, there has been a virtual revolution in the nature of the services offered which has rendered the present system almost obsolete in today's environment. Examples of important basic information planned in the new system, which was heretofore unavailable, are: actual passengers carried including their origins and destinations, charter group data, revenues generated, and aircraft type designations. The actual date of charter operations, which is so important in negotiation of bilateral agreements to determine the degree of impairment of other scheduled or nonscheduled air services, will also be collected. This system will provide needed basic information on the dimensions of the charter industry and its impact on all modes of travel.

Efforts are continually being made, within budgetary constraints on staff, to enhance existing end product reports, publications, and data bank accessing capabilities to serve Board and other user needs more effectively. For example, we are actively trying to broaden the Board's existing data capabilities with related statistics generated in other branches of the Government, and we are planning a microfiche application for service segment market data which will greatly reduce the duplication costs of those statistics to users.

Current experimental programs dealing with the freedom of air carrier entry/exit in a market and the relaxation of fare regulation may well impact the statistical and evaluation programs. The experiments to begin in 1976 and/or 1977 will require information collections and analyses to apprise the Board of the results and possible future policies. This changing climate will require the collection and evaluation of statistical data from a greater number of air carriers, many of whom may not presently be submitting similar data to the Board. It is essential that these new air carriers and the changing air service characteristics be closely monitored. This will substantially impact the workload burden of this program.

Major CAB statistical publications planned for fiscal 1976 and 1977 include: Air Carrier Traffic Statistics, Air Carrier Financial Statistics, Origin-Destination Survey of Airline Passenger Traffic, Airport Activity Statistics, Handbook of Airline Statistics, Quarterly Airline Industry Economic Report, Interim Financial Report, Schedule Arrival Performance Report, and Freight Loss and Damage Report.

C. Field Audits

Actual 1975	Permanent Positions		Increase
	Estimate 1976	Estimate 1977	
25	25	25	-

The field audits function involves on-site examinations of air carriers' books and other records to determine the adequacy and correctness of financial, statistical and operational data reported to the Board. This work involves, among other things, reviewing management practices and internal controls to determine the soundness of carrier practices, and reviewing certified public accountants' working papers and reports. Although the carriers are audited by both the Board and the CPAs, the audits are made for different purposes. The CPAs' audits are designed for stockholder and investment purposes, whereas the Board's audits concentrate mainly on assessing conformance with regulatory, statutory and subsidy rate criteria.

1. Subsidized Air Carriers

This group is made up of eight local service carriers and three Alaskan carriers. Audits of their accounting and statistical records furnish the Board with basic information upon which to construct subsidy rates, and these audits are essential in assuring that claims for subsidy are in accordance with rate orders. Payments to the local service carriers, under the complex class rate format, must be audited annually on site to insure that subsidy billings are supported by records that are maintained in compliance with accounting and reporting regulations of the Board.

2. Nonsubsidized Air Carriers

a. Certificated Route Carriers

This class of carriers represents more than 90 percent of the airline industry in terms of total assets and gross revenues. Audit verification of the financial and statistical data reported to the Board by this large segment of the industry strengthens the effectiveness of the regulatory decision-making process. All nonsubsidized certificated route carriers are expected to receive some audit coverage during fiscal years 1976 and 1977. Audit reviews will involve the selection of major accounting and reporting areas for examination under a program common to all of the carriers of this group. All other nonsubsidized certificated route carriers will generally be audited under individually tailored programs for the purpose of identifying major problem areas.

b. Supplemental Air Carriers

The Board has the responsibility under P.L. 87-528 to monitor the financial fitness of supplemental carriers. The Board's work in this area is used by the Federal Aviation Administration to determine the degree of maintenance surveillance to apply to this group. Similarly, the Military Airlift Command uses the Board's audit information to assist in determining a carrier's ability to perform services under military contract awards. All supplemental carriers are expected to be audited during fiscal years 1976 and 1977.

3. Special Examinations

In addition to programmed and planned audit work, the field audit staff performs special one-time examinations at the request of other Government entities, the Board and staff of the various Board programs, concerning specific rate, route, accounting, agreement, and enforcement issues. These examinations approximate 45 per year and cover subjects such as examinations of air carrier reorganizations, ticket pricing surveys, trade agreement transactions and other such matters.

REGULATION OF AIR CARRIER ACCOUNTING AND REPORTINGWORKLOAD

<u>Workload Item</u>	<u>Items Completed or Processed</u>			<u>Increase</u>
	<u>Actual 1975</u>	<u>Estimate 1976</u>	<u>Estimate 1977</u>	
1. Regulation of accounting and reporting systems.....	1,302	1,545	2,024	479
2. Carrier report schedule filings..	52,500	55,000	59,000	4,000
3. Analysis and evaluations.....	398	448	482	34
4. Statistical data reports.....	656	683	736	53
5. Field audit of air carriers:				
a. Subsidized carriers.....	86	160	170	10
b. Nonsubsidized carriers.....	329	245	255	10
c. Special examinations.....	61	45	45	-

DISTRIBUTION OF AUTHORIZED POSITIONS BY ORGANIZATION

<u>Organization</u>	<u>Authorized Positions</u>			<u>Increase</u>
	<u>Actual 1975</u>	<u>Estimate 1976</u>	<u>Estimate 1977</u>	
Office of General Counsel.....	2	2	2	-
Office of Secretary.....	1	1	1	-
Bureau of Accounts and Statistics....	52	55	58	3
Bureau of Enforcement.....	23	23	23	-
Management Support Offices.....	<u>6</u>	<u>6</u>	<u>6</u>	<u>-</u>
Total, Regulation of Air Carrier Accounting and Reporting.....	84	87	90	3

ENFORCEMENT AND CONSUMER ADVOCACYI. PURPOSE

Enforcement and consumer advocacy are two areas in which any benefit or detriment to the taxpayer's interest is most clear and direct. The purposes of this program, therefore, are to: (1) obtain carrier compliance with the economic provisions of the Federal Aviation Act and with the regulations, orders, certificates, permits, exemptions, and other requirements issued thereunder; (2) prevent unfair, deceptive, and restrictive competition and practices; (3) assure that the complaints of individual travelers and shippers receive prompt and effective consideration; and (4) represent issues of consumer interest in all matters that come before the Board. The Board pursues these goals to further its overall objective of promoting an economically sound air transportation system responsive to the needs of the public. An objective, independent study has shown a high measure of efficacy in this program (see Section III B).

To keep this program effective, the Board works to: (1) keep the public and the industry informed of all applicable statutory policies and directives; (2) obtain voluntary compliance whenever possible; (3) pursue legal proceedings before the Board and in the Federal courts; (4) maintain an effective presence in the various regions of the United States; (5) process expeditiously consumer complaints; and (6) participate in Board proceedings and initiate actions and programs on behalf of consumers.

II. FINANCIAL REQUIREMENTS

	<u>Actual 1975</u>	<u>Estimate 1976</u>	<u>Estimate 1977</u>	<u>Increase</u>
Permanent positions.....	84	96	97	1
Man-years.....	84	94	95	1
Program costs (in thousands).....	\$2,063	\$2,472	\$2,704	\$232

III. PROGRAM AND JUSTIFICATION OF STAFF REQUIREMENTS

This program applies to all direct and indirect air carriers, domestic and foreign, and to all operators involved in interstate or foreign air common carriage. The program affects individuals and entities using air transport and those who perform services supplementary to or linked with air transportation, such as air freight forwarders, charter groups, inclusive tour operators, travel group charter operators, and travel agents.

The program area concept of enforcement activity, which the CAB has begun to develop over the past year, has resulted in more effective use of manpower and increased activity as evidenced by the 45 cease and desist orders and the more than \$550,000 in civil penalties collected in fiscal 1975.

During fiscal years 1976 and 1977, enforcement activity will continue to focus on the seven substantive program areas (integrity of Board processes, antitrust violations, consumer-oriented violations, charter violations, unauthorized air transportation, tariff violations and cargo violations), with increased emphasis in the last three areas. In the past year, areas such as cargo, which have historically been given little attention, have begun to develop as major areas. We expect this trend to continue in the next two fiscal years. We further expect that the monitoring of injunctions against 19 foreign and domestic

air carriers in the transatlantic market for illegal rebating will necessitate a considerable expenditure of investigative time and effort as well as legal effort in those areas where violations are found. An injunction is also imminent in the Northern District of California relative to the Pacific market which will require similar enforcement efforts. We also expect major investigations to develop in the area of unauthorized air transportation where persons not now within the regulatory framework are operating as common carriers. Of course, work in the other four program areas must continue with a constant view toward recognizing and correcting any consumer-oriented problems, especially in advertising and overcharging areas.

The enforcement program will be necessary with or without any attempts at deregulation, and whether or not the Board passes new and different forms of charter rules and regulations. If the public is to be protected from destructive practices by the airlines and other persons in the air transportation industry, a strong enforcement program is necessary. Furthermore, any new and liberalized forms of transportation available to the public, while eliminating the need for enforcement in one area, i.e., affinity charter flights, will necessitate vigorous enforcement of the new laws that will be passed.

The enforcement and consumer advocacy program is divided into the following two functions: (a) enforcement activities, and (b) consumer activities.

A. Enforcement Activities

Actual 1975	Permanent Positions		Increase
	Estimate 1976	Estimate 1977	
67	76	77	1

The Board's enforcement activity falls into two basic categories, legal and investigative.

1. Legal

The legal enforcement work of the Board is accomplished both informally and through formal litigation in administrative hearings and in the Federal courts. Informal compliance consists of negotiations with air carriers, foreign air carriers, air freight forwarders, tour operators, and other entities subject to Board jurisdiction, with a view toward obtaining voluntary compliance with the Act and Regulations, or stipulating to the issuance of formal consent orders to cease and desist prohibited practices. Where informal efforts to resolve an enforcement matter are unsuccessful, the Board's objectives must be met by formal litigation before the Board or the courts. The formal litigation workload, as well as investigative workload, can be accomplished only with the increases in personnel that we are requesting.

As noted above, during fiscal 1975, formal actions resulted in the issuance of 45 cease and desist orders, the prosecution of 7 injunction actions in the Federal courts and the collection of \$556,594.

The Board's legal enforcement program for fiscal years 1976 and 1977 will continue to focus on its seven major program areas.

- * Integrity of Board Processes. To a large extent, the Board's regulatory processes are dependent upon the information submitted by the parties being regulated. Efforts must continue to be made to insure that all carriers submit timely and accurate reports. In order to accomplish this goal, a constant monitoring of carrier filings must be maintained and action taken where violations are found. In addition, we expect that during fiscal 1976 and fiscal 1977 a major portion of the Board's investigative and legal enforcement machinery will focus on analyzing compliance with preexisting Board cease and desist orders and with bringing action in the Federal courts to insure compliance with such orders when violations are found.
- * Tariff Violations. The area of tariff violations will require a major assignment of the Board's enforcement resources in fiscal years 1976 and 1977. In that connection, a consent injunction, arising out of a Grand Jury action in the Eastern District of New York, was entered on September 29, 1975 against 19 carriers for illegal rebating in the transatlantic market. The carriers each entered no contest pleas to 10 counts and were fined an aggregate of \$655,000. To insure enforcement of the court's order, considerable resources are being expended with a view toward referring matters to the Department of Justice for contempt prosecutions in those instances where the evidence so warrants. A similar Grand Jury action involving illegal rebating in the Pacific market is drawing to a close in San Francisco. This action will likewise require Board monitoring to enforce court decrees and a commensurate allocation of additional Board resources.
- * Cargo Violations. During fiscal 1975, the Board's program for dealing with violations in the cargo area has begun to take shape. Nevertheless, much work needs to be done in this area and we envision a substantial allocation of manpower, especially during the latter half of fiscal 1976, in order to effectively investigate alleged misconduct. Our specific areas of concern will include false declarations of weights and records, and misclassification of commodities carried, and the unauthorized air transportation of cargo by unlicensed carriers.
- * Charter Flight Enforcement. The Board's new one-stop charter rules promulgated in July 1975 will require the Board's enforcement staff to constantly assess the effectiveness of the new rules and to vigorously prosecute any abuses of such rules. Only by such enforcement efforts can these rules obtain a fair market test. A large portion of charter flight enforcement activity is concentrated in this area, including the monitoring of other regulations (e.g., travel group, inclusive tour, affinity, etc.). In those instances where the evidence so warrants, prosecution

is undertaken in administrative hearings as well as in the Federal court, such as a recent injunction action successfully prosecuted by the Board. The court's order against four corporate entities and five individuals for violations of the affinity charter regulations was sustained by the U.S. Court of Appeals, 2nd Circuit, in March 1975. Subsequent investigations by the Board are being conducted to determine whether the terms of the Court's order are being observed.

- * Unauthorized Air Transport Operations. There will be an increase in emphasis during fiscal 1976-1977 in prosecuting those entities engaged in air transportation without Board authority. Continuing cooperation with the FAA in this area has resulted in successful litigation in the Federal courts during the past year and the obtaining of injunctions against tour operators acting as an indirect air carrier without Board authority as required under the Federal Aviation Act. This program area will, of necessity, overlap with the cargo area where unauthorized carriers are involved in the cargo business and with the charter area where authorized carriers may be operating in the passenger charter market. A good portion of our investigative resources will be necessary to carry out these objectives.
- * Antitrust Violations. The Board's antitrust enforcement program began to develop during the latter half of fiscal 1975. We expect a continuing and broadening emphasis in this area in the next two fiscal years in both formal enforcement actions and informal compliance.
- * Consumer-Oriented Violations. During fiscal 1975, the Board's consumer enforcement program became extremely active and we expect this activity to continue in the next two fiscal years. The Board's enforcement staff during fiscal 1975, filed 20 administrative actions alleging discrimination by airlines toward favored customers and 7 cases involving alleged violations of the Board's new smoking rules. We expect activity of this type to continue in any and all areas where we feel the customer is being hurt.

2. Investigative

The investigative activities of this program are designed to provide an effective level of consumer protection; to improve enforcement capability in the surveillance of domestic and foreign carrier practices; and to assure compliance with the Federal Aviation Act, the Board's Regulations, and the various individual Board orders regarding specific authorizations on route, rate, agreement, service and other regulatory matters.

The seven major enforcement areas set forth above are also applicable to the investigative work program. The Board has utilized all managerial options available to it, such as internal reorganizations, reallocation of staff, and streamlined and modern

work practices, to strengthen the investigative capability to the level necessary to carry out an effective enforcement program. This will permit the Board to pursue an active enforcement program based on self-initiated investigations rather than to rely passively on receipt of complaints from aggrieved parties.

During fiscal 1975, the Board initiated a significant new enforcement capability by the expanding of regional offices in New York and Los Angeles. In addition, a new Seattle office was opened in fiscal 1975. The purpose of the field offices is to perform liaison with state and Federal agencies, to provide readily available consultation services, to supply more rapidly on-the-spot investigative reporting, to systematically monitor air transport activities, and to be the "eyes and ears" of the Board throughout the United States. These offices have demonstrated that regional staffs supply quick-response investigative assistance which makes possible a much more effective use of the Washington-based staff.

3. Regulatory Reform

Continuing efforts are being made by the Board to re-examine and initiate reform of existing regulatory policies and practices. One such effort is an in-depth analysis of the Board's enforcement program, aimed at setting clear priorities governing allocation of investigative and legal resources to particular categories of violations. This analysis has placed increased work demands on the legal and investigative staff. In addition, the Bureau of Enforcement will be required to carefully analyze the enforcement impact of proposed regulatory reforms. To the extent that the regulatory scheme is changed, new kinds of violations and new areas requiring enforcement attention will result. Finally, procedural reforms, such as reduction of time spent in determination of action on third party complaints, will result in increased workload. A small increase in staffing is required to effectively discharge these new and increased work requirements.

B. Consumer Activities

Actual 1975	Permanent Positions		Increase
	Estimate 1976	Estimate 1977	
17	20	20	-

The scope of the consumer advocacy mission covers all users of air transport, shippers and travelers. The major operating objectives for fiscal 1977 will be to keep up with the effective servicing of an estimated 14-percent increase in consumer complaints; improve the informal compliance program; and continue an advocacy program that insures the proper representation of consumer interests in all matters that come before the Board. This is especially necessary during this period of upheaval and the expectation of generic changes in air transport. Present manpower limitations have compelled a certain selectivity by the Office of the Consumer Advocate in the cases in which it participates.

The scope of the Board's consumer-related activities was substantially broadened in fiscal 1975 to insure: adequate resources and independence for the consumer activities staff, representation before the Board in matters of primary concern to the users of air transportation; and participation in all Board proceedings, formal and informal, on a basis equal to all other parties. With its expanded authority, the Consumer Advocate's staff can initiate proceedings before the Board, participate in pending proceedings, and provide expertise in the form of informational notices on topics of consumer concern. The work

involves preparation of position papers with the attendant research effort and presentations in hearings, conferences and other forums.

The staff has been singularly effective. In June 1975, a report on a feasibility study to improve handling of consumer complaints, conducted by an independent contractor (Technical Assistance Research Programs, Inc., and the Center for Quantitative Sciences Division of Market Facts, Inc., Contract No. HEW-OS-74-292), showed that the Board's Consumer Advocate efforts received the highest evaluation among 15 Federal agencies examined. Of 15 performance evaluations in which it was possible to receive an "excellent" rating, the Board received that rating in 13 and "satisfactory" in the other two. Among eight criteria which did not include the "excellent" rating for measurement of performance effectiveness (the only ratings possible being "satisfactory" or "unsatisfactory"), the Board was rated satisfactory in seven and unsatisfactory in only one, a subfunction dealing with the signing of certain correspondence. The study also urged increased creation of public awareness which is planned for fiscal years 1976 and 1977 as outlined below.

Although the number of complaints has risen dramatically during the past several years, it decreased slightly in fiscal 1975 from fiscal 1974. This is likely attributable to the general slowdown in the economy and curtailment of air travel. In fiscal 1970, the Board received 4,485 complaints. That number increased yearly to a peak of 16,047 in fiscal 1974, a 260-percent increase over fiscal 1970. In fiscal 1975, the number of complaints received was 12,864 down somewhat from the previous year but still approximately 190 percent over fiscal 1970. For fiscal years 1976 and 1977, assuming a slow but steady recovery in the economy, we are projecting 14,150 and 16,275, respectively. This does not include telephone calls received by the staff which numbered approximately 8,700 in fiscal 1975. In addition, the substantial number of information requests received--approximately 830 in fiscal 1975--consume considerable time and research. It is anticipated that both Congressional and Presidential inquiries will continue to increase in proportion to projected complaints. Flight irregularities, reservations problems, baggage problems and fares and refunds accounted for 60 percent of all complaints received during the past year. Also during the past year, approximately \$28,000 each month was paid to individual airline customers by air carriers as a result of actions taken by the Board's consumer staff.

The present on-line ADP system for processing individual complaints continues to be an invaluable tool in maintaining efficiency and keeping pace with the high volume of correspondence. Any member of the public who feels that he has a grievance concerning service he received in connection with air transportation may file a complaint. Acting on the complainant's information, the staff categorizes the complaint and follows the matter to completion. The Board mails the complainant a response within 48 hours of receipt of the complaint. The staff also contacts the carrier and requests a report on the matter, and asks the carrier to contact the complainant to try to resolve the complaint. Often we find that by providing accurate and timely information to the complainant, he is able to resolve any misconceptions on which his original complaint may be based. From the data placed in the computer bank, we have accumulated significant information concerning consumer problems. These data are available to all interested parties, including the industry, the Board, and other Government agencies, with the idea that working together we can eliminate many of the irritants that airline passengers and shippers too often experience.

During the latter part of fiscal 1975, the Board amended its Procedural Regulations to give the consumer staff full party status in formal Board proceedings. In determining whether to participate in any given proceeding, the staff views the possible impact of a decision on consumers generally and takes positions representing the

consumer interest. In selecting cases for participation, the test is whether or not the case involves a significant and broad consumer impact.

Other activities on which we plan to utilize our manpower during fiscal years 1976 and 1977 include:

- * Development and preparation of a staff handbook on the complaints handling process.
- * Liaison with the President's Special Assistant for Consumer Affairs.
- * Institution of a program to regularize personal contact with the consumer relations staffs of the various airlines.
- * Holding or attending meetings of consumer-oriented organizations.
- * Calling meetings with customer relations staffs of both direct and indirect air carriers.
- * Promotion of air transportation consumer education and awareness of the Board's consumer advocate activities through increased contact with the public, through public speaking, placement of posters at airports and dissemination of news, among other things. Such actions have been used by the White House Office of Consumer Affairs and by an independent contracts survey, among others.
- * Development and preparation of reports on scheduled airline handling of consumer complaints.
- * Development and updating of information guides to aid passengers and shippers.
- * Monitoring carrier advertising in an effort to eliminate misleading advertising.
- * Surveillance of travel agents and passenger consolidators to ensure that they do not operate as unauthorized, indirect air carriers.

ENFORCEMENT AND CONSUMER ADVOCACYWORKLOAD

<u>Workload Item</u>	<u>Items Completed or Processed</u>			<u>Increase</u>
	<u>Actual 1975</u>	<u>Estimate 1976</u>	<u>Estimate 1977</u>	
1. Field investigations.....	541	640	725	85
2. Informal investigations.....	979	1,600	1,900	300
3. Enforcement actions.....	1,065	1,770	2,470	700
4. Consumer complaints.....	13,158	14,206	16,175	1,969

DISTRIBUTION OF AUTHORIZED POSITIONS BY ORGANIZATION

<u>Organization</u>	<u>Authorized Positions</u>			<u>Increase</u>
	<u>Actual 1975</u>	<u>Estimate 1976</u>	<u>Estimate 1977</u>	
Offices of Members.....	1	1	1	-
Office of Consumer Advocate.....	15	16	16	-
Office of General Counsel.....	2	2	2	-
Office of Secretary.....	5	5	5	-
Bureau of Accounts and Statistics....	1	1	1	-
Bureau of Enforcement.....	55	66	67	1
Bureau of Administrative Law Judges..	3	3	3	-
Management Support Offices.....	<u>2</u>	<u>2</u>	<u>2</u>	<u>-</u>
Total, Enforcement and Consumer Advocacy.....	84	96	97	1

MANAGEMENT SUPPORTI. PURPOSE

The management support offices provide the Board and its program staffs with a variety of management and administrative services in support of the Board's regulatory programs. These services include personnel, equal employment opportunity, budget and accounting, pay-rolling, management and operations analysis, supplies, equipment, space, records management, messenger services, printing, reproduction, graphic arts, and distribution of publications.

Because of the breadth of these services, most of the work performed by the management support offices is common to all programs and is not directly chargeable to particular Board programs. However, these support-type functions, such as the review, audit and certification of subsidy claims, and printing and reproduction, which are directly related to one or more of the Board's programs, are charged directly to the program(s) involved.

II. FINANCIAL REQUIREMENTS

	<u>Actual</u> <u>1975</u>	<u>Estimate</u> <u>1976</u>	<u>Estimate</u> <u>1977</u>	<u>Increase</u>
Permanent positions.....	66	66	66	-
Man-years.....	66	64	64	-
Program costs (in thousands).....	\$1,336	\$1,432	\$1,499	\$67

III. PROGRAM AND JUSTIFICATION OF STAFF REQUIREMENTS

The management support program is broken down into three general categories: A. Personnel, Training, and Equal Employment Opportunity; B. Budget, Fiscal, and Management Analysis; and C. Administrative Services. The Board needs 66 positions and 64 man-years in these areas in fiscal 1977, no increase over fiscal 1976.

A. Personnel, Training, and Equal Employment Opportunity

<u>Actual</u> <u>1975</u>	<u>Permanent Positions</u>		<u>Increase</u>
	<u>Estimate</u> <u>1976</u>	<u>Estimate</u> <u>1977</u>	
15	15	15	-

The purpose of this work is to maintain a personnel program for the selection, development and retention of the best qualified personnel to enable the Board to fulfill its statutory functions; provide Board-wide personnel management assistance to the operating components; and provide leadership to all management levels in setting and achieving equal employment opportunity for all employees.

The work performed includes providing management and supervisory personnel with advice and assistance in meeting specific personnel problems; establishing and administering agency policies and procedures consistent with laws and regulations generally applicable to Federal agencies in the fields of recruitment and placement; position classification and salary administration; performance rating and employee recognition, leave, retirement and other employee benefits and services; employee training and development; resolution of complaints and grievances; administration of conflict of interest rules; employee management cooperation program; nondiscrimination programs and other employee relations activities; participation in projects sponsored or coordinated by the Civil Service Commission (CSC) of Government-wide applicability; and maintenance of personnel records. Also, activities involved in the conduct of the Board's personnel and physical security program are included.

Compliance with the Equal Employment Opportunity Act of 1972 requires affirmative action by all levels of management to resolve problems, enhance opportunities for all employees and applicants, and to move forward with an on-going EEO Program by ensuring that the individual rights of all employees are protected regardless of their race, color, religion, national origin, sex, or age.

Additional emphasis will be given to the Upward Mobility Program. Employees selected for upward mobility job opportunities will be provided on-the-job, as well as formalized training. Their progress will be assessed and discussed with them. Promotions will be based on achieving intervening levels and/or the target positions. Selections for these opportunities will be among all CAB employees through GS-9 who want to be considered and who are willing to attend courses outside the normal work schedule.

Other areas of special emphasis will include:

1. Expansion of local recruiting efforts to apprise the community of the job opportunities within CAB and that the agency is an equal opportunity employer.
2. Reduction of time in processing formal discrimination complaints to provide the complainant with a final decision without undue delay.
3. The participation of supervisors and managers in training seminars which include responsible EEO efforts by operating personnel.
4. Career counseling of all potential upward mobility candidates.
5. Publication of effective EEO achievements through efforts of the Federal Women's Program Coordinator and the Coordinator for the Spanish Speaking.
6. Program evaluation through use of the EEO Advisory Committee.
7. Continuous input into orientation sessions, in-house training seminars, and statistical reports.
8. Analysis of completed cases to determine patterns and trends that may erode those EEO efforts that have proved successful.

In addition to the above, the development of the annual training plan will include a balance of all levels to equip employees with skills and techniques necessary to increase productivity and achieve CAB's mission with a maximum utilization of all employees.

B. Budget, Fiscal, and Management Analysis

Permanent Positions			
Actual 1975	Estimate 1976	Estimate 1977	Increase
21	21	21	-

The work in this area includes: (1) budget administration, including the development and implementation of budgetary policies and procedures; review and analysis of staff budget requirements; preparation of the Board's formal budget estimates; development of fiscal plans reflecting the allocation of appropriated funds and staff resources; control of appropriated funds through apportionments and allotments; review and analysis of expenditures; financial and budgetary reporting; and liaison with other agencies on budgetary matters; (2) administrative accounting services, including the maintenance of the formal books of account and payroll records; (3) preparation of

payrolls; and (4) Board-wide management assistance, including compilation and distribution of management reports, as well as providing organization systems and procedures reviews.

C. Administrative Services

Actual 1975	Permanent Positions		Increase
	Estimate 1976	Estimate 1977	
30	30	30	-

The work in this area involves the procurement, storage and issuance of furniture, furnishings, supplies and equipment, communications and transportation, mail and messenger service, building and equipment repairs and maintenance, space management, issuance and control of credentials and passes, printing and reproduction, and required recordkeeping and reporting. The records management or central files work involves receiving, filing and servicing the records needs of the Board's staff except for formal docket and certain public reference materials, working papers, and convenience records maintained in the operating organizations. This function also includes files management and records disposal procedures and practices.

Plans are to achieve greater efficiency and economy in processing work and to better serve the needs of the Board in support of its goals aimed at speeding up the regulatory process internally. The following workload will be given special emphasis in fiscal 1977:

(1) Publication of Board decisions at an increased rate to reduce the 13-volume backlog while concurrently producing current volumes. This planned production increase in volume output will also necessitate the replacement of certain printing and duplicating equipment with higher performance machines.

(2) Adaptation of newer sophisticated ADP equipment requirements to expand the Board's computer capacity necessary in automating regulatory programs and anticipation of increased procurement concerning administrative goals aimed at streamlining the regulatory process will greatly increase the involvement and workloads of our contractual and procurement sections.

(3) Handling and processing equipment, materials and supplies necessary in support of Board programs internally rather than through the use of outside contract labor will help reduce overall costs, and will afford better service and more efficient inventory control.

(4) The Board's Library has been growing at a rate of approximately 1,000 volumes per year over the last four years. This growth is predominantly due to interest in environmental, financial and economic matters.

(5) New and better records management practices are being planned with assistance from the National Archives to develop new records retention and disposal schedules, review program controls, evaluate and select documents for archival retention, and evaluate current file equipment looking toward further file mechanization, including microfilm applications.

(6) Additional workload in view of the fact that Board actions require financial and statistical information and development of voluminous automated reports have overburdened the present staff with screening, updating and filling requests for information.

(7) Additional contractual support workload associated with the Board's regulatory reform efforts.

MANAGEMENT SUPPORTWORKLOAD

<u>Workload Item</u>	<u>Items Completed or Processed</u>			<u>Increase</u>
	<u>Actual 1975</u>	<u>Estimate 1976</u>	<u>Estimate 1977</u>	
1. Job evaluations and classifications....	310	380	435	55
2. Interviews, inquiries, and employee services.....	6,170	6,280	6,500	220
3. Performance evaluations.....	720	760	810	50
4. Management analyses.....	14	18	24	6
5. Fiscal accounting activities.....	17,807	18,638	19,570	932
6. Billing and collection activities.....	20,253	21,275	22,350	1,075
7. Printing and publications services (000)	22,609	24,000	25,500	1,500
8. General housekeeping services.....	12,692	13,164	14,850	1,686
9. Mail and messenger services.....	727,599	727,800	728,500	700
10. Public documents and reference services.....	364,000	368,400	369,500	1,100
11. Library services.....	17,893	18,420	18,600	180

DISTRIBUTION OF AUTHORIZED POSITIONS BY ORGANIZATION

<u>Organization</u>	<u>Authorized Positions</u>			<u>Increase</u>
	<u>Actual 1975</u>	<u>Estimate 1976</u>	<u>Estimate 1977</u>	
Office of Equal Employment Opportunity....	4	4	4	-
Bureau of Accounts and Statistics.....	2	2	2	-
Office of Comptroller.....	19	19	19	-
Office of Personnel.....	11	11	11	-
Office of Facilities and Operations.....	<u>30</u>	<u>30</u>	<u>30</u>	<u>-</u>
Total, Management Support.....	66	66	66	-

OTHER OBJECTS

This statement covers budget requirements of the Board for other objects (expenses other than personnel compensation and benefits). The estimates show a net increase of \$820,000 over estimates for fiscal 1976. The table below shows actual obligations incurred for fiscal 1975 and estimates for 1976 and 1977 and the increase for 1977 over 1976.

All of these expenses have been allocated, as appropriate, to the Board's several programs. They are not in addition to but are included in the program costs, supra.

		(In thousands of dollars)			
		Actual	Estimate	Estimate	
		1975	1976	1977	Increase
21	Travel and transportation of persons....	320	420	544	124
22	Transportation of things.....	6	11	11	-
23	Rent, communications, and utilities.....	1,674	2,059	2,513	454
24	Printing and reproduction.....	174	190	229	39
25	Other services.....	668	912	1,057	145
26	Supplies and materials	263	328	348	20
31	Equipment.....	126	126	164	38
	Total.....	3,231	4,046	4,866	820

TRAVEL AND TRANSPORTATION OF PERSONS

The amount requested under this heading is for travel expenses incurred in conducting route and rate hearings in the field; class subsidy rate matters; participating in negotiations and consultations as members of U.S. delegations outside of the United States; auditing carriers' records at the site of operations; investigation and enforcement of violations of the Board's rules and regulations; participating in court cases; attending training courses; necessary transfers of employees and their dependents for the benefit of the Government; and performing emergency preparedness functions.

The \$544,000 requested for travel expenses for fiscal 1977 is an increase of \$124,000 over the amount estimated for fiscal 1976.

Increase

Increased travel related to the growing workload and additional positions requested in the Board's programs are as follows:

Awards of operating authority.....	\$30,000	
Regulation of rates and fares.....	12,000	
Regulation of agreements and interlocking relationships.....	2,000	
Regulation of accounting and reporting.....	23,000	
Enforcement and consumer advocacy.....	53,000	
Management support.....	<u>4,000</u>	
Total increase.....		\$124,000

TRANSPORTATION OF THINGS

Funds requested under this heading cover the expense of transporting Government property, such as supplies and equipment, and transporting household effects of employees transferred from one permanent duty station to another for the benefit of the Government.

The \$11,000 requested for fiscal 1977 is the same as the amount estimated for fiscal 1976.

RENT COMMUNICATIONS, AND UTILITIES

Funds under this heading are to cover expenses in connection with rental of office space, office machines, tabulating machines, and electronic computer equipment; and communication charges comprising principally telephone service and penalty mail.

The estimate of \$2,513,000 for fiscal 1977 is an increase of \$454,000 over the amount estimated for fiscal 1976.

Increase

Office Space Rent:

Increase in GSA-SLUC rates.....	\$296,000
Increase in office space rental for new positions	20,000
Increase in ADP equipment rent.....	26,000
Increase in office machine rent.....	<u>18,000</u>
Total rent increase.....	\$360,000

Communications:

FTS increased rates.....	27,000
Telephone charges for new positions requested...	4,000
Increase in telephone fixed charges.....	26,000

Penalty mail increase.....	<u>37,000</u>
Total communications increase.....	<u>94,000</u>
Total increase.....	<u>\$454,000</u>

PRINTING AND REPRODUCTION

Funds requested under this heading are for the printing of the published volumes of Board decisions, the Board's Annual Report, and reproduction of Board decisions, orders and related materials.

The \$229,000 requested for fiscal 1977 is an increase of \$39,000 over the amount estimated for 1976.

	<u>Increase</u>
Increase in number and cost of printing of bound volumes of Board decision.....	\$43,000
Nonrecurring printing of 1975 edition of Supplement to the Handbook of Airline Statistics in fiscal 1976.....	<u>(4,000)</u>
Total increase.....	\$39,000

OTHER SERVICES

The services included under this heading are utilized for repair of office machines and other equipment; repair and alteration of office space; health room services provided by the Public Health Service; security investigations for personnel having access to classified material and information; tuition and related fees in connection with training of personnel; purchase of evidence; official reception and representation expenses; conduct of special studies by contract; and other contractual services.

The \$1,057,000 requested for fiscal 1977 is an increase of \$145,000 over the amount estimated for 1976.

	<u>Increase</u>
Building repairs and alterations related to new positions.....	\$51,000
Other repairs and alterations.....	16,000
ADP outside contract work.....	64,000
Tuition and related fees.....	6,000
Reporting services.....	<u>8,000</u>
Total increase.....	\$145,000

SUPPLIES AND MATERIALS

Funds requested under this heading are for the expendable office supplies used by the staff such as paper, pencils, etc., the duplicating supplies required in the reproduction of Board decisions.

orders, and reports; subscription to newspapers, trade publications, reference material, and various looseleaf services; and supplies for the automatic data processing installation such as punch cards, magnetic tapes and tabulating papers.

The \$348,000 requested for fiscal 1977 is an increase of \$20,000 over the amount estimated for 1976.

	<u>Increase</u>
Increase in cost of supplies and materials....	\$14,000
Increases related to new positions requested.....	<u>6,000</u>
Total increase.....	\$20,000

EQUIPMENT

Included under this heading is office equipment such as desks, chairs, typewriters, adding machines, calculating and other office machines; books; and other nonexpendable equipment.

The \$164,000 requested for fiscal 1977 is an increase of \$38,000 over the amount estimated for 1976.

	<u>Increase</u>
Office machines and furniture related to new positions requested.....	\$28,000
Replacement of worn out, fully depreciated addressing equipment.....	<u>10,000</u>
Total increase.....	\$38,000



INTERSTATE COMMERCE COMMISSION

SUMMARY AND HIGHLIGHT STATEMENT

National concern about regulatory reform has focused attention on the efforts the Commission has been making to: 1) Lessen regulatory lag; 2) provide greater protection for the consumer; and, 3) create an atmosphere conducive to the most efficient use of energy in transportation.

To accomplish these objectives the Commission has:

- 1) Begun building a Permanent Planning Staff to assist the Commission in the effective handling of rail and motor crises and the long-term planning for a restructured national rail system.
- 2) Increased the use of rulemaking proceedings to assist in the resolution on a national or regional basis of present and foreseeable problems such as the elimination of circuitous motor carrier operations and the improvement of energy efficiency.
- 3) Developed a staff with expertise in the field of transportation-related environmental issues to respond to the requirements of NEPA and the general public.
- 4) Updated accounting rules for interperiod tax accounting and the equity method of accounting for certain long-term investments, and issued new rules for accounting for treasury stock at cost and depreciation of leasehold improvements.
- 5) Initiated revision of accounting systems for railroads, freight forwarders and motor carriers of passengers, and developed an accounting system for holding companies.
- 6) Issued a uniform system of accounts for Section 5a rate bureaus.
- 7) Reorganized the Bureau of Economics to increase its capability to provide support in the formal proceedings area.

- 8) Instituted, as a result of the Blue Ribbon Panel recommendations, a series of rulemaking proceedings designed to reduce delays and review existing regulations. These include: a proposal to expand commercial zones which are exempt from regulation, a fact-finding proceeding to review the regulation of broker entry control, and a series of proposals to change the application filing procedures and establish page limitations on appeals and replies thereto. Also, in Ex Parte No. 314, the Commission has reviewed the potential for instituting a "No suspend zone" where rate changes are less than 5 percent per year.
- 9) Embarked on a program of cost reduction through the use of para-legals and para-professionals such as law clerks, transportation assistants and transportation consumer specialists, thus freeing our professional staff for higher priority work.
- 10) Undertaken in-depth economic studies, developing cost/benefit analyses for the overall sphere of Commission regulation and examining the potential for applying cost/benefit analysis to particular categories of Commission proceedings on a systematic basis, underscoring the need for quantifying the benefits as well as the costs of regulatory practices.
- 11) Begun a sample survey study of empty truck mileage after consultations with the Federal Energy Administration, the Department of Transportation, and the National Commission on Productivity.

Three developments which have had an impact on the Commission's budget are:

- 1) A supplemental request for \$1.5 million in Fiscal Year 1976 to cover the cost of the pay raise granted in October, 1975. The annualized cost of this pay raise is included in the 1977 budget estimate.
- 2) The projected June 30, 1976, discontinuation of the Rail Services Planning Office, which was established pursuant to the Rail Reorganization Act of 1973 (Public Law 93-236). The \$5.0 million authorization for the Office was exhausted in Fiscal Year 1976, and there are no funds or positions requested for Fiscal Year 1977.
- 3) The 1976 appropriation of \$15 million, to remain available until expended, to reimburse railroads directed to provide

service over the lines of a rail carrier which has ceased a portion or all of its operations under the conditions specified in Section 1 (16) of the Interstate Commerce Act, as amended by the Regional Rail Reorganization Act of 1973.

The Commission's budget request for Fiscal Year 1977 provides for 2,174 positions and \$54,676,000. The Fiscal Year 1976 appropriation was \$49,330,000 and 2,197 positions. In addition, the \$1,500,000 pay raise supplemental pending for Fiscal Year 1976 would bring the total appropriation to \$50,830,000.

The 1976 budget included 75 positions for the Rail Services Planning Office. No positions are requested for the Office in Fiscal Year 1977.

The Fiscal Year 1977 budget represents an increase of \$3,846,000 over the 1976 appropriation and pay raise supplemental. The additional funds are essential to permit the Commission effectively to perform its functions in the public interest as well as to continue its program of regulatory reform.

FORMAL PROCEEDINGS

This program encompasses the operations involved in deciding all formal and certain informal proceedings filed with the Commission. It includes granting operating authorities, regulating rates and deciding financial matters. It also involves providing the necessary economic, cost and financial data used in the decision-making process and administrative and management support.

The volume of casework associated with this program has been a source of continuing concern for the Commission. The increase in receipts of regular cases and the emphasis on rulemaking proceedings have generated more work than our staff resources can handle. In the Operating Rights area, 6,562 cases were pending at the end of Fiscal Year 1975. This is 16 percent higher than Fiscal Year 1974 (5,637). The increase in the pending backlog of cases is due to a higher volume of receipts, the diversion of resources to process older cases and special rulemaking and investigatory proceedings such as the operations of household goods carriers, the elimination of certain circuitous motor carrier operations, and the promulgation of regulations to assure the adequacy of motor bus transportation and services.

The Commission has established a policy of giving all rulemaking proceedings expeditious consideration and handling, as well as defining the time limits for each processing stage of all casework. In order for the time limits to be truly effective, the caseload assigned to each staff member must be reduced to a workable level. These actions will necessitate additional staffing.

To expedite the decisional process, special emphasis has been placed on two types of cases handled within the Commission: (1) Rulemaking and major Ex Parte proceedings; and, (2) Investigation and Suspension proceedings. In Fiscal Year 1971, the Commission handled fewer than a dozen broad investigation and rulemaking proceedings. Today, many more of these difficult, time-consuming cases are in process. Because the economic and social conditions affecting transportation are changing so rapidly, and the Commission has been emphasizing a broad approach to the solution of transportation problems, we expect that the number of pending rulemaking proceedings will continue to grow. This has special budgetary implications because the issues involved are complex and thus require considerably more staff time than regular casework. The Commission also has directed that suspension cases be expedited so that a final decision is made within the 7-month suspension period established by statute. A decision to cancel a rate increase made after this period can cause considerable inconvenience to carriers and shippers alike and must be avoided whenever possible. While the average age of pending suspension cases has been lowered during the past year, the Fiscal Year 1977 budget provides staff to insure that these cases are processed in a timely way.

During the course of evaluating each case, Commission decision-makers must rely heavily on information and statistics provided by several Commission organizations. This support involves cost, financial and economic data and computer assistance. For example, the highest priority cost development project is a new motor carrier platform study. A platform study is a time and motion study conducted at carrier terminals throughout the United States to determine the impact of different service elements on the time required to perform platform operations. Platform handling is one of the four transportation services used in developing costs to assist in evaluating rate proposals. There is evidence that the current formula for determining platform handling costs does not produce appropriate data for each of the individual weight bracket categories used in the cost formula structure. The only way these actually can be determined is to do a new time-and-motion study on site. Preparation for this effort will begin in Fiscal Year 1976, but additional positions will be needed in Fiscal Year 1977 to test the form to be used to record data, complete the final sampling plan, develop training programs and actually train the staff, develop programs to compile the data, perform approximately 75 percent of the estimated platform observations and begin the data review and processing cycle. There will be a continuing need for these positions in the future to complete the planned observations, analyze the data and apply it in future rate adjustments filed with the Commission. The results of the study will have a direct relationship to both the basic and small shipment rate structure and will support the Commission's efforts to include cost/benefit analysis in its decision-making as suggested by the President.

Cost formula development and analyses provide vital information in the decision-making process for formal proceedings, particularly rate cases. Past experience with data submitted by carriers indicates a definite need for new and better data to be introduced in a standardized format capable of being processed by computer techniques. It is imperative that enough resources be available to develop sophisticated analyses programs and the capacity to analyze the cost data collected within a reasonable time-frame. In addition to the platform study, nine other major studies must be undertaken. Appropriate sample plans must also be developed to assist in these expanded efforts to obtain and analyze cost data.

The Commission also must rely more heavily on sophisticated financial and economic analyses and evaluations, particularly in rate proceedings. Of major and continuing concern will be the economic studies required to determine the impact on demand resulting from changes in rates and rate relationships. Also, there will be applied to rate proceedings new techniques for providing financial projections that include rate increases, and for determining the impact of increases on the market value of securities.

Valuation and depreciation functions are also of concern of the Commission. The valuation of the Trans Alaska Pipeline, although clearly this agency's responsibility, will be of major concern because Alaska will receive revenue based on the transpor-

tation rate derived from the valuation of the property. Other major concerns are the depreciation rates for the Trans Alaska Pipeline and ConRail, the determination of whether or not the Commission should set depreciation rates for motor carriers, and the review of rates of Class I railroads.

For the past two years, the Commission has expanded its use of computer technology in the proceedings program. The Fiscal Year 1977 plan calls for still further applications. An effort will be made to automate many of the simpler tasks in the proceedings process and to provide better management information. On-site technical assistance will be provided in the use of computer terminals to maximize the use of the on-line case status system. Sophisticated computer programs are also needed to support the cost data development and analysis work planned for Fiscal Year 1977, especially in collection and processing of data for the platform study.

In order to respond effectively to recommendations made by the Blue Ribbon Panel, Congress and the public itself, the Commission is requesting that additional resources be provided in Fiscal Year 1977 for an Office of Public Counsel.

The Office of Public Counsel would have the discretion to participate as a party or to intervene in any adjudicative or rulemaking proceeding before the Commission where, in the judgment of the Office, its input may be of assistance to the Commission in determining the public interest. The Commission on its own initiative would also be able to direct the Office to participate as a party. In addition, the Public Counsel would be able to petition the Commission to institute a proceeding at such times and in such manner as may be appropriate under the Commission rules. The Office would be afforded all the rights and would be bound by all the obligations applicable to other parties and their counsel.

As a participant, the Public Counsel would be responsible for assisting in the development of the record by assuring that it contains all relevant and material information needed for the Commission to reach an informed result consistent with the public interest. In this respect, the term "public interest" would be broadly defined to include the interests of carriers, shippers, labor, consumers and the public in general. It would embrace the full social, economic and governmental impact of Commission deliberations. Participation by the Public Counsel would include, but not be limited to, consideration of such issues as adequate common carrier services at reasonable and compensatory prices, effective competition, environmental and energy considerations, employee protection in merger proceedings, and the rational allocation of transportation resources.

To fulfill its responsibilities, the Office would: (1) Present, subpoena, examine and cross-examine witnesses and introduce other documentary evidence; (2) negotiate and enter into stipulations regarding procedures and evidence; (3) delineate, develop and refine issues at various stages of a proceeding, including a prehear-

ing conference; (4) facilitate the handling of procedural and other matters on proceedings; and, (5) take such other actions as a party consistent with the public interest and within the authority and jurisdiction of the Commission.

The Public Counsel would also provide assistance to those lacking the resources or expertise to develop and present their position on an issue. Those benefitting from such assistance could include individuals, consumer groups and local governments. The Public Counsel would also consult and cooperate with others representing the public in particular proceedings.

In view of the potentially broad scope of Public Counsel activities, the Commission believes that 15 additional positions would be needed to provide the initial staffing and fulfill the minimum needs for the Public Counsel.

One of the highest priorities of the Fiscal Year 1977 budget request is adequate staffing for the Commission's Permanent Planning Staff. Initially, this Staff will, of necessity, be required to devote much of its efforts to the development and reassessment of contingency plans to cover situations where the Commission might have to issue an order for directed rail service under its new section 1(16)(b) authority. The positions expected in Fiscal Year 1976 should provide for this.

The Commission, however, envisions a much broader and more significant role for this staff in the future. Anticipatory, not crisis planning is needed. The Staff would provide the Commission with that capability. Planning cannot be restricted exclusively to rail carriers, even though the problems in that segment of the industry are the most critical at the moment. The Commission must plan for improved water and motor carrier services as well, and especially look at the interchangeability of the various modes.

Regulatory reform is another area where the Staff can have a tremendous impact. The Commission has made considerable progress in this area through the efforts of its Blue Ribbon Panel. But this Panel recognized that further improvements required the establishment of a permanent body to look to the future, and made this one of their recommendations. The Permanent Planning Staff would take the lead within the Commission in carrying out the President's request for regulatory improvement.

A total increase of 59 positions is requested in order to meet the increasing workload in the Formal Proceedings program.

COMPLIANCE

The Compliance program is conducted primarily by the Bureau of Operations and Enforcement. Specific activities include: (1) Receiving, processing, and evaluating carrier applications for operating authority; (2) issuing and administering rules and regulations governing carrier operations; (3) inspecting carrier operations and records; (4) enforcing criminal and civil provisions of the Interstate Commerce Act and related Acts; and, (5) assisting the public to achieve just and prompt settlement of complaints about carrier operations. This mammoth undertaking is assigned to a field staff strategically placed in major cities throughout the country backed by a supporting departmental staff in Washington, D. C. Information gained from this regulatory overview is used to determine the adequacy of carrier service with respect to consumer requirements for safe, dependable, economical, and fair transportation of both persons and goods.

The Commission's field staff is the principal arm with which the Commission discharges its compliance responsibilities. The magnitude of work confronting the field staff is illustrated by the fact that in Fiscal Year 1975 the staff handled 43,576 complaints from the public about motor carrier service, 14,539 applications for operating authority, 1,278 enforcement investigations, and 6,314 compliance surveys of office records, terminals, railroad stations and yards. The departmental staff, in addition to assisting the field staff in its widespread efforts, handled 13,541 complaints related to insurance, processed 15,887 certificates of insurance, and rendered 1,372 interpretations.

As outlined in prior budget submissions, the budget formulation process for the compliance program now incorporates certain reviews in order to insure optimum utilization of existing personnel and to identify any additional resource requirements. During the preparation of the Fiscal Year 1977 budget estimates, existing geographical assignments and corresponding workloads were reviewed again and it was determined that additional investigator positions would be required for the maintenance of a satisfactory compliance program. However, in an effort to hold down expenditures, the needs of this program had to be weighed against the needs of other high priority areas. As a result of this assessment, a realignment of 15 compliance positions was suggested for Fiscal Year 1977. However, it is our firm intention to maintain the highest possible level of production in this important activity.

The field staff's investigatory capability is considered vital to the Commission's overall regulatory responsibilities since it makes the industry more aware of the regulatory requirements in conducting its day-to-day operations. Our investigatory efforts also enable the field staff to develop an insight into the carrier's overall performance within the scope of its operating authority. When there is a lack of contact with the Commission's field staff, carriers often become careless or evasive in

adhering to the specific requirements of the Interstate Commerce Act. This results in complaints that lead to time-consuming investigations. During Fiscal Year 1975, the field staff handled a total of 43,576 complaints. Approximately 18,000 complaints were handled in Fiscal Year 1968. In keeping with a concerted effort on the part of the Commission to be more responsive to consumer interests, we anticipate processing a minimum of 50,000 complaints in Fiscal Year 1977.

Substantial concern has been expressed by government and public interest groups that the consumer is not getting a fair deal from the business world. If there is to be any real protection for the public, it will require a substantial resource commitment. In the Commission's area of responsibility, this is especially true with respect to the small or occasional shipper, who has neither the expertise nor the influence needed to get satisfactory service. To this end the Commission has established the transportation consumer specialist and transportation assistant positions. These positions are para-technical and almost entirely oriented to consumer matters such as those relating to shipments of household goods. In the past several years, there has been a qualitative improvement in complaint handling. In prior years, the Commission considered itself an intermediary whose role was to obtain carrier acknowledgment of a claim, leaving it up to the courts to effect equitable settlements. The practice now is to take a participant role by jawboning carriers into voluntarily making fair and swift claim settlements. The change has required a substantial amount of additional time to handle these complaints. For example, all of the facts regarding loss and damage must be obtained prior to following through on the complaint to see that reasonable settlements are offered and that promises are kept by carriers.

One of the more significant actions in recent years involving the consumer has been the issuance of regulations for the adequacy of all intercity rail passenger service. The new rules became effective April 2, 1974, and apply to intercity trains operated by Amtrak and nonparticipating railroads. The rules are designed to improve the overall quality of the Nation's passenger train service and, thereby, make rail travel attractive, especially during periods of fuel shortages. An intensive effort is required on the part of the Commission to oversee the implementation of these rules.

Additionally, the Commission has instituted a rulemaking proceeding to investigate the need for similar regulations regarding the adequacy of passenger bus service. In this regard, the Commission is actively soliciting the public's view on such matters as baggage handling, terminal conditions, schedules and equipment.

FINANCIAL OVERSIGHT

This program includes formulating and policing the uniform systems of accounts, compiling financial statistics, operating the Early Warning System, overseeing financial disclosures by regulated carriers and conducting audits of carriers' financial records.

The Commission's Early Warning System was established several years ago to keep the Commission apprised of the financial condition of railroads. Last year, the system was expanded to provide information on the 100 largest motor carriers. Positions were provided in the Fiscal Year 1976 budget to design a step-by-step analysis procedure and establish the criteria for determining the financial rating of a carrier. Additional positions will be needed in Fiscal Year 1977 to maintain and update the system and make in-depth analyses of the carriers in financial distress. These analyses will include economic forecasts developed from the Carrier Outlook Review reports as well as the evaluation of financial information. Expansion of the System will also require collective and individual automated support. This will necessitate development of special computer programs and an overall processing capability to portray accurately the trends and projections for the carriers covered by the System.

Congress has recently expressed its growing concern about the need for a new uniform system of accounts for railroads. Legislation has been introduced that would require the Commission to develop such a system within a relatively short timeframe. The Commission also recognizes this need as a top priority in the accounting area. A system must be established that will integrate financial and cost data concepts and identify revenues and costs associated with branch lines. The Commission's work will not stop with the publication of the system. Once established, the staff will be required to conduct a series of seminars to assist the railroads in converting from their old systems, provide interpretations of individual transactions and modify the text of the system to achieve universal understanding. This revised system will require an almost total revision of the computer program used to balance and cross check the data.

The Commission seeks to speed the reporting of major changes and developments in the transportation industry concerning financial and accounting practices, procedures, trends and techniques. The goal is to audit rail carriers with annual revenues of \$25 million or more and general commodity motor carriers with annual revenues exceeding \$3 million each year instead of every two years. In addition, expanded programs such as the addition of rate bureaus to the audit list, special audits of carriers in financial distress and the audit of rail carriers involved in a directed service order have increased the workload in this area. Additional positions in Fiscal Year 1977 will help cover the expanded audit program and permit the annual audit of the remaining large railroads.

A total of eight additional positions is being requested for Financial Oversight in Fiscal Year 1977.

TARIFF EXAMINATION

The tariff examination program encompasses the examination and review of tariff and schedule publications. A strong program in this area would provide greater protection and assistance for shippers and consumers, especially the small or unsophisticated ones who do not have the resources to seek formal relief from the Commission or the courts. It would also obviate the need for numerous interpretations and suspension actions.

The two objectives of the examining and review function are to insure that tariff publications filed by the regulated transportation industry comply with the law and the Commission's regulations and orders, and that tariff provisions are reasonable, just, and nondiscriminatory, in light of the carrier's intrinsic obligation to serve the general public. These objectives are accomplished by the physical examination of tariffs and the questioning, rejection, or suspension of those tariff provisions deemed in contravention to law or the public interest.

The Commission expects to receive about 350,000 separate publications in Fiscal Year 1977. This tremendous volume of publications, coupled with their growing complexity, makes it impossible to check each one in detail. Therefore, the Commission's examination efforts have been divided into two distinct types of analyses. The first consists of checking all publications for certain key points to insure conformity with Commission regulations and orders with respect to such things as format, legibility, and effective dates. In the second type of examination, a portion of the tariffs are subjected to a more complete review for unlawful, unreasonable, or ambiguous provisions that would adversely effect the consuming and shipping public alike.

The level of authorized personnel directly affects the quality and magnitude of these efforts. For example, in Fiscal Year 1975, a reduction in filings enabled the Commission to expand its consumer-oriented review program without an increase in staff. During that year, about 40 percent of the tariffs were earmarked for an in-depth review and 30 percent of all tariffs filed given a complete examination.

The goal of the program is to examine all of the preselected filings and a greater share of all tariffs submitted. This goal will be more difficult to reach in Fiscal Year 1977 because of the additional filings expected.

For several years now the Commission has been considering the application of computer technology in the tariff area. Because of the volume of information filed each year, the Commission finds it increasingly difficult to receive, process, store and retrieve tariff data. At present, it is virtually impossible to computerize the tariff system. The data is too varied and voluminous. But efforts are being made to simplify it beginning with a commodity code designator.

Increased productivity should maintain the overall tariff review program at the present level and hopefully permit some expansion of the consumer-oriented type of examination. Therefore, no additional positions are requested for 1977.

PLANNING RAIL SERVICES

The authorization for the Rail Services Planning Office included in the Regional Reorganization Act of 1973 was exhausted with the \$1.1 million appropriated in 1976. Although an extension of the Rail Services Planning Office has been discussed, there is no basis for requesting additional funds for this program. Therefore, no funds are in this budget.

PAYMENTS FOR DIRECTED RAIL SERVICE

The Commission is not requesting additional funds for this account in its Fiscal Year 1977 budget. A total of \$15,000,000 was appropriated in Fiscal Year 1976 for payments for directed rail service. The appropriation language specified that the funds are to remain available until expended, provided that "not to exceed \$750,000 shall be available for necessary independent auditing expenses incurred in the administration of the directed rail service program."

SUMMARY

The Commission's budget estimate for Fiscal Year 1977 totals \$54,676,000. This is an increase of \$3,846,000 over the 1976 appropriation plus the \$1,500,000 pending pay raise supplemental for Fiscal Year 1976.

The following table shows the comparison of the 1976 appropriation and the 1977 request.

	<u>1976 Appropriation</u>	<u>1977 Request</u>	<u>Change</u>
Positions	2,197	2,174	-23
Amount	\$50,830,000 <u>1/</u>	\$54,676,000	\$+3,846,000

The increase is reflected in the following main categories:

Increases : (in thousands of dollars)

Mandatory:

1. Annualization of 1976 Pay Raise	\$456
2. Benefits related to item 1	44
3. Cost of within-grade salary advancements	391
4. Benefits related to item 3	45
5. Compensation on an annual basis for additional 55 positions authorized in 1976	624
6. Benefits related to item 5	58
7. Travel costs related to item 5	29
8. Other objects related to item 5	73
9. GSA space charge	593
10. Other Objects mandatory rate increases	40
11. ADPE annualization	169
12. ADPE procurement	489
13. Miscellaneous Other Objects	<u>157</u>
Subtotal - Mandatory Increases	\$3,168

Program:

1. Compensation for new positions	\$1,097
2. Benefits related to item 1	94
3. Travel related to item 1	50
4. New office space related to item 1	100
5. Other objects related to item 1	<u>591</u>
Subtotal - Program Increases	<u>1,932</u>
Total Increase	\$5,100

1/ Includes \$1.5 million pending supplemental for pay increase costs in Fiscal Year 1976.

Decreases (in thousands of dollars)

1. One day's pay	\$ -141
2. Benefits related to item 1	- 13

Rail Services Planning Office

3. Reduction of 75 positions - Comp. & Benefits	-527
4. Travel	- 35
5. Other Objects	<u>-538</u>

Subtotal - Decreases -1,254

Total Net Increase \$3,846

OBLIGATIONS BY OBJECT CLASS

	<u>FY 1976</u> ^{1/}	<u>Transition</u> <u>Quarter</u> ^{1/}	<u>FY 1977</u>
<u>Permanent Positions:</u>			
Headquarters	1,626	1,551	1,602
Field	<u>571</u>	<u>571</u>	<u>572</u>
Total	2,197	2,122	2,174
Average employment	2,098	2,071	2,120
<u>Object Classification:</u>			
11 Personnel compensation	\$37,857,000	\$9,826,000	\$39,800,000
12 Personnel benefits	3,615,000	919,000	3,800,000
21 Travel and transportation of persons	1,678,000	396,000	1,722,000
22 Transportation of things	64,000	16,000	65,000
23 Rent, comm., and utilities	4,598,000	1,100,000	5,209,000
24 Printing and reproduction	384,000	71,000	389,000
25 Other services	1,836,000	328,000	2,480,000
26 Supplies and materials	616,000	128,000	637,000
31 Equipment	<u>182,000</u>	<u>6,000</u>	<u>574,000</u>
Total obligations	\$50,830,000	\$12,790,000	\$54,676,000

^{1/} Includes \$1,500,000 pending supplemental for pay increase costs in Fiscal Year 1976 and \$500,000 in the transition quarter.

INTERSTATE COMMERCE COMMISSION
SUMMARY OF APPROPRIATIONS AND BUDGET ESTIMATES
FISCAL YEARS 1967 - 1977

Appropriations		Estimates	
1967	27,759,000	1967	27,759,000
Supp. (P. L. 90-21)	720,000	Proposed Supp. (P. L. 89-504)	720,000
Supp. (P. L. 90-21)	17,400,000 ^{1/}	Proposed Supp. (S. Doc. 27)	17,400,000 ^{1/}
1968	23,460,000	1968	23,784,000
Supp. (P. L. 90-392)	386,000	Proposed Supp. (P. L. 90-206)	386,000
1969	23,846,000	1969	23,995,000
Supp. (P. L. 91-47)	818,000	Proposed Supp. (P. L. 90-206)	818,000
1970	25,127,000	1970	25,508,000
Supp. (P. L. 91-305)	1,900,000	Proposed Supp. (P. L. 90-206)	1,975,000
Supp.	715,660	Proposed Supp. (P. L. 91-231)	715,660
1971	30,423,121 ^{2/}	1971	28,913,500 ^{2/}
Supp. (P. L. 92-18)	1,442,000	Proposed Supp. (P. L. 91-231)	700,000
Supp. (P. L. 91-665)	42,477,885 ^{3/}	Proposed Supp. (P. L. 91-656)	742,000
1972 (P. L. 92-74)	30,640,000	Proposed Supp.	40,685,000 ^{3/}
Proposed Supp.	0 ^{4/}	1972	28,940,000
Supp. (P. L. 92-256)	29,329,611 ^{5/}	Proposed Supp.	760,000
1973 (P. L. 92-398)	33,120,000	Proposed Supp.	28,000,000 ^{5/}
Supp. (P. L. 92-607)	12,323,000 ^{6/}	1973	31,660,000
Supp. (P. L. 93-50)	600,000	Proposed Supp.	12,000,000 ^{6/}
1974 (P. L. 93-98)	34,750,000	Proposed Supp.	600,000 ^{7/}
Supp. (P. L. 93-305)	2,340,000	1974	35,000,000
Supp. (P. L. 93-305)	3,400,000	Proposed Supp.	2,600,000
Supp. (P. L. 93-305)	100,000	Proposed Supp. (P. L. 93-236)	5,000,000
Supp.	91,000 ^{8/}	Proposed Supp.	150,000
1975 (P. L. 93-391)	43,000,000	1975	43,300,000
Supp. (P. L. 93-554)	170,000	Proposed Supp. (P. L. 93-226)	345,000
Supp. (P. L. 94-32)	1,300,000	Proposed Supp.	1,400,000 ^{7/}
Supp. (P. L. 94-32)	500,000	Proposed Supp. (P. L. 93-236)	500,000 ^{9/}
1976 (P. L. 94-134)	49,330,000	1976	50,470,000
1976 (P. L. 94-134)	15,000,000	Proposed Budget Amendment	21,600,000
1976 (P. L. 94-134)	12,290,000	1976 (Transition Quarter)	12,500,000
		Proposed Supp.	1,500,000 ^{7/}
		Proposed Supp. (Transition Quarter)	500,000 ^{7/}
		1977	54,676,000

^{1/} For payment to private banks to honor guaranties on defaulted loans made to Central of New Jersey under Section 503 of the Interstate Commerce Act, as amended.

^{2/} Includes budget amendment of \$3,313,500 plus amounts required to pay interest to honor guaranties on defaulted loans made to the Boston and Maine Railroad. Final payment was \$3,423,121 including \$3,216,667 for principal and \$206,454 for interest.

^{3/} Request for \$40,685,000 plus amount required to pay interest to honor guaranties on defaulted loans made to Penn Central Transportation Company, trustees of the New York, New Haven, and Hartford Railroad Company and Lehigh Valley Railroad Company. Final payment included \$40,685,000 principal and \$1,792,885 for interest.

^{4/} Proposed 1972 Supplemental was changed by Congress to a 1973 Budget Amendment.

^{5/} Request for \$28 million plus amounts required to pay interest to honor guaranties on defaulted loans made to the Reading Company. Final payment included \$28 million principal and \$1,329,611 interest.

^{6/} Request for \$12 million plus amounts required to pay interest to honor guaranties on defaulted loans made to the Erie-Lackawanna. Final payment included \$12 million principal and \$323,000 interest.

^{7/} Supplemental requests for pay increases under the "Federal Pay Comparability Act of 1970" (P. L. 91-656).

^{8/} Amount required to fund retroactive pay costs. OMB requested supplemental for all Federal agencies after FY 1974 had ended.

^{9/} Request for Rail Services Planning Office.

^{10/} Request for \$21.6 million for payments for directed rail services under Section 1 (16)b of the Interstate Commerce Act, as amended by P. L. 93-236.

Fiscal Year 1976 Appropriation, Transition Quarter and 1977 Request by Organization

	1976					
	Posi- tions	Compensation and Benefits	Travel	Other Objects	Total	Posi- tions
Commissioners and their Offices	102	\$2,552,500	\$ 28,500	\$ 270,100	\$ 2,851,100	102
Permanent Planning Staff	15	173,300	11,000	24,000	208,300	15
Office of Public Counsel	-	-	-	-	-	-
Managing Director	219	3,718,400	120,200	1,617,800	5,456,400	219
Secretary and Congressional Relations	78	841,300	2,600	206,600	1,050,500	78
General Counsel	32	770,400	24,500	84,700	879,600	32
Hearings	111	3,386,600	130,000	794,000	4,310,600	111
Proceedings	392	7,455,500	25,200	1,038,200	8,518,900	392
Accounts	275	5,455,400	403,900	728,300	6,587,600	275
Economics	51	1,138,600	6,100	135,100	1,279,800	51
Enforcement	87	1,914,300	71,200	230,400	2,215,900	87
Operations	526	9,728,900	813,900	1,393,100	11,935,900	526
Traffic	234	3,809,800	5,900	619,700	4,435,400	234
Rail Services Planning Office	<u>75</u>	<u>527,000</u>	<u>35,000</u>	<u>538,000</u>	<u>1,100,000</u>	<u>-</u>
Total Appropriation	2,197	\$41,472,000	\$1,678,000	\$7,680,000	\$50,830,000 ^{1/}	2,122

^{1/} Includes a pending supplemental for pay raise of \$1.5 million in Fiscal Year 1976 and \$500,000 in the Transition Quarter.

Transition Quarter				1977				
Compensation and Benefits	Travel	Other Objects	Total	Posi- tions	Compensation and Benefits	Travel	Other Objects	Total
\$ 667,600	\$ 7,100	\$ 61,100	\$ 735,800	102	\$2,598,300	\$ 28,500	\$ 304,000	\$2,930,800
105,800	6,000	24,600	136,400	27	678,900	33,000	102,200	814,100
-	-	-	-	15	298,000	50,000	610,000	958,000
967,300	21,800	368,900	1,358,000	229	4,044,400	120,200	2,412,300	6,576,900
220,100	600	46,700	267,400	78	857,500	2,600	232,400	1,092,500
200,200	6,100	19,200	225,500	32	787,100	24,500	95,400	907,000
887,700	28,000	191,500	1,107,200	111	3,448,200	130,000	900,900	4,479,100
1,952,600	5,600	234,700	2,192,900	400	7,978,100	26,200	1,185,700	9,190,000
1,423,100	103,700	164,700	1,691,500	292	5,958,400	409,900	856,700	7,225,000
297,700	1,900	30,500	330,100	56	1,280,800	6,100	163,000	1,449,900
500,900	16,500	52,100	569,500	84	1,922,900	71,200	252,700	2,246,800
2,525,400	197,300	314,900	3,037,600	514	9,870,100	813,900	1,541,400	12,225,400
996,600	1,400	140,100	1,138,100	234	3,877,300	5,900	697,300	4,580,500
-	-	-	-	-	-	-	-	-
\$10,745,000	\$396,000	\$1,649,000	\$12,790,000 ^{1/}	2,174	\$43,600,000	\$1,722,000	\$9,354,000	\$54,676,000

INTERSTATE COMMERCE COMMISSION
POSITIONS AND OBLIGATIONS BY ACTIVITY
FISCAL YEARS 1976-1977

Activity and Organization	Fiscal Year 1976		Transition Quarter		Fiscal Year 1977	
	Positions	Amount	Positions	Amount	Positions	Amount
1. Formal Proceedings.						
Bureau of Accounts:						
Section of Cost and Valuation	64	\$1,458,000	64	\$ 374,800	71	\$1,644,400
Section of Financial Analysis (except as assigned to Activity 3)	12	274,700	12	70,900	14	348,300
Section of Accounting (except as assigned to Activity 3)	5	122,100	5	31,500	5	124,900
Office of Hearings	111	4,310,600	111	1,107,200	111	4,479,100
Office of Proceedings	392	8,518,900	392	2,192,900	400	9,190,000
Bureau of Traffic:						
Suspension and Fourth Section Board	46	997,700	46	257,000	46	1,028,600
Commissioners and their Offices:						
Adjudicatory Activities	75	2,075,300	75	585,800	75	2,133,900
Office of the Secretary/Congressional Relations:						
Section of Dockets and Services	65	781,800	65	198,200	65	815,400
Bureau of Enforcement:						
Special Projects Staff	11	291,800	11	77,100	11	383,700
Bureau of Economics (except as assigned to Activity 3 and Administration)	36	908,700	36	234,400	41	1,058,400
Office of the General Counsel	32	879,600	32	225,500	32	907,000
Permanent Planning Staff	15	208,300	15	136,400	27	814,100
Office of Public Counsel	-	-	-	-	15	958,000
Office of the Managing Director: Administrative Services (except as assigned to Administration)	32	426,200	32	108,900	32	489,600
Section of Systems Development (except as assigned to Activities 2, 3, 4 and Administration)	19	645,000	19	156,600	24	1,030,400
Administration 1/	86	2,113,800	86	533,000	91	2,413,600
Total Activity 1	1,001	24,012,500	1,001	6,240,200	1,060	27,819,400
2. Compliance.						
Bureau of Operations	526	11,935,900	526	3,037,600	514	12,225,400
Bureau of Enforcement (except as assigned to Activity 1)	76	1,924,100	76	492,400	73	1,863,100
Office of the Managing Director: Field Staff	12	376,300	12	97,000	12	387,400
Section of Systems Development (except as assigned to Activities 1, 3, 4 and Administration)	5	169,800	5	41,200	5	214,800
Administration 1/	58	1,425,600	58	359,500	58	1,538,300
Total Activity 2	677	15,831,700	677	4,027,700	662	16,229,000
3. Financial oversight.						
Bureau of Accounts (except as assigned to Activity 1)	194	4,732,800	194	1,214,300	202	5,107,400
Bureau of Economics (except as assigned to Activity 1 and Administration)	4	102,300	4	26,400	4	101,500
Office of the Managing Director Section of Systems Development (except as assigned to Activities 1, 2, 4 and Administration)	19	645,000	19	156,600	19	815,900
Administration 1/	20	491,600	20	124,000	20	530,500
Total Activity 3	237	5,971,700	237	1,521,300	245	6,555,300
4. Tariff examination.						
Bureau of Traffic (except as assigned to Activity 1)	188	3,437,700	188	881,100	188	3,551,900
Office of the Managing Director Section of Systems Development (except as assigned to Activities 1, 2, 3 and Administration)	1	34,000	1	8,200	1	43,000
Administration 1/	18	442,400	18	111,500	18	477,400
Total Activity 4	207	3,914,100	207	1,000,800	207	4,072,300
5. Planning rail service.						
Rail Services Planning Office	75	1,100,000	-	-	-	-
Total Activity 5	75	1,100,000	-	-	-	-
TOTAL	2,197	\$50,830,000 2/	2,122	\$12,790,000 2/	2,174	\$54,676,000

1/ The amounts shown for Administration for each Activity reflect a prorated portion of the positions and costs of the following organizations: Chairman and Vice Chairman and their staffs; Office of the Secretary/Congressional Relations (except as assigned to Activity 1); Office of the Managing Director (except as assigned to Activities 1, 2, 3 and 4); and, the Bureau of Economics (except as assigned to Activities 1 and 3).

2/ Includes a pending supplemental for pay raise of \$1.5 million in Fiscal Year 1976 and \$500,000 in the Transition Quarter.

Summary of Positions and Average Employment by Bureau and Office
For Fiscal Years 1975, 1976, Transition Quarter, and 1977

Bureaus and Offices	Fiscal Year 1975		Fiscal Year 1976		Transition Quarter		Fiscal Year 1977	
	Positions Authorized	Average Employment	Positions Authorized	Average Employment	Positions Authorized	Average Employment	Positions Requested	Average Employment
Commissioners and their Offices	102	99.2	102	98.8	102	98.8	102	98.8
Permanent Planning Staff	-	-	15	11.3	15	14.4	27	25.9
Office of Public Counsel	-	-	-	-	-	-	15	14.6
Office of the Managing Director	202	199.5	219	213.1	219	219.1	229	223.4
Office of the Secretary and Congressional Relations	77	72.1	78	77.0	78	77.0	78	77.0
Office of the General Counsel	30	27.3	32	30.8	32	30.8	32	30.8
Office of Hearings	125	99.2	111	108.8	111	108.8	111	108.8
Office of Proceedings	373	355.9	392	372.6	392	380.1	400	390.0
Bureau of Accounts	266	252.8	275	263.2	275	268.2	292	285.7
Bureau of Economics	48	41.4	51	48.4	51	49.5	56	54.6
Bureau of Enforcement	85	74.5	87	85.4	87	85.4	84	81.9
Bureau of Operations	525	484.1	526	513.4	526	513.4	514	502.2
Bureau of Traffic	234	225.0	234	225.8	234	225.8	234	225.8
Subtotal, Regular	2067	1931.0	2122	2048.6	2122	2071.3	2174	2119.5
Rail Services Planning	75	54.6	75	49.5	-	-	-	-
Total, Interstate Commerce	2142	1985.6	2197	2098.1	2122	2071.3	2174	2119.5

Commissioners and Their Offices

The Commissioners and their staffs are responsible for: (1) Preparing final reports in cases requiring a Division or Commission action; (2) providing authoritative information to the public, other agencies and the press; (3) coordinating preparation of the Annual Report to Congress; and, (4) maintaining the minutes of all Commission actions.

The following table shows the actual positions and obligations for Fiscal Year 1975 and estimates for 1976, the transition quarter and 1977:

	1975	1976	Transition Quarter	1977
Positions	102	102	102	102
Average employment	99.2	98.8	98.8	98.8
Personnel compensation	\$2,202,359	\$2,335,700	\$ 610,900	\$2,379,700
Personnel benefits	184,429	216,800	56,700	218,600
Total compensation and benefits	2,386,788	2,552,500	667,600	2,598,300
Travel	23,820	28,500	7,100	28,500
Other objects	283,324	270,100	61,100	304,000
Total	\$2,693,932	\$2,851,100	\$ 735,800	\$2,930,800

The Fiscal Year 1977 request will fund within-grade salary increases and annualized pay costs.

Commissioners have responsibility for the preparation of final reports in assigned cases. These cases generally have been the subject of an oral hearing and require a Division or Commission report. The attorney-advisors review reports and memoranda submitted to the Commissioners for their action, prepare draft reports and perform other duties as directed by the Commissioners. The staff of the Minute Clerk is directly responsible for recording and maintaining the minutes of the Commission which represent the official action taken. The Public Information Office is a central source through which authoritative information is made available to the public, other government agencies and the press, and it coordinates preparation of the Annual Report to the Congress.

No additional positions are requested for Fiscal Year 1977.

Permanent Planning Staff

The Commission has been charged with the responsibility of administering and enforcing the Interstate Commerce Act with the view of carrying out the National Transportation Policy as set forth by Congress. In pursuing the charge "to promote safe, adequate, economical, and efficient service and foster sound economic conditions in transportation," the Commission has over its many years attempted to meet changing conditions. In some instances this has resulted in regulation through reaction or "crisis planning." The national interest dictates that if the Commission is to meet the objectives of the National Transportation Policy, "developing, coordinating, and preserving a national transportation system by water, highway, and rail, as well as other means," then crisis planning must be supplanted by anticipatory planning. In order to respond to such increasing demands occasioned by more and more carriers having severe economic difficulties, a Permanent Planning Staff is being established within the Commission.

The following table shows the actual positions and obligations for Fiscal Year 1975 and estimates for 1976, the transition quarter and 1977.

	1975	1976	Transition Quarter	1977
Positions	-	15	15	27
Average employment	-	11.3	14.4	25.9
Personnel compensation	-	\$158,600	\$96,400	\$622,000
Personnel benefits	-	14,700	9,400	56,900
Total compensation and benefits	-	173,300	105,800	678,900
Travel	-	11,000	6,000	33,000
Other objects	-	24,000	24,600	102,200
Total	-	\$208,300	\$136,400	\$814,100

The Fiscal Year 1977 request will fund the annualized costs of new positions authorized for 1976, new positions requested for 1977, within-grade salary increases, and annualized pay costs.

Over the years, the Commission has responded quickly and effectively in instituting "crash programs" to handle emergency situations that develop in the surface transportation industry. The issues, however, have become increasingly more difficult and complex, and changes occur so rapidly that the task is now far beyond our current resource capability. The most recent example of this was the staff effort expended in trying to find ways of maintaining rail service over the lines of the Rock Island Railroad. Such a project requires the development of contingency plans to cover situations where a railroad threatens to discontinue operations because of the reasons outlined in Section 1 (16) (b) of the Interstate Commerce Act.

The continuing need for a permanent planning staff became apparent when the Rock Island Railroad experienced financial difficulties in Fiscal Year 1975 which required the formulation of contingency plans for possible directed service by other carriers under the provisions of Section 1 (16) (b). At that time, approximately twelve Commission staff members, all of whom had other major responsibilities, were involved in formulating a plan for the Commission to review. It became abundantly clear that the Commission must be immediately able to fully and promptly evaluate all possible alternatives in such emergencies and should have readily available an abundance of data on the operations of carriers in financial difficulty, the connections with other carriers, the shippers and receivers involved, the capability of the yards and terminals, the traffic flow patterns, and many other factors. The natural extension of having this type of information would be to have available a contingency plan which could be utilized when needed. The existing staff is not large enough to dedicate the time needed for what is felt to be a vital role in the future.

The need for such activity is not limited to the Rock Island or even the northeast railroads. It is absolutely necessary for all regions throughout the Nation. There should be an ongoing study of the railroad lines that crisscross the land so that when termination of service threatens any community the Commission is prepared to handle the problem. This is not limited to Section 1 (16) (b) problems, but should include long-range and comprehensive studies of overall surface transportation modes as they relate to one another.

Also several bills have been introduced in Congress relating to: the need to establish a national network of railroad lines; the need to grant the Commission additional temporary authority with reference to continuing operations of rail lines pending final determination by the Commission; the improvement of Commission procedures with respect to abandonments and avoiding termination of essential but nonviable lines; and, specific problems of the Penn Central, Rock Island, Erie Lackawanna and other railroads. It is clear that many members of Congress consider the restructuring of the railroads a national problem rather than a regional one. This was clearly expressed during the hearing held March 10, 1975, in connection with the Rock Island bankruptcy and threatened suspension of all service. Senator Hartke was critical of the fact that contingency planning had failed to take into account the possibility of a downturn (16 percent) of traffic with resultant loss of income. He also raised questions concerning the Commission's contingency plans to cover other prospective problems, the precarious financial position of three or four railroads, and pointed out that he had suggested or recommended in the past that unified planning be undertaken to avoid the necessity of handling problems on a crisis-by-crisis basis.

In summary, the situation existing today with respect to rail carriers in the northeastern section of the country and the Congressional enactments to aid in the

prevention of the disposal of such property adequately portray the scope of the problem. The question arises at this moment as to whether or not the Nation will face a rail crisis in the midwestern part of the country. The very fact that the question exists supports the opinion that planning must be significantly strengthened now if the Commission is to fulfill its obligation.

Other modes of surface transportation also require planning so that water, motor and rail systems may be cross-utilized in case of disruption caused by the bankruptcy of any major carrier.

The work of this Permanent Planning Staff is of such importance that it will require a high level of expertise for the following functions:

1. A study of all gateway and interchange points showing traffic volume and connecting carriers.
2. Economic study of affected areas and other potential sources of service.
3. Financial studies of all the potential bankruptcy candidates.
4. Financial study of all potential directed carriers and the impact on other connecting carriers.
5. A study of the physical condition of the routes which would have to be taken over by the directed railroads or other carriers.
6. An evaluation of equipment requirements to continue operations over directed routes, including the condition of the existing equipment.
7. An evaluation of equipment available from bankrupt carriers and deficiencies that would have to be overcome by directed carriers.
8. An analysis of potential costs and revenues involved in continuing service over directed routes.
9. A plan for the installation of accounting systems and procedures in connection with directed operations.
10. A projection of alternatives for use after the maximum eight-month period of directed operations.

11. An expansion of industry economic projections to detect potentially vulnerable carriers.
12. An analysis of costs and benefits associated with the alternative plans of directing operations over lines which have been identified as vulnerable to collapse.
13. Analytical studies of traffic flows in terms of tons, cars, commodities, interchanges and routes, shipper and receiver locations and requirements, etc.
14. Physical inspections of transportation installations to determine such things as the feasibility of one railroad entering onto and operating the property of another and variations in traffic flows.
15. Development of the economic impact on the labor force and the communities involved in any realignment of the operations of a carrier.
16. A study of possible substitute modes of transportation.

The 15 positions authorized in Fiscal Year 1976 represent a step in the right direction. This staffing level, however, is still insufficient to handle the immense job of anticipatory planning for the regulated surface transportation industry. Therefore, an increase of 12 positions is requested for the Permanent Planning Staff in 1977.

Office of Public Counsel

The Interstate Commerce Commission has the statutory responsibility to regulate the surface transportation industry in the public interest and make every effort to assure that the public is informed of and represented in its proceedings. The Office of Public Counsel would be established as part of the Commission's efforts to carry out that responsibility. In any proceeding, the Public Counsel would be responsible for assisting in the development of the record in the Commission's effort to determine the public interest with regard to the Interstate Commerce Act and related statutes.

The following table shows the estimated obligations for Fiscal Year 1977:

	<u>1975</u>	<u>1976</u>	<u>Transition Quarter</u>	<u>1977</u>
Positions	-	-	-	15
Average employment	-	-	-	14.6
Personnel compensation	-	-	-	\$ 273,000
Personnel benefits	-	-	-	25,000
Total compensation and benefits	-	-	-	298,000
Travel	-	-	-	50,000
Other Objects	-	-	-	610,000
Total	-	-	-	\$ 958,000

The Fiscal Year 1977 request will fund the new positions requested.

The concept of a public counsel is not new at the Commission. As early as 1903, the Commission used a public counsel in the interest of fully developing the issues in its investigations. The most celebrated use of a public counsel was in 1914 when the Commission contracted with Louis Brandeis to serve as special counsel in the so-called Five Percent Case, 31 ICC 351 (1914), to insure a complete record in that case. No serious consideration was given to institutionalizing this concept on a full-time basis until the period from 1961 through 1964 when the Commission unsuccessfully sought funds in its annual budget to establish an economic counsel. The concept was revived in 1973, when the Commission appointed a special projects counsel to represent the public in Ex Parte No. 270, Investigation of the Railroad Freight Rate Structure, and related proceedings under arrangements similar to those with Justice Brandeis.

Congress also has demonstrated considerable interest and support. In 1974, as part of the Regional Rail Reorganization Act of 1973, Congress established an office of the Public Counsel in the Commission's Rail Services Planning Office (RSPO) to assist the public in the development of a plan to restructure the railroads in the Northeast. In December, 1975, both houses of Congress passed the "Railroad Revitalization and Regulatory Reform Act of 1975" (S. 2718), which included a provision for the establishment of an "Office of Rail Public Counsel" in the Commission within 60 days of enactment.

Within the Commission itself, a Blue Ribbon Panel of highly qualified staff members constituted to recommend internal regulatory improvements independently proposed that the Public Counsel functions be established on a permanent basis. After additional study and deliberation, a majority of the Commission, on October 30, 1975, voted to approve the creation of an Office of Public Counsel.

In recent years, a great deal of skepticism has developed regarding the Government's concern for the protection of the public. While reasonable people can debate the degree of this concern, there is no denying that all agencies of the Federal Government can benefit from a reexamination of their performance in this area. The Commission has always recognized and been sensitive to its responsi-

bility to protect the public interest. It was created for this purpose in 1887 and believes it to be its prime function today. But the recent successful experience with the public counsel approach to insure a full record in Ex Parte No. 270 and related proceedings and to assist the public in developing a plan for the restructuring of the railroads in the Northeast has shown that a strong system can be made even stronger.

In order to respond effectively to recommendations made by the Blue Ribbon Panel, Congress and the public itself, the Commission is requesting that additional resources be provided in Fiscal Year 1977 for an Office of Public Counsel.

The Public Counsel would have the discretion to participate as a party or to intervene in any adjudicative or rulemaking proceeding before the Commission where, in the judgment of the Public Counsel, its input may be of assistance to the Commission in determining the public interest. The Commission on its own initiative would also be able to direct the Office to participate as a party. In addition, the Public Counsel would be able to petition the Commission to institute a proceeding at such times and in such manner as may be appropriate under the Commission's rules. The Office would be afforded all the rights and would be bound by all the obligations applicable to other parties and their counsel.

As a participant, the Public Counsel would be responsible for assisting in the development of the record by assuring that it contains all relevant and material information needed for the Commission to reach an informed result consistent with the public interest. In this respect, the term "public interest" would be broadly defined to include the interests of carriers, shippers, labor, consumers and the public in general. It would embrace the full social, economic and governmental impact of Commission deliberations. Participation by the Public Counsel would include, but not be limited to, consideration of such issues as adequate common carrier services at reasonable and compensatory prices, effective competition, environmental and energy considerations, employee protection in merger proceedings, and the rational allocation of transportation resources.

To fulfill its responsibilities, the Office would, among other things: (1) Present, subpoena, examine and cross-examine witnesses and introduce other documentary evidence; (2) negotiate and enter into stipulations regarding procedures and evidence; (3) delineate, develop and refine issues at various stages of a proceeding, including a prehearing conference; (4) facilitate the handling of procedural and other matters on proceedings; and, (5) take such other actions as a party consistent with the public interest and within the authority and jurisdiction of the Commission.

The Public Counsel would also provide assistance to those lacking the resources or expertise to develop and present their position on an issue. Those benefitting from such assistance could include individuals, consumer groups and local governments. The Public Counsel would also consult and cooperate with others representing the public in particular proceedings.

The Commission has been emphasizing the use of broad-scale rulemaking proceedings as a regulatory device and plans to continue to do so in the future. As a result, many such proceedings now are in progress, and a significant number of new ones can be expected in the future. Since these proceedings invariably encompass critical transportation issues involving Commission regulations and carrier rates, practices, operating rights and finances, there is an extremely wide area of potential workload for the Public Counsel. In order to accomplish its objectives, the Office of Public Counsel would have to be provided with a staff of sufficient size with broad-based skills to assure the capacity to enter any proceeding.

In view of the potentially broad scope of Public Counsel activities, the Commission believes that an initial staff of 15 additional positions would be required to fulfill the minimum needs for the Public Counsel. The staff would include personnel with the skills necessary to research and develop data (investigators, auditors, tariff specialists); personnel experienced in data analysis (economists, cost and financial analysts); attorneys to participate in the proceedings and provide consumer assistance; and, the necessary clerical support.

In addition, sufficient resources must be provided to enable the Public Counsel to contract with experts, consultants, attorneys and other to augment the staff when necessary. To provide further support, the Commission has authorized the Chairman to provide assistance and services from other Commission organizations to this Office upon request, with due regard to their existing workload and potential conflicts of interest.

Because of the nationwide scope of this program, the travel needs would be relatively high for a staff of this size. Estimates of travel costs are based upon the requirement that the Office participate in proceedings in all parts of the country and visit the specific geographical area affected to inspect the conditions and to develop and compile data for evidence.

The estimates for other objects reflect the need to use experts, consultants, and attorneys to develop and present the evidence in Commission proceedings in the public's interest. It is envisioned that extensive contract support of this nature would be needed in such diverse areas as data gathering, environmental assessments, economic analyses, and depreciation and property valuations. Moreover, experience with Ex Parte Nos. 270 and 271 has shown that heavy computer support would be required in compiling and analyzing the vast amounts of data collected. The estimates include the necessary resources for outside contract assistance in the ADP area. Estimates for requirements such as space rental, telephones, mail, printing, supplies and equipment reflect levels normally associated with new organizations.

Office of the Managing Director

This Office is responsible for directing the administrative matters of all Bureaus and Offices. The staff handles matters relating to the Commission's budget, personnel, administrative and computer services, as well as internal audit and program evaluation activities.

The following table shows the actual positions and obligations for Fiscal Year 1975 and estimates for 1976, the transition quarter and 1977:

	1975	1976	Transition Quarter	1977
Positions	202	219	219	229
Average employment	199.5	213.1	219.1	223.4
Personnel compensation	\$3,058,446	\$3,385,300	\$884,400	\$3,669,900
Personnel benefits	297,704	333,100	82,900	374,500
Total compensation and benefits	3,356,150	3,718,400	967,300	4,044,400
Travel	25,193	120,200	21,800	120,200
Other objects	1,406,100	1,617,800	368,900	2,412,300
Total	\$4,787,443	\$5,456,400	\$1,358,000	\$6,576,900

The Fiscal Year 1977 request will fund the annualized costs of new positions authorized for 1976, new positions requested for 1977, within-grade salary increases, and annualized pay costs. Travel in 1976, the transition quarter, and Fiscal Year 1977 includes training-related travel for all Commission organizations for better control of all costs associated with training. In Fiscal Year 1975, training travel costs were assigned to each organization.

The following table shows an organizational distribution of the number of positions authorized in Fiscal Year 1975 and the transition quarter, and those requested for Fiscal Year 1977:

	Authorized 1976 and Transition Quarter	Requested 1977
Managing Director's Office	7	7
Field Staff	12	12
Administrative Services	87	87
Budget and Fiscal	33	38
Personnel	24	24
Systems Development	56	61
Total	219	229

Managing Director's Office

	<u>1975</u>	<u>1976</u>	<u>Transition</u> <u>Quarter</u>	<u>1977</u>
Positions	7	7	7	7
Average employment	6.3	7.0	7.0	7.0
Total obligations	\$260,523	\$264,200	\$59,600	\$279,200

This Office is responsible for: (1) Directing the administrative activities of all Bureaus and Offices; (2) supervising activities relating to budget, personnel, administrative and systems development services; (3) reviewing and preparing organizational changes; and, (4) coordinating field programs that cross organizational lines.

Field Staff

	<u>1975</u>	<u>1976</u>	<u>Transition</u> <u>Quarter</u>	<u>1977</u>
Positions	12	12	12	12
Average employment	13.5	12.7	12.7	12.7
Total obligations	\$379,829	\$376,300	\$ 97,000	\$387,400

This Staff is located in the Commission's regional offices and is responsible for: (1) Coordinating and evaluating field programs and goals; (2) controlling field travel and clerical resources; and, (3) representing the Commission on local Federally-sponsored committees.

Section of Administrative Services

	<u>1975</u>	<u>1976</u>	<u>Transition</u> <u>Quarter</u>	<u>1977</u>
Positions	81	87	87	87
Average employment	79.4	84.7	87.2	87.2
Total obligations	\$1,509,319	\$1,639,100	\$418,700	\$1,882,900

This Section is responsible for: (1) Procuring and maintaining all property, space and services for the Commission; (2) operating the Commission's printing plant; (3) maintaining an effective employee occupational safety and health program; (4) providing mail and messenger service; and, (5) maintaining the Commission library.

Budget and Fiscal Office

	<u>1975</u>	<u>1976</u>	<u>Transition</u> <u>Quarter</u>	<u>1977</u>
Positions	31	33	33	38
Average employment	32.1	33.6	33.6	35.7
Total obligations	\$ 607,594	\$ 668,400	\$ 171,800	\$ 783,900

This Office is responsible for: (1) Formulating and executing the Commission's budget; (2) providing fiscal accounting, auditing and payroll services; (3) evaluating program performance; (4) management analysis; and, (5) paperwork and forms management.

Personnel Office

	1975	1976	Transition Quarter	1977
Positions	22	24	24	24
Average employment	21.3	23.9	23.9	23.9
Total obligations	\$465,056	\$607,200	\$149,400	\$624,200

This Office is responsible for: (1) Handling all matters involving personnel recruitment, appointment and placement; (2) determining position classification and pay; (3) administering the employee development and occupational health programs; (4) developing employee-management relations; and, (5) administration of the Privacy Act.

Section of Systems Development

	1975	1976	Transition Quarter	1977
Positions	49	56	56	61
Average employment	46.9	51.2	54.7	56.9
Total obligations	\$1,565,122	\$1,901,200	\$461,500	\$2,619,300

This Section is responsible for providing the Commission with automatic data processing services, including systems analysis and design, keypunching, programming, and operation of the computer, and the development of information services.

Budget and Fiscal Office

Five positions are requested for the Budget and Fiscal Office for Fiscal Year 1977. This request is premised on the need to provide assistance to the Bureaus and Offices with the implementation of changes adopted from Commission Blue Ribbon Panel recommendations; the need to expand the Management Branch's present central office analysis role to one having Nationwide application; and, the need to strengthen the Commission's Internal Audit Program.

The Blue Ribbon Panel submitted some 61 recommendations which have been presented to the Commission along with suggestions for their implementation. Additional staff is needed in order for the Management Branch to assist in implementation and to further extend this type of review to administrative and procedural areas. New and/or revised recordkeeping systems, reporting systems, and written procedures will be needed to facilitate changes already approved by the Commission.

There are several prime objectives of the field internal inspection program, based upon on site inspections of field offices. The first is to determine whether approved programs, policies and instructions (managerial and technical) are understood by field officials and their staffs and whether they are being properly

administered in the field. The second is to evaluate how well regional managers, program directors and other key field officers are discharging their responsibilities; and the general efficiency and effectiveness of field staff. The final objective is to keep the Managing Director, appropriate bureau directors, regional managers and program directors apprised of the general efficiency of field operations and any significant deviations from prescribed programs, policies and instructions in order that appropriate corrective action may be taken. Field internal inspections have not been made for several years due to the lack of available resources. A larger staff is needed to reactivate the program.

In connection with the expanded analytical function, there is a pressing need to strengthen the Commission's Internal Audit Program. Specifically, the reactivated audit/analysis functions, which have been largely dormant for the last three years, will evaluate the effectiveness and the efficiency of the following elements within the Commission:

1. Planning: Assess the adequacy of short and long range planning in terms of how planning is accomplished, whether goals are consistent with Commission programs, and whether these are periodically reviewed and updated within established priorities.
2. Effective Use of Resources: Minimize unnecessary or wasteful practices in the use of the Commission's resources. For example, identify and report on procedures which are ineffective or found to be more costly than justified; duplication of effort by employees or between organizational units which, if eliminated, could increase overall efficiency; performance of work which serves little or no useful purpose; inefficient or uneconomical use of equipment; overstaffing in relation to work to be done; faulty buying practices; and procurement and accumulation of needed or excess quantities of property, materials, or supplies.
3. Organization: Assess the extent to which the Commission has been structured and duties distributed so as to insure the fullest utilization of staff in carrying out tasks. Studies will be directed toward identification of duplication of effort, improving functional alignment, workflow, and coordination of effort.
4. Systems and Procedures: Determine if adequate systems and procedures have been designed and installed to carry out the Commission's programs. Identify those which are ineffective or more costly than justified and recommend alternative solutions.
5. Paperwork Management: Appraise the efficiency of paperwork operations in terms of Commission systems for controlling records, forms, reports and correspondence; and the management controls used to govern printing requisitions, schedules and costs.
6. Procurement: Examine financial transactions, accounts, and reports for efficient and effective use of funds, and compliance with applicable laws and regulations.

7. Space, Furniture and Equipment: Assess the utilization of office space, especially in field offices, and whether available space, furnishings and equipment are being used efficiently and are sufficient to economically meet the needs of the users.

8. Recruitment, Staffing and Career Development: Assess the extent to which the Commission maintains a constant intake of well-qualified employees sufficient to meet present and future manpower needs; evaluate training programs and their effectiveness; and review the extent to which the Commission insures that employees at all levels have an opportunity for planned career development.

Three professional Management Analysts and one Internal Auditor position are requested for the aforementioned purposes. In addition, a clerical position is needed to participate in the Management Branch's program by performing secretarial, clerical and administrative duties.

Section of Systems Development - This represents the third budgetary year of the five-year systems development program, which was developed in an effort to keep pace with the Commission's ever-growing workload and ever-increasing information needs. The initial thrust of the program was directed toward better management control of the operations of the Commission, with particular emphasis on case control. During Fiscal Year 1976, the preponderance of the automated case control system is to be implemented. Expansion of this system in order to improve its use by management and to provide continuing support of the interactive operation will require one additional position. It is anticipated that the expansion of this system will enable the Commission to be in a better position to reduce regulatory lag. The interactive system, coupled with the procedural recommendations from the staff Blue Ribbon Panel, should provide a basis for significant improvement in the timeliness of the Commission's case processing.

In a continuing effort to improve surface transportation regulation, the Commission will have to revise the previously planned five-year program, with a speedup in the development of certain information bases. Particularly, the Commission is attempting to improve its cost/benefit analysis capability and to provide better support in overall consumer affairs' operations. Case-related, financial, and accounting functions are recommended for expansion within the Bureau of Accounts' budget presentation as one method of enhancing our cost/benefit analysis capability. Virtually all of these efforts will be automated, and the concurrent development of cash flow, depreciation, and overall cost comparison data bases will require an additional two positions within Systems Development.

The platform study, also identified within the Bureau of Accounts' budget justification, will further enhance our capability to establish an overall cost base. Two positions will be required for the automated data collection and processing to support the effort in the platform study and other economic analyses.

To support the increased systems program, the Commission has contracted for relatively large-scale, time-sharing support for the development of new on-line applications. Our current in-house equipment is capable of providing all the foreseeable needs for batch processing support, and the Commission is planning to release certain components of our aging in-house computer equipment. Plans for Fiscal Year 1977 provide for the continuation of the contractual support with a concurrent cost-benefit analysis to determine the practicality of replacing the contract with new in-house equipment. Funds have been identified for site preparation, if in-house operation is cost beneficial. These would be reallocated to expansion of contract support if that is determined to be the most cost beneficial. As the data bases are developed and instituted, additional requirements for remote terminals have been identified and the acquisition of these is included in the Fiscal Year 1977 budget request.

In its effort to reduce both the cost and time involved in the capturing of information into an automated format, the Commission has embarked on a program of using an integrated Optical Character Recognition and Key-to-Disk System. Based upon a competitive selection, installation of this type of equipment is anticipated in mid-Fiscal Year 1976. Analysis of the leased cost versus the purchase cost, applying the present value concept, shows that the government will incur substantial savings by the purchase of this equipment early in Fiscal Year 1977. Funding for that purpose has been included in the budget request.

In summary, five new positions are required to continue the overall five-year program, which is designed to enhance the collection, availability, distribution, and accessibility of information to the entire Commission, both for management and decision-making purposes. The request for five positions has been reduced substantially from the ideal because of constraints placed upon new programs. The Commission, in attempting to develop a better cost/benefit analysis capability, will be forced to continue to use substantial contractual support because of personnel limitations in the systems development area.

Office of the Secretary/Congressional Relations

This Office is responsible for the initial processing of official documents pending before the Commission; releasing and serving orders and decisions of the Commission; preparing certified copies of records filed with the Commission for use in judicial proceedings; indexing contested Commission proceedings at the appellate court level; maintaining files of transcripts, exhibits, and other documents pertaining to formal proceedings; and, receiving, analyzing and responding to requests filed under the Freedom of Information Act. In addition, this Office also coordinates liaison with the Congress and, to a great extent, the public. It supervises Federal Register publication, CFR codifications, maintains agricultural cooperatives' registrations, and handles the collection and receipt of fees due the Commission.

The following table shows the actual positions and obligations for Fiscal Year 1975 and estimates for 1976, the transition quarter and 1977:

	<u>1975</u>	<u>1976</u>	<u>Transition Quarter</u>	<u>1977</u>
Positions	77	78	78	78
Average employment	72.1	77.0	77.0	77.0
Personnel compensation	\$691,148	\$771,300	\$201,200	\$785,700
Personnel benefits	<u>64,337</u>	<u>70,000</u>	<u>18,900</u>	<u>71,800</u>
Total compensation and benefits	755,485	841,300	220,100	857,500
Travel	2,318	2,600	600	2,600
Other objects	213,882	206,600	46,700	232,400
Total	<u>\$971,685</u>	<u>\$1,050,500</u>	<u>\$267,400</u>	<u>\$1,092,500</u>

The Fiscal Year 1977 request will fund within-grade salary increases and annualized pay costs.

This Office is primarily a service organization providing support to the Commission's formal proceedings program. As the proceedings workload increases, the requirements placed on this Office also increase. For example, all applications must be processed through the fee collection system; all public records (applications, pleadings, reports, correspondence, etc.) must be filed properly; and, all decisions and orders of the Commission must be served on interested parties.

With increasing consumer interest in specific Commission proceedings and the heightened interest of the general public in regulatory reform and the future of transportation, the demands made by the public on this Office are constantly growing. Without proper staffing, the ability of this Office to fulfill its responsibility as one of the Commission's most active public assistance offices and keeper of the official files of the Commission would be severely hampered. At best, certain functions of the Commission, such as serving orders, answering requests and maintaining the official records will be delayed. At worst, such a situation could prove catastrophic to a small carrier whose order, or request is unnecessarily delayed.

This Office also serves as the central location for processing requests for information under the Freedom of Information Act within the ten-day response criteria, and handles the new function of indexing contested Commission proceedings at the appellate court level. As a result, additional workload has been placed on this Office. By increasing the productivity of our current staff and management improvements, this Office should be able to cope with the increasing workload expected in Fiscal Year 1977. Therefore, no additional positions are requested.

Office of the General Counsel

Operating as a staff support unit that reports to the Chairman, this Office is responsible for: (1) Defending Commission reports and orders in the courts; (2) furnishing legal advice to the Commission; and, (3) assisting in the formulation of the Commission's legislative position.

The following table shows the actual positions and obligations for Fiscal Year 1975 and estimates for 1976, the transition quarter and 1977.

	1975	1976	Transition Quarter	1977
Positions	30	32	32	32
Average employment	27.3	30.8	30.8	30.8
Personnel compensation	\$578,213	\$705,600	\$183,400	\$718,800
Personnel benefits	50,903	64,800	16,800	68,300
Total compensation and benefits	629,116	770,400	200,200	787,100
Travel	19,906	24,500	6,100	24,500
Other objects	83,331	84,700	19,200	95,400
Total	\$732,353	\$879,600	\$225,500	\$907,000

The Fiscal Year 1977 request will fund within-grade salary increases and annualized pay costs.

The Commission expects 245 new court cases to be initiated in Fiscal Year 1977. On March 1, 1975, judicial review of Commission orders was transferred from the United States Three-Judge District Courts to the United States Courts of Appeals where the Rules of Appellate Procedure impose more demanding time requirements for filing pleadings and completing the judicial review process. About 30 of these cases are appealed to the Supreme Court each year. This Office has the principal responsibility for defending the Commission's orders in these cases. This involves negotiating with opposing counsel; drafting answers, motions, briefs, and other pleadings; submitting oral arguments on behalf of the United States and the Commission; and, preparing initial drafts of the pleadings submitted by the Solicitor General for cases appealed to the Supreme Court. The volume of cases concluded by this Office is only a partial measure of its true workload, since figures are almost entirely dependent on the promptness of action taken by the courts.

An awareness of the complexity of cases handled is at least as important as knowledge of the quantity of cases concluded. Cases arising from the Commission's attempts to accommodate the requirements of the National Environmental Policy Act of 1969 with the rate provisions of the Interstate Commerce Act involve important issues that are extremely complex and far-reaching. To have lost or even unnecessarily prolonged these challenges would seriously threaten the Commission's rate surveillance program. In such important issues, the quality of briefs and pleadings cannot be allowed

to suffer due to a lack of preparation time. An adequate staff is imperative since timetables prescribed by the courts are frequently as demanding as they are inviolable.

This Office is frequently called upon to express its views on legal questions that arise in pending proceedings and to assist in writing or reviewing many of the more complex decisions of the Commission. These decisions frequently involve novel or extraordinarily complex considerations.

Memorandums often are requested from this Office in advance of Commission actions, where it is deemed helpful to have an analysis of the legal implications of proposals under consideration before the Commission commits itself to an undertaking. An example of this type of an opinion rendered by this Office is provided by Ex Parte No. 261, involving the extent of the Commission's jurisdiction over tariffs containing joint rates and through routes on traffic moving to foreign countries.

In addition, this Office is charged with the responsibility of assisting the Commission in formulating its legislative position. Recent Congresses have produced a veritable flood of bills pertaining to transportation and related subjects (e.g., the Northeast Railroad crisis, consumer protection, environmental protection, regulatory reform, etc.). Requests from Congressional committees for the Commission's views on these subjects are frequently handled by this Office. Special involvement is required for bills that propose to amend the Interstate Commerce Act or other statutes administered by the Commission. The task of drafting testimony or statements of the Commission about such legislation also falls largely on this Office.

This Office, with its relatively small staff, is responsible for a great many legal opinions and legal procedures that require both expertise and timeliness. The 347 memorandums prepared and 146 cases concluded in Fiscal Year 1975 testify to the quantitative output of the Office. The diversity and complexity of these memorandums and cases and the success in the Courts testify to the qualitative demands on this Office. To handle adequately the roles of defender, interpreter, and adviser to the Commission, this Office must have sufficient and highly qualified personnel who are endowed with diverse talents and experience.

WORKLOAD STATISTICS

The following table shows the actual workload for the Office of the General Counsel for Fiscal Years 1973 through 1975 and estimates for 1976 and 1977:

	Actual			Estimate	
	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
<u>Cases on hand:</u>	<u>173</u>	<u>185</u>	<u>198</u>	<u>202</u>	<u>297</u>
U. S. District Courts	156	170	150	112	87
U. S. Courts of Appeal	1	2	35	72	180
U. S. Supreme Court	16	13	13	18	30
<u>Cases instituted:</u>	<u>133</u>	<u>121</u>	<u>150</u>	<u>240</u>	<u>245</u>
U. S. District Courts	113	103	81	25	15
U. S. Courts of Appeal	2	6	45	185	200
U. S. Supreme Court	18	12	24	30	30
<u>Total in process:</u>	<u>306</u>	<u>306</u>	<u>348</u>	<u>442</u>	<u>542</u>
<u>Cases concluded:</u>	<u>121</u>	<u>108</u>	<u>146</u>	<u>145</u>	<u>170</u>
U. S. District Courts	99	91	119	50	50
U. S. Courts of Appeal	1	5	8	77	100
U. S. Supreme Court	21	12	19	18	20
<u>Cases pending:</u>	<u>185</u>	<u>198</u>	<u>202</u>	<u>297</u>	<u>372</u>
Total memorandums prepared:	282	259	347	330	335

Note: Statistics for the transition quarter are estimated at the same level as the preceding 12 months.

Office of Hearings

The Office of Hearings handles all Commission formal proceedings subject to oral hearing. Specifically, the Office schedules and conducts hearings, prepares and issues initial decisions and handles related procedural questions until the initial

decisions are served. The staff also reviews procedures and makes recommendations for changes to improve efficiency and to expedite the processing of proceedings.

The following table shows the actual positions and obligations for Fiscal Year 1975 and estimates for 1976, the transition quarter and 1977:

	1975	1976	Transition Quarter	1977
Positions	125	111	111	111
Average employment	99.2	108.8	108.8	108.8
Personnel compensation	\$2,663,802	\$3,102,300	\$812,000	\$3,160,200
Personnel benefits	227,081	284,300	75,700	288,000
Total compensation and benefits	2,890,883	3,386,600	887,700	3,448,200
Travel	101,113	130,000	28,000	130,000
Other objects	1,020,139	794,000	191,500	900,900
Total	\$4,012,135	\$4,310,600	\$1,107,200	\$4,479,100

The Fiscal Year 1977 request will fund within-grade salary increases and annualized pay costs.

The operations of this Office relate primarily to the handling of cases which require an oral hearing within the Commission's formal proceedings program. (See the Summary and Highlight Statement and the Narrative Justification of the Office of Proceedings for further explanation as to the nature and type of cases involved in the formal proceedings program). As the number of case receipts increased, the Commission began assigning more cases to its modified procedure which requires no oral hearing. This procedure enables the Commission to assign only the most complex and important cases for oral hearing. The complexity of these cases has extended the time required to hear a case properly and to prepare the initial report.

The Commission's increasing use of rulemaking proceedings to establish broad policy issues adds to the workload of this Office. Examining such issues as railroad investments, and the quality of environment has led to the most complex and time-consuming cases in the Commission's history.

As part of the Commission's continuing effort to utilize its staff to their utmost efficiency, an overall evaluation was made of the authorized positions assigned to this Office. It was determined that the Commission could make more effective use of 13 of the positions authorized for this Office in Fiscal Year 1976, by reprogramming them into other Bureaus and Offices to handle additional or higher priority workloads. In addition, one position was transferred in Fiscal Year 1976 from this Office to the Section of Administrative Services in the Office of the Managing Director, along with the function of processing the hearing transcripts.

This action will increase the workload of the remaining staff, but the Commission is confident that the Office, with its present highly qualified staff will be able to accomplish its assignment at the reduced staffing level. No additional positions are requested for Fiscal Year 1977.

Office of Proceedings

This Office is responsible for: (1) Assisting the Commission in creating a regulatory atmosphere in which for-hire surface transportation can expand to meet the needs of the public and sustain itself as an attractive investment competitive with other investment opportunities, risks considered, (2) generating legislative proposals and procedural recommendations for the achievement of a dependable, efficient and economical surface transportation system; and, (3) managing, analyzing, and drafting orders and/or reports in all formal and certain informal proceedings instituted under the Interstate Commerce Act and several other related acts administered by the Commission. These proceedings deal primarily with carriers' rates and practices, and finance and operating authorities.

The following table shows the actual positions and obligations for Fiscal Year 1975 and estimates for 1976, the transition quarter and 1977:

	1975	1976	Transition Quarter	1977
Positions	373	392	392	400
Average employment	355.9	372.6	380.1	390.0
Personnel compensation	\$5,860,316	\$6,826,300	\$1,785,700	\$7,309,800
Personnel benefits	513,701	629,200	166,900	668,300
Total compensation and benefits	6,374,017	7,455,500	1,952,600	7,978,100
Travel	16,730	25,200	5,600	26,200
Other objects	1,036,078	1,038,200	234,700	1,185,700
Total	\$7,426,825	\$8,518,900	\$2,192,900	\$9,190,000

The Fiscal Year 1977 request will fund the annualized costs of new positions authorized for 1976, new positions requested for 1977, within-grade salary increases, and annualized pay costs.

The following table shows an organizational distribution of the number of positions authorized in Fiscal Year 1976 and the transition quarter, and those requested for Fiscal Year 1977.

	Authorized 1976 and Transition Quarter	Requested 1977
Director's Office	12	12
Section of Case Control/Information	86	87
Section of Operating Rights	112	115
Section of Rates	47	49
Section of Finance	53	55
Motor Carrier Board	38	38
Review Boards	21	21
Environmental Quality Staff	23	23
Total	392	400

Director's Office

	1975	1976	Transition Quarter	1977
Positions	12	12	12	12
Average employment	11.4	11.6	11.6	11.6
Total obligations	\$266,743	\$302,000	\$78,300	\$311,200

The Director's Office is responsible for the overall effective management and administration of the Office including the direction of the operating sections and the employee boards.

Section of Case Control/Information

	1975	1976	Transition Quarter	1977
Positions	88	86	86	87
Average employment	87.5	82.6	82.6	84.7
Total obligations	\$ 1,240,512	\$ 1,252,900	\$ 320,800	\$1,316,400

This Section is responsible for maintaining all case-control and processing records. It receives and distributes applications, pleadings and correspondence, prepares orders and notices, and performs all other clerical support activities relating to proceedings. It also performs the general housekeeping functions for this Office.

The Certificates and Captions Branch examines applications for operating rights and prepares synopses of applications for publication in the Federal Register as a notice to interested persons. It prepares certificates, permits and licenses which constitute permanent grants of authorities, or it reissues, vacates or amends such authorities after action by the Commission.

Section of Operating Rights

	1975	1976	Transition Quarter	1977
Positions	108	112	112	115
Average employment	105.6	106.4	108.4	112.1
Total obligations	\$ 2,379,487	\$ 2,659,800	\$685,500	\$2,883,900

This Section is responsible for the drafting of decisions in virtually all of the Commission's licensing matters. These proceedings include applications for operating authorities filed by motor and water carriers, brokers of motor transportation, and freight forwarders, revocation or suspension of existing operating rights, and applications for exemption from regulations. It also conducts general investigations and broad-scale rulemaking proceedings relating to the operations and practices of all modes of transportation.

Section of Rates

	<u>1975</u>	<u>1976</u>	<u>Transition Quarter</u>	<u>1977</u>
Positions	39	47	47	49
Average employment	39.2	43.4	45.4	47.8
Total obligations	\$932,166	\$1,183,200	\$303,900	\$1,322,000

This Section is responsible for the drafting of decisions relating to rates, fares, charges and practices. It analyzes and evaluates applications for relief from prohibitions in the acts administered by the Commission and handles applications involving proposed agreements among carriers to establish rates, fares, charges, and divisions of revenue on joint traffic.

Section of Finance

	<u>1975</u>	<u>1976</u>	<u>Transition Quarter</u>	<u>1977</u>
Positions	49	53	53	55
Average employment	45.9	49.9	51.9	53.6
Total obligations	\$1,085,540	\$1,313,900	\$338,400	\$1,457,900

This Section is responsible for the drafting of decisions on railroad requests for authority to construct, expand, acquire or abandon lines or to discontinue or change operations of trains and ferries; approving of pooling contracts and agreements among motor carriers, water carriers, and railroads; transfer of brokers' licenses and of certificates and permits of motor carriers, water carriers, and permits of freight forwarders; and, providing authorization for carrier consolidations, mergers, ownership transfers and issuance or modification of securities. It participates in reorganization or receivership proceedings primarily by approving reorganization plans, ratifying trustees, setting limits for compensation, continuing operations of debtor railroads and assuring directed service over lines of bankrupt railroads.

Motor Carrier Board

	<u>1975</u>	<u>1976</u>	<u>Transition Quarter</u>	<u>1977</u>
Positions	36	38	38	38
Average employment	34.6	37.4	37.4	37.4
Total obligations	\$618,754	\$648,800	\$167,400	\$672,000

The Board decides applications for temporary authority to perform services as common and contract carriers, and applications relating to the transfers of certificates, permits, and licenses, and other related matters.

Review Boards

	<u>1975</u>	<u>1976</u>	<u>Transition Quarter</u>	<u>1977</u>
Positions	21	21	21	21
Average employment	20.3	20.6	20.6	20.6
Total obligations	\$665,285	\$694,700	\$180,500	\$713,800

The Review Boards decide contested proceedings of a formal nature such as applications for certificates of public convenience and necessity to operate as common carriers, permits to operate as contract carriers, applications to purchase operating rights, and investigations and complaints regarding the lawfulness of freight rates and charges. The Boards review initial decisions of Administrative Law Judges to which exceptions are taken and also issue decisions in certain types of proceedings. In routine matters, where exceptions have been filed to an Administrative Law Judge's initial decision, a board will issue its own independent report or a decision and order based on the record.

Environmental Quality Staff

	<u>1975</u>	<u>1976</u>	<u>Transition Quarter</u>	<u>1977</u>
Positions	20	23	23	23
Average employment	11.4	20.7	22.2	22.2
Total obligations	\$238,338	\$463,600	\$118,100	\$512,800

This Staff is responsible for providing the necessary support to insure that all Commission proceedings are in full compliance with the requirements established by the National Environmental Policy Act of 1969. The Staff determines whether an action will have a significant effect upon the quality of the human environment. An initial determination is made in a threshold assessment survey or summary appraisal; and if the finding is affirmative, the staff has the responsibility of preparing a detailed environmental impact statement. It is also responsible for commenting on proposed environmental legislation and impact statements prepared by other Federal agencies.

NARRATIVE JUSTIFICATION

This Office is responsible for: (1) Assisting the Commission in creating a regulatory atmosphere in which for-hire surface transportation can expand to meet the needs of the public and sustain itself as an attractive investment competitive with other investment opportunities, risks considered, (2) generating legislative proposals and procedural recommendations for the achievement of a dependable, efficient and economical surface transportation system; and, (3) managing, analyzing, and drafting orders and/or reports in all formal and certain informal proceedings instituted under the Interstate Commerce Act and several other related acts administered by the Commission. (See the Narrative Justification of the Office of Hearings and the Summary and Highlight Statement for an explanation of that Office's participation and further remarks on the nature and type of cases involved in the formal proceedings program). Regulatory assignments under the Act and the National Transportation Policy require this Office to promote safe, adequate, economical and efficient service at reasonable rates and to foster sound economic conditions in transportation and among the several carriers. To accomplish the objectives of the Policy, regulatory actions must be taken expeditiously. These actions cover merger and control of carriers, issuance of securities, abandonment of inefficient or unproductive rail lines, determination of rate complaints challenging the justness or reasonableness of rates, investigation of alleged rate discrimination, challenges to service, requests for licenses, and a myriad of other formal case matters. But processing the Commission's formal case docket, while a major portion of this Office's work assignment, does not give a complete story. The responsibility of this Office also encompasses the initiation and processing of major rulemaking proceedings such as those involving consumer-oriented programs in the household goods field, loss and damage claims, C.O.D. and freight-collect shipments, passenger baggage liability, environmental procedures, and many others.

Operating Rights

This Section drafts decisions in virtually all of the Commission's licensing matters. This includes applications for operating authorities filed by motor and water carriers, brokers of motor transportation, and freight forwarders, revocation or suspension of existing permanent operating rights; and, applications for exemption from regulations. Its work also includes general investigations and broad-scale rulemaking proceedings relating to the operations and practices of all modes of transportation, with a view to promulgating appropriate rules and regulations designed to safeguard the public.

Licensing stems from a national policy mandated by the Interstate Commerce Act that entry into for-hire transportation in interstate or foreign commerce be monitored to insure the development and maintenance of a balanced, stable, and responsive national system of surface transportation upon which the public may depend. Entry

control encourages carrier investment and represents the most practicable and effective means by which regulated carriers may be required to fulfill their obligations to the public. This service requirement is enforced against individual carriers through complaint, investigation, and petition cases, and through industry-wide investigatory rulemaking proceedings.

The Fiscal Year 1977 request for additional positions is based on several factors affecting the workload of this Section. First, the volume of operating rights cases continues to increase. In Fiscal Year 1975, 6,885 applications were received as compared to 6,587 in 1974. That upward trend in receipts is expected to continue in Fiscal Year 1976 and Fiscal Year 1977. A second factor has been the increasing use of modified procedure. Because about 75 percent of the formal cases involve operating rights, the Commission initiated use of the modified procedure to expedite processing of these cases. As the number of cases grew, the use of this procedure was expanded. While this action has accelerated the processing time from an overall Commission standpoint by reducing the number of cases orally heard, the procedure increases the workload in this Section because its attorneys must initially review the evidence much like an Administrative Law Judge in an orally heard case. Approximately 85 percent of all licensing applications are handled under modified procedure. A third factor affecting caseload operations is complexity. The factual and legal complexity of today's cases requires a far deeper and more refined analysis on the Commission's part before a case can be completed. The pending operating rights docket is already at a very high level. It will go even higher unless additional staffing is provided to handle increasing receipts. A growing backlog can result in serious delays in reaching final decisions. These delays affect applicants and other parties in varying and discriminatory degrees. As would be expected, the most serious effect is experienced by the small entrepreneur who is a newcomer to the transportation field and cannot afford to wait an extended period. The public, in need of a service improvement or expansion or a new kind of service, also suffers as a result of undue delay. The delays also tend to increase the number of temporary authority applications that must be processed. This contributes to another workload factor; namely, the decision-making processes in the informal proceedings area. The volume of informal proceedings is also heavily influenced by pressures playing upon our national economy such as strikes, disasters, proposed plant shutdowns, and a variety of other causes.

The increasing use of general investigation and rulemaking proceedings continues to require large amounts of staff time and expertise. These proceedings look toward the resolution of present and foreseeable problems on a regional or national basis. They include investigations into the operations of household goods carriers, the elimination of circuitous motor carrier operations, the improvement of energy efficiency, restrictions on carrier services, and motor passenger special and charter services. The trend toward larger and more complex investigations and rulemaking cases, in which the vital interests of the consuming public are explored and accorded needed protection, is expected to continue.

Added decisional responsibilities are placed upon the Commission by legislation and judicial decision, e. g., making legislative recommendations to Congress. This heightened legislative activity regarding surface transportation requires preparation of meaningful data and responsible comments which also contributes significantly to the workload of this Section.

As the caseload rises, so does the need for resources in the administrative and clerical support area. A license, permit, or certificate must also be issued upon favorable determination of an application. Timeliness is critical, because the carrier may not operate without authorization.

A total increase of four positions is requested for the operating rights program.

Rates

The transportation rate structure has a direct bearing on nearly every facet of the Nation's commerce. Changes in the rate structure can result in regional shifts or even the elimination of industries. Of increasingly greater importance each year is the impact of the rate structure on international trade. With the expanded availability of containerized service, freight rates to the ports will also have increased significance on export-import transactions.

The trend in the rate structure continues upward as all modes resort to both general and specific rate increases in an effort to keep revenues abreast of costs. The Commission must consider these requests in the light of a number of factors including: the need for revenues sufficient to enable the carriers to maintain an adequate system of transportation; the national goal of reducing the rate of inflation; and, the mandates of the various environmental statutes. At the same time, in the free play of competition, carriers seek rate reductions on individual commodities to increase their participation in the traffic. The interaction of the factors to be considered in proposals to increase rates when taken along with the reductions sought for competitive reasons results in more complex issues in rate proceedings. The objective of promoting a regulated system of competition, dictates that additional emphasis be placed on rate regulation and associated matters. Without this, the commerce and economy of the Nation would be severely disrupted.

The rate function is also affected by the number of rulemaking proceedings instituted by the Commission. While the case by case approach is effective in resolving shipper-carrier disputes, the Commission has found that broad policy matters with national implication should be resolved in rulemaking proceedings to give all segments of the economy an opportunity to be heard. Each of these presents complex decisional problems involving considerable staff input. In 1971, the Section of Rates handled less than a dozen general investigation and rulemaking proceedings. Today,

the Section has more than 40 of these cases, some of which take more than one work-year for an attorney to complete. (For example, Ex Parte No. 285, Maintenance of Records Pertaining to Demurrage, Detention, and other Related Accessorial Charges by Rail Common Carriers of Property took 1,950 hours to write). Rulemaking is one of the most effective tools for adapting regulation to today's rapid changes in transportation. A single rulemaking proceeding is, in effect, a substitute for numerous individual cases each dealing with similar subject matters on a carrier by carrier basis. From a budgetary standpoint, however, it must be recognized that rulemaking proceedings involve extremely complex and time consuming issues as well as important policy questions. Increased staff is essential for their proper handling.

This Section anticipates a substantial increase in workload and responsibility as a result of the Commission's decision in Ex Parte No. 297, Rate Bureau Investigation Section 5a, not only in Fiscal Year 1976, but continuing into Fiscal Year 1977. Considerable additional staff participation in Ex Parte No. 270, Investigation of Railroad Freight Rate Structure, will be required. At the present time, there are nine subproceedings to Ex Parte No. 270, and this Section is involved only to the extent of analyzing the record and assisting the Coordinator in preparing draft reports. Once the Coordinator's report is issued and exceptions filed, however, this Section's work will increase significantly because it will assume sole responsibility for analysis of the record and preparation of the final report in each subproceeding. The Section anticipates that a minimum of five final reports involving the commodities coal, iron ore, scrap iron and steel, lumber and paper will be in process during Fiscal Year 1977. The final and most complex subproceeding involving grain will also require a significant amount of staff time in Fiscal Year 1977. It is estimated that eight professional work-years (almost 20% of the section's professional staff) will be devoted to the Ex Parte No. 270 proceeding in Fiscal Year 1977. Because this proceeding will continue to have an impact on transportation rates, it is anticipated that the staff time used to prepare the final reports in Fiscal Year 1977 will be required in future years to handle the added workload associated with this proceeding.

In addition, legislative proposals have been made that, if enacted, would have a significant impact on current procedures for rate regulation. These proposals must be thoroughly reviewed and analyzed in the process of preparing comments and Commission position papers. Expert staff is essential if the Commission is to prepare and submit timely, cogent and practical proposals and comments in the development of legislation affecting the industry.

As a result of the reprogramming of positions within the Commission in Fiscal Year 1976, four positions were added to this Section for the handling of the increased workload and responsibility in Ex Parte No. 297, Rate Bureau Investigation Section 5a, therefore, an increase of two positions is requested for activities in the rate area for Fiscal Year 1977.

Finance

The work in the finance area consists primarily of cases on carrier purchases, unifications, and control transactions; rail abandonment proceedings and unifications; the issuance of securities by rail and motor carriers; rail loan guarantees; and, Amtrak and environmental matters. The most important aspect of the work of the Section in Fiscal Year 1977 will continue to revolve around railroad problems related to the Regional Rail Reorganization Act of 1973, specifically problems relating to the restructuring of rail carriers in the Northeast and the Midwest. If similar legislation for the rest of the country is enacted, this Section's workload will be greatly increased.

Reorganization matters are most intricate. They usually involve creditors' rights, rail operations, compensation for trustees, attorneys and others doing work related to the organizations. Operational problems include questions on abandonment of little or unused tracks, destroyed lines, and tracking operations. The Commission is charged with the responsibility for reviewing reorganization plans to determine whether or not they are feasible. The Commission has four major roles: (1) Ratification or rejection of the court appointed trustees; (2) fixing fees and reorganization expenses paid to trustees, lawyers, and others; (3) initial approval and reshaping of the reorganization plans presented; and, (4) assistance to the court, trustees, and others in continuing the operation of a debtor and preservation of its estate. Reorganization matters will continue to require substantial professional staff. As a direct consequence of the 27 primary and secondary rail reorganization proceedings currently pending before this Commission, this Section has been confronted with a marked increase in its workload. The number of filings in pending reorganization cases requiring formal disposition has increased from the submission of 20 petitions in 1971 to 142 in 1974. The proper disposition of these filings is both demanding and time consuming and requires additional staff for this Section.

Amtrak matters continue to represent a substantial workload. Since the Commission's adoption of the regulations for the Adequacy of Intercity Passenger Services covering all aspects of intercity rail passenger service and governing the relationship between Amtrak and its passengers, several proceedings for exemption from its provisions have been filed. Amtrak has made several requests for modification of the regulations, one of which is now pending. In addition, this Section has had other substantial, complicated proceedings dealing with Amtrak facilities. In Ex Parte No. 277 (Sub. No. 2), which relates to track standards, the Commission, following the mandate of the Amtrak Improvement Act of 1973, will promulgate standards of adequacy for track used in intercity rail passenger service. In this rule-making proceeding the Commission seeks data upon which to ascertain the present condition of trackage and the need for upgrading selected track and routes. The Commission's jurisdiction over track standards and passenger service requires the development of skills and expertise in areas beyond the agency's traditional regulatory role. This is a highly complex matter of national scope that will require considerable

research and analysis, but, due to the critical nature of fossil fuel energy consumption, one which requires serious, concentrated and early attention and resolution.

In regard to motor carriers, this Section processes applications for purchase, control, and merger, for extended motor carrier operating authority and for the issuance of securities. Often, adverse economic conditions, labor problems, disasters, and, similar problems, prompt the smaller and marginal carriers to join a larger carrier system. Delays in rendering decisions adversely affect both carriers involved and the public dependent upon them. Expedited disposition of these cases require a sufficient and experienced staff.

The entrance of nontransportation carriers into the transportation arena continues to be a matter of great significance. Corporate conglomerates gain entry into the transportation picture through the acquisition of control of one carrier, particularly in the motor carrier field. The Commission has no jurisdiction over that kind of acquisition. Only where two or more carriers are involved does the Commission have the authority to pass on the transaction. Legislation has been proposed to expand the jurisdiction of the Commission to cover acquisitions of a single carrier. Such legislation, if enacted, will substantially increase the workload in the finance area.

Other factors which affect the workload of this Section include applications to issue securities under Section 20a(2) and 214 of the Interstate Commerce Act or to assume obligations and liability in respect to the securities of others. At present some 200 security applications are filed annually, most of which require expedited action. Such applications are presenting more and more problems due to the complexity of the financing arrangements, and the number of noncarriers being subjected to the Commission's jurisdiction under Section 5(3) of the Act.

The Commission has recently rendered its decision on reconsideration in Ex Parte No. 275, Expanded Definition of the Term Securities. Its decision will result in a substantial increase in the number of applications for approval of the issuance of securities. Ex Parte No. 275 will encompass all the financial arrangements Congress intended the Commission to monitor, including loan and credit agreements, mortgages, deeds of trust, equipment trusts, security agreements, advances, and many purchase agreements. The annual volume of applications which may be filed has been estimated as in "the tens of thousands" by one carrier commenting on the proposal (as compared to several hundred presently). Although we do not anticipate as many filings as predicted, there unquestionably will be a great increase in applications under Section 20a. These securities applications will be quite complex and require extensive legal analysis.

A total increase of two positions is requested for finance activities.

Environmental Quality

In Fiscal Year 1975, the Commission received additional staffing to expand its exploration of the environmental effects of its case decisions in accordance with the National Environmental Policy Act of 1969 (NEPA). Environmental issues will definitely require more professional attention. The Commission has developed a comparatively small but highly efficient staff with a wide range of skills for the future.

Section 102 of NEPA directs every Federal agency to: (1) Utilize a systematic, interdisciplinary approach to environmental planning and decision; (2) develop procedures to insure that presently unquantified environmental amenities and values are incorporated into the decision-making process; and, (3) prepare detailed environmental impact statements for every recommendation or report on proposals for legislation and other major Federal actions significantly affecting the quality of the human environment. The Courts have held that an agency's responsibilities under NEPA are primary and non-delegable. Thus, an environmental impact assessment is strictly an agency function. Environmental assistance and opinions issued by others, no matter how relevant or valuable, cannot be substituted for agency expertise and judgment. Moreover, should an environmental impact statement be required in a given Federal action, it must be prepared by an agency in time to accompany the proposal through the decision-making process.

In June 1973, the courts decided that Commission procedures governing rail line abandonment proposals were not in compliance with NEPA. As a consequence, the Commission was enjoined from going forward with rail abandonment proceedings until: (1) A determination had been made at the outset whether major Federal actions significantly affecting the quality of the human environment were involved, and, if so, (2) an appropriate environmental impact statement had been prepared by Commission staff for circulation to interested parties. The Commission's environmental staff prepared and circulated for public comment and review numerous detailed draft environmental impact statements. Actions analyzed in those statements included proposed commuter fare increases for transit lines into New York City and Philadelphia, a general railroad freight rate increase for recyclable goods, the proposed construction and operation of a 113-mile rail line in eastern Wyoming, and a rulemaking which would eliminate circuitous highway miles by motor carriers thereby conserving an estimated 300 million gallons of fuel a year. The Staff also developed and instituted a methodology for assessing the environmental impact of railroad abandonments. Efforts in that area facilitated the preservation of the historic Union Terminal rotunda in Cincinnati, Ohio, as well as progress toward dedicating abandoned railroad rights-of-way to State and local recreation agencies for development of linear parks and hiking and bicycling trails.

During the past fiscal year greater public awareness of NEPA and the Commission's environmental activities has increased the demands made on the Environmental Staff. During Fiscal Year 1974, little public comment was received on environmental threshold assessments and the amount of time spent on a particular case generally terminated upon issuance of an order and public notice of environmental non-significance. In Fiscal Year 1975, however, increased public sophistication resulted in comments on the Threshold Assessment Survey being the norm rather than the exception and considerable staff time must now be expended on responding to such public input. This solicitation and response procedure is required by NEPA and the demands which it places on the Staff are expected to increase.

The revised NEPA regulations, soon to be published, will also affect the Staff's workload. Although applicants would bear a greater burden in the data collection required for NEPA compliance, the Staff would nevertheless have the responsibility for the scope and content of the environmental review. The courts have consistently held this to be a non-delegable responsibility. It is expected (and the regulations so provide) that we would work closely with applicants in formulating the type and scope of information to be submitted, including discussion regarding the use of consultant reports and special surveys. The proposed regulations would also increase the Staff's workload by requiring environmental impact statements in categories of proceedings such as rates and merger cases, which were previously dealt with only when required to do so. As an outgrowth of the new regulations, applicants and the public will fully realize the Commission's environmental duties and commitments, and more will be expected.

The Commission now maintains memorandums of understanding with the Department of Interior with respect to the preparation of impact statements for coal projects in Wyoming and Montana and the Staff is in the process of setting up similar agreements concerning construction of rail lines in New Mexico and Arizona. Such agreements are valuable inasmuch as they coordinate agency efforts and eliminate duplicative environmental analyses.

Finally, the Staff is developing a reputation, both within and outside the Commission, for expertise in the field of transportation-related, environmental issues. Informal support and guidance have been given to other Federal agencies in a number of instances and more assistance will be provided as greater government-wide concern develops. This coordinative function is implicit in NEPA.

WORKLOAD STATISTICS

The following table shows the actual workload for the Office of Proceedings for Fiscal Years 1973 through 1975 and estimates for 1976 and 1977:

	Actual			Estimate	
	1973	1974	1975	1976	1977
<u>A. Formal Proceedings</u>					
<u>Applications, Complaints and Investigations</u>					
Filed, instituted or reopened	9,343	9,436	9,761	10,150	10,350
Disposed of	9,525	8,586	8,992	11,081	10,060
Pending at end of year	6,312	7,162	7,931	7,000	7,290
<u>Petitions</u>					
Filed	3,141	2,947	3,037	3,200	3,500
Disposed of	3,116	2,995	3,011	3,275	3,600
Pending at end of year	833	785	811	736	636
<u>B. Informal Proceedings</u>					
Filed or instituted	9,108	11,386	10,134	10,250	10,450
Disposed of	9,178	11,366	9,928	10,463	10,550
Pending at end of year	287	307	513	300	200
<u>Total All Proceedings*</u>					
Filed or instituted	21,592	23,769	22,932	23,600	24,300
Disposed of	21,819	22,947	21,931	23,510	24,210
Pending at end of year	7,432	8,254	9,255	9,345	9,435

*Transfers, temporary authority 210a(b) finance cases and temporary authority 210a(a) operating rights cases are included.

Note: Statistics for the transition quarter are estimated at the same level as the preceding 12 months.

Bureau of Accounts

The principal functions of the Bureau of Accounts include: (1) Developing uniform systems of accounts and valuation and records destruction regulations; (2) examining accounts and records of the regulated industry; (3) preparing financial and cost analyses for Commission proceedings and cost studies; (4) compiling and publishing statistical and accounting reports; and, (5) developing depreciation rates and maintaining pipeline valuation property data.

The following table shows the actual positions and obligations for Fiscal Year 1975 and estimates for 1976, the transition quarter and 1977:

	1975	1976	Transition Quarter	1977
Positions	266	275	275	292
Average employment	252.8	263.2	268.2	285.7
Personnel compensation	\$4,469,040	\$4,977,000	\$1,301,400	\$5,438,200
Personnel benefits	405,758	478,400	121,700	520,200
Total compensation and benefits	4,874,798	5,455,400	1,423,100	5,958,400
Travel	309,725	403,900	103,700	409,900
Other objects	738,865	728,300	164,700	856,700
Total	\$5,923,388	\$6,587,600	\$1,691,500	\$7,225,000

The Fiscal Year 1977 request will fund the annualized costs of new positions authorized for 1976, new positions requested for 1977, within-grade salary increases, and annualized pay costs.

The following table shows the organizational distribution of the number of positions authorized in Fiscal Year 1976 and the transition quarter, and those requested for Fiscal Year 1977:

	Authorized 1976 and Transition Quarter	Requested 1977
Director's Office	8	8
Accounting	27	29
Audit	10	11
Cost and Valuation	64	71
Financial Analysis	27	30
Reports	51	51
Field Staff	88	92
Total	275	292

Director's Office

	<u>1975</u>	<u>1976</u>	<u>Transition Quarter</u>	<u>1977</u>
Positions	8	8	8	8
Average employment	7.5	8.0	8.0	8.0
Total obligations	\$ 190,103	\$211,300	\$ 54,300	\$ 217,700

This Office is responsible for the overall administration and management of the Bureau. It establishes policy and program objectives to insure proper manpower utilization in the Bureau's functional areas.

Section of Accounting

	<u>1975</u>	<u>1976</u>	<u>Transition Quarter</u>	<u>1977</u>
Positions	28	27	27	29
Average employment	28.5	26.9	26.9	28.3
Total obligations	\$ 631,159	\$ 660,100	\$ 170,100	\$ 726,200

This Section prepares, interprets and revises the uniform system of accounts and accounting rules; assists in proceedings before the Commission, the courts, and Congressional committees; prepares regulations on the destruction of carrier records; and prescribes depreciation rates for accounting purposes.

Section of Audit

	<u>1975</u>	<u>1976</u>	<u>Transition Quarter</u>	<u>1977</u>
Positions	10	10	10	11
Average employment	11.4	9.6	9.6	10.7
Total obligations	\$ 293,628	\$ 282,700	\$ 72,300	\$ 313,100

This Section administers the program of field examinations of carrier accounts and related special investigations; and reviews and evaluates examination reports and the annual reports submitted by carriers.

Section of Cost and Valuation

	<u>1975</u>	<u>1976</u>	<u>Transition Quarter</u>	<u>1977</u>
Positions	64	64	64	71
Average employment	58.9	61.6	61.6	69.3
Total obligations	\$1,320,749	\$1,458,000	\$ 374,800	\$ 1,644,400

This Section provides cost data and analyses in support of formal proceedings, Commission investigations and suspension and temporary authority cases; develops cost formulas; produces and publishes cost studies and related data; maintains inventory records of carriers subject to Section 19a of Part I of the Interstate Commerce Act; and, prepares annual and other valuation reports on carrier property values.

Section of Financial Analysis

	<u>1975</u>	<u>1976</u>	<u>Transition Quarter</u>	<u>1977</u>
Positions	22	27	27	30
Average employment	19.3	23.8	26.3	29.3
Total obligations	\$ 516,168	\$ 618,600	\$ 159,600	\$ 745,900

This Section prepares accounting and financial analyses relating to applications with financial implications. They include requests for authority to purchase, lease, merge, consolidate or acquire stock control; to issue securities; and, to reorganize or abandon facilities. It makes recurring financial analyses and evaluations as part of the Early Warning System. It also administers the Part V loan guaranty program.

Section of Reports

	<u>1975</u>	<u>1976</u>	<u>Transition Quarter</u>	<u>1977</u>
Positions	51	51	51	51
Average employment	49.5	50.3	50.3	50.3
Total obligations	\$ 844,932	\$ 854,800	\$ 218,300	\$ 885,100

This Section prepares annual and periodic ICC statistical and accounting reporting publications; establishes reporting policies and practices to be followed by carriers; and, examines and verifies the accuracy, completeness and compliance of carrier reports.

Field Staff

	<u>1975</u>	<u>1976</u>	<u>Transition Quarter</u>	<u>1977</u>
Positions	83	88	88	92
Average employment	77.7	83.0	85.5	89.8
Total obligations	\$2,126,649	\$2,502,100	\$ 642,100	\$2,692,600

This Staff conducts regular and special field examinations of carrier accounts. They are conducted to assure compliance with prescribed accounting and related regulations and to verify that the financial reports filed with the Commission fairly and accurately present the financial condition of the carrier.

NARRATIVE JUSTIFICATION

The operations of the Bureau of Accounts can be classified into two major programs; namely, financial oversight and support provided to the Commission's formal proceedings program.

FINANCIAL OVERSIGHT

Congress and the OMB have recognized the necessity of having reliable financial information within the Commission and have provided additional positions for this purpose. These increases provided assistance for updating accounting rules and modifying existing uniform systems of accounts; establishing an Early Warning System; and, additional audit staff. The data collected and the reports furnished the Commission have proven to be indispensable tools in other Commission functions.

Accounting Rules - The revised System of Accounts for Motor Carriers of Freight and Household Goods Carriers was adopted January 1, 1974. A revised System of Accounts for Maritime Carriers became effective January 1, 1975. Technical projects (accounting rules) have been completed in two major areas; inter-period tax accounting and the equity method of accounting for certain long-term investments. During Fiscal Year 1975, new accounting rules were issued on accounting for treasury stock at cost and depreciation of leasehold improvements. Notices of Proposed Rulemaking have been issued on Reporting Extraordinary and Prior Period Adjustments, Disclosure of Corporate Ownership, Rules on Classification of Carriers and Disclosure of Compensating Balances. Projects in progress include revising the accounting systems for railroads, freight forwarders and motor carriers of passengers; new rules on consolidated reporting; and, developing an accounting system for holding companies.

Congress has recognized the need for a new Uniform System of Accounts for Railroads. As such, it has supported the development of a more generally accepted accounting and reporting system for railroad companies. The system will integrate financial and cost accounting concepts and provide for identification of revenues and costs associated with branch lines. After developing the new system, the Commission's staff must conduct a series of seminars to assist the railroads in converting their accounting records. Based on our experience with the new Uniform System of Accounts for Motor Carriers of Freight, several years will be required to convert fully the railroad industry to the methodology of the new system. This will involve interpretations of transactions and modifications of the text of the system for universal understanding. Two additional systems accountant positions will be required to develop the new system of accounts within a meaningful timeframe and to maintain and interpret the system after implementation.

Early Warning System - This system provides a data base for monitoring the financial condition of the industry. Determining the current financial condition of major railroads and motor carriers through special financial analyses and on-site examinations is a continuing, important program that requires staff participation at the departmental and field levels. The Bureau has developed a comprehensive analysis for Class I railroads that includes a financial analysis and a profile of the carriers' activities designed to identify historical problems and anticipate future problems. The Early Warning System has provided the Commission with an additional analytical tool for evaluating rulemaking proposals.

Because of the growing importance of motor carriers to our national economy, a similar monitoring system has been developed for that segment of the transportation industry. The system involves about 100 of the larger carriers of passengers, freight and household goods. It includes a financial analysis and a profile of motor carriers; it identifies historical problems and projects future trouble areas; and, it provides for updating the financial data and the rating of the 100 carriers on a quarterly basis. An in-depth financial analysis will be made of all carriers in financial distress. The updated financial data can also be used in processing applications for acquisitions proposed by the carriers. The motor carrier Early Warning System will provide the Commission with pertinent, current financial data for use in performing its regulatory responsibilities.

The two positions authorized in Fiscal Year 1976 have been used to design a step-by-step financial analysis and establish the criteria for determining whether a carrier is in a good, marginal or poor financial condition. It is believed that a total of three financial analysts will be needed to implement, maintain and update the system and to make analyses of carriers in financial distress. Therefore, one additional position will be required in Fiscal Year 1977 for the motor carrier Early Warning System.

Financial Audits - The Bureau conducts financial audits of regulated carriers in accordance with a Commission-established frequency schedule based on available manpower. On the current frequency schedule, most large carriers are audited every two years and smaller carriers are audited every third or fifth year. The existence of these deferred audits leave a portion of the transportation industry financially unregulated and denies the Commission and Congress timely information needed to evaluate the impact of emerging economic trends, changes in financial and accounting practices, and the current state of the industry. The Commission believes that all rail carriers with annual revenues in excess of \$25 million and all general commodity motor carriers with annual revenues in excess of \$3 million should be audited in a one-year basis rather than a two-year basis.

The Commission has been given the responsibility under the provisions of the Regional Rail Reorganization Act of 1973 to direct service over the lines of bankrupt railroads. Section 1 (16) (b) of the Interstate Commerce Act now provides for the prompt audit and certification of bills rendered to the Commission by railroads performing transportation service over the lines of other railroads under Commission service orders. Even though outside accounting firms may be hired under contract to perform most of the audit function, an additional burden will be placed on our staff to evaluate audit performance and review the findings for certification and approval by the Commission.

A uniform system of accounts also is being developed for Section 5a rate bureaus. This will add approximately 99 rate bureaus to the companies subject to scheduled audits.

As part of the Early Warning System, the audit staff is responsible for performing financial viability audits of railroads showing marginal or poor financial status. This system is now being expanded to include motor carriers, and it will result in additional demands on the audit staff.

The Commission noted in the Fiscal Year 1976 budget request that 73 additional field auditors would be required to bring the compliance audits within acceptable frequencies. In view of the five positions provided in Fiscal Year 1976, the additional resource requirements to accomplish this objective remains at 68. However, nine additional auditors would be required in Fiscal Year 1977 to implement the new audit programs discussed above. This brings the total required to 77. Assimilating and training these auditors in one year would be difficult and impractical. The Commission believes it could train about 25 new field auditors a year; however, because of budget restrictions the Commission is limiting its request to four additional positions. With four new auditors, continued progress can be made toward scheduling the largest railroads on a one year basis.

The audit reports and exceptions taken to carriers' accounting practices at the regional level are given a post-review in headquarters for conformity with Commission policy and uniformity among the six regions. The audit reports initiated by the additional field auditors will require an increase of one accountant/auditor position for the post-review function.

ADP Support - The revised systems of accounts and the Early Warning System will require extensive ADP support. For additional information on the ADP support required for the financial oversight program, see the narrative justification for the Section of Systems Development, Office of the Managing Director.

In summary, a total of eight positions is being requested for the financial oversight program in Fiscal Year 1977.

FORMAL PROCEEDINGS

One of the important functions of the Bureau is to provide support to the Commission's formal proceedings program. This work is primarily performed in two areas: (1) Cost finding, where data is developed and analysed for use in rate cases and proposed tariff changes; and, (2) financial analysis, for the analyses of complex financial applications involving such matters as mergers, control, abandonments, security issuances, etc.

Cost Development and Analysis - The Commission relies on the Bureau for prompt, expert and complete analysis of evidence introduced by all parties into the various complaint, application, general rate increase, abandonment, and investment proceedings. The number of cases handled is increasing, and the cases are becoming more complex.

Past experience with data submitted by carriers indicates a definite need for new and better data to be introduced in a standardized format capable of being processed by computer techniques. Also of special importance is the need to speed up the decisional process.

An example of the need for additional analytical time can be demonstrated through Ex Parte No. 290, Procedures for General Increase Proceedings. One of the purposes of this proceeding is to obtain from the railroads the kind and quality of data needed by the Commission to render timely and informed decisions in rail general rate increase proceedings. It is imperative that sufficient resources be employed both to develop sophisticated analyses programs and to analyze the cost data collected under the programs within a meaningful timeframe.

These complexities of cost finding projects and investigations often require numerous work-hours which cannot always be anticipated in advance. For example, three analysts are working full time on the cost accounting aspects of the new accounting system being developed for railroads; and, we anticipate having one person assigned to this project on a continuing basis, with the remaining two resuming work on previously assigned projects.

The cost development project with the highest priority is a new motor carrier platform study. The results of this study will have a direct relationship on both the basic and small shipment rate structures. Platform handling is a basic element in developing unit costs for ratemaking. A platform study is a time and motion study conducted at carrier terminals throughout the United States to determine the impact of different service elements on the time required to perform platform operations. These service elements include weight of shipment, density of commodity, number of

shipments, number of pieces in the shipment, and handling practices of the carriers. A statistical observation is either one direct truck-to-truck movements or a combination of one truck-to-platform movements plus one platform-to-truck movement. Approximately 2,250 shipment observations will be required in each of 13 cost regions for a total of 29,250 observations. Approximately one year will be needed to design forms, devise the field program and perform a sample study. It is estimated that approximately 40,000 work-hours will be required to complete the study over a two-year period beginning in Fiscal Year 1977. Coupled with existing staff, additional positions are requested to plan, initiate and perform this platform study. Also, there will be a continuing need for these positions in the future to complete the planned observations, analyze the data and apply it in future proceedings filed with the Commission. The results of the study will have a direct relationship to both the basic and small shipment rate structure and support the Commission's efforts to include cost/benefit analysis in its decision-making as suggested by the President.

The Bureau has nine other major cost studies that cannot be initiated and completed within an acceptable timeframe because of inadequate resources. These are ongoing studies that require continual updating to reflect technological changes in the transportation industry. Many of the existing cost formulas such as Motor Carrier Variable Costs, Tank Truck Costs and Rail Switching Costs are in immediate need of revision. Cost formulas need to be developed for water carriers and household goods carriers. It is estimated that many additional work-hours will be required to complete these studies within a meaningful timeframe. An increase of six positions is requested for the cost development and analysis function.

Financial Analysis - In addition to analyzing a requested rate increase for justification based on increased costs, the Commission is placing more reliance on sophisticated financial analyses in rate proceedings. These new techniques include future projections for the carriers that reflect the rate increases, and analyses to determine if the increase will have any impact on the market value of the carrier's securities. Based on the current filings, these additional tests on each rate increase case will require two additional positions in order to complete the analyses within the statutory timeframe.

Valuation - The Trans Alaska Pipeline is currently under construction and the anticipated completion date for this \$6 billion pipeline is June, 1977. This pipeline is of major concern to the State of Alaska. Alaska is to receive a royalty on the oil produced on the north slope. It has the option of taking its royalty in kind and selling it to the highest bidder, or taking a cash settlement based on the well-head price of the oil less transportation charges from the well to the West Coast. Alaska is going to be vitally interested in the transportation rate charged by the pipeline, and the pipeline will set its rate based on the valuation of the carrier property. However, since the Commission has primary responsibility for pipeline valuations, it is imperative that the initial valuation and subsequent updating be completed in a timely manner. Three

engineers will be required to develop the initial valuation of this property and the subsequent updating. However, only two positions will be available in Fiscal Year 1977 from the present staff. Therefore, an increase of one position is requested for the valuation of the Trans Alaska Pipeline.

Depreciation - The Commission's proceeding, Ex Parte No. 271, Net Investment-Railroad Rate Base and Rate of Return, requires a review of the depreciation rates applicable to road and equipment property of all Class I railroads. When an industry-wide analysis is completed, a program will be established to review the depreciation on a periodic basis to assure that current information is available to the Commission in evaluating the merits of a general freight rate increase.

As ConRail is established as an operating railroad, a review of its property accounts will be required to determine the proper depreciation for the property that will be capitalized. Since the property is "aged" and subject to extensive rehabilitation, an in-depth analysis of the depreciation factors of retirement and replacement will be required to determine the correct depreciation.

When the Trans Alaska Pipeline is completed in 1977, depreciation rates will have to be prescribed. Throughput capacity and oil reserves will have to be analyzed to assess properly the amount of the investment to be depreciated annually. Due to the immense investment, a continuing review of the depreciation aspects will be necessary.

Prescribed depreciation rates for motor carriers is at the discretion of the Commission under the Interstate Commerce Act. Recent review of motor carrier depreciation practices has indicated a need for a study to determine whether or not the Commission should prescribe depreciation rates. This study will require two work-years to complete.

In Fiscal Year 1977, the Commission's plans call for the development and implementation of special procedures in order that most of the data required in depreciation studies can be processed by computer techniques. Hopefully, these improved techniques and increased productivity will preclude the need for additional positions in Fiscal Year 1977 for depreciation studies.

ADP Support - Cost development and analysis, financial analysis and valuation efforts are almost totally dependent upon extensive ADP support. For detailed information on the ADP support required for these aspects of the formal proceedings program, see the narrative justification for the Section of Systems Development, Office of the Managing Director.

In summary, a total of nine additional positions is required to support the formal proceedings program.

WORKLOAD STATISTICS

The following table shows the actual workload for the Bureau of Accounts for Fiscal Years 1973 through 1975 and estimates for 1976 and 1977.

<u>FINANCIAL OVERSIGHT</u>	<u>Actual</u>			<u>Estimated</u>	
	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
1. Interpretations of rules and regulations	1,784	1,867	1,904	2,250	2,310
2. Examinations of accounts:					
Holding & financial	42	58	38	40	50
Railroads	90	140	124	100	125
Motor carriers	817	1,036	785	1,000	1,030
Other modes	21	57	42	80	100
Other audits, studies and investigations	300	310	350	370	400
3. Reviewing reports of motor carriers of general commodities	447	135	175	160	250
4. Annual/periodic reports rec'd for review & publication	56,800	53,600	54,400	57,500	57,500
5. Annual pipeline valuations	108	106	107	107	107
6. Depreciation studies	74	67	117*	68	68
<u>FORMAL PROCEEDINGS SUPPORT</u>					
1. Exam/review of applications, reports, & orders	821	991	820	850	880
2. Financial analyses (mergers, control, etc.)	128	164	160	170	180
3. Financial analyses (rate cases)	9	37	48	60	72
4. Cost analyses (formal cases and suspension)	3,027	2,178	2,622	2,640	2,655
5. Cost development projects	36	38	42	42	30
6. Cost study publications	7	7	7	8	7

*Includes special depreciation studies for Ex. Parte No. 271.

Note: Statistics for the transition quarter are estimated at the same level as the preceding 12 months.

Bureau of Economics

This Bureau is responsible for: (1) Providing the Commission with advisory, analytical, and informational services on economics, mathematics and statistics; (2) conducting and reporting on studies in these areas; (3) directing and monitoring economic research performed under contract for the Commission; and, (4) defining Commission requirements for economic information.

The following table shows the actual positions and obligations for Fiscal Year 1975 and estimates for 1976, the transition quarter, and 1977:

	<u>1975</u>	<u>1976</u>	<u>Transition Quarter</u>	<u>1977</u>
Positions	48	51	51	56
Average employment	41.4	48.4	49.5	54.6
Personnel compensation	\$865,923	\$1,042,000	\$272,500	\$1,173,500
Personnel benefits	77,219	96,600	25,200	107,300
Total compensation and benefits	943,142	1,138,600	297,700	1,280,800
Travel	4,731	6,100	1,900	6,100
Other objects	133,329	135,100	30,500	163,000
Total	\$1,081,202	\$1,279,800	\$330,100	\$1,449,900

The 1977 request will fund the annualized costs of new positions authorized for 1976, new positions requested for 1977, within-grade salary increases, and annualized pay costs.

The following table shows an organizational distribution of the number of positions authorized in Fiscal Year 1976 and the transition quarter, and those requested for Fiscal Year 1977:

	<u>Authorized 1976 and Transition Quarter</u>	<u>Requested 1977</u>
Director's Office	6	6
Mathematics and Statistics	10	11
Rail and Water Carrier Analysis*	11	12
Motor Carrier and Pipeline Analysis*	9	10
Financial and Pricing Analysis*	8	9
Economic Projections and Forecasting*	7	8
	<u>51</u>	<u>56</u>

*Effective July 21, 1975, the former Section of Research was reorganized into four sections. The following Fiscal Year 1975 actual data for these sections reflect prorated positions, average employment, and obligations.

Director's Office

	<u>1975</u>	<u>1976</u>	<u>Transition Quarter</u>	<u>1977</u>
Positions	6	6	6	6
Average employment	5.9	5.8	5.8	5.8
Total obligations	\$ 155,509	\$ 151,800	\$ 39,200	\$ 156,200

This Office performs the overall administrative, management, and professional liaison functions of the Bureau. This includes developing, directing, and managing work programs; consulting with other agencies and the industry on economic, mathematical and statistical matters; and, handling personnel, employee development and budgeting activities for the organization.

Section of Mathematics and Statistics

	<u>1975</u>	<u>1976</u>	<u>Transition Quarter</u>	<u>1977</u>
Positions	10	10	10	11
Average employment	8.9	9.6	9.6	10.7
Total obligations	\$ 237,520	\$ 266,300	\$ 68,600	\$ 285,800

This Section applies mathematics and mathematical statistics to the work of the Commission. It is responsible for: (1) Designing and implementing probability sample studies; (2) analyzing data and preparing reports; (3) providing technical advice and evaluations; and, (4) developing quality standards for data collection and processing.

Section of Rail and Water Carrier Analysis

	<u>1975</u>	<u>1976</u>	<u>Transition Quarter</u>	<u>1977</u>
Positions	10	11	11	12
Average employment	8.3	10.8	10.9	11.7
Total obligations	\$ 215,054	\$ 261,900	\$ 67,600	\$302,600

This Section provides the Commission with the economic analysis and research capability pertaining to the rail and water carrier modes of transportation. Its functions include: (1) Conducting economic studies on transportation and regulatory problems; (2) advising the Commission on national economic developments; (3) providing analytical services; and, (4) furnishing economic information, evaluations and special reports as required.

Section of Motor Carrier and Pipeline Analysis

	<u>1975</u>	<u>1976</u>	<u>Transition Quarter</u>	<u>1977</u>
Positions	9	9	9	10
Average employment	7.5	8.7	8.7	9.8
Total obligations	\$193,549	\$234,300	\$60,200	\$264,000

This Section provides the Commission with the economic analysis and research capability pertaining to the motor carrier and pipeline modes of transportation. Its functions include: (1) Conducting economic studies on transportation and regulatory problems; (2) advising the Commission on national economic developments; (3) providing analytical services; and, (4) furnishing economic information, evaluations and special reports as required.

Section of Financial and Pricing Analysis

	<u>1975</u>	<u>1976</u>	<u>Transition Quarter</u>	<u>1977</u>
Positions	7	8	8	9
Average employment	5.8	7.2	7.7	8.8
Total obligations	\$150,538	\$211,600	\$54,400	\$250,100

This Section provides the Commission with the economic analysis and research capability pertaining to carrier pricing. Its functions include: (1) Conducting economic studies on productivity, cost, demand, carrier and shipping industry structures, and the impact of changes in rate structure; (2) advising the Commission on rate policy issues and intra and intermodal situations; (3) providing analytical services; and, (4) furnishing information, evaluations and special reports as required.

Section of Economic Projections and Forecasting

	<u>1975</u>	<u>1976</u>	<u>Transition Quarter</u>	<u>1977</u>
Positions	6	7	7	8
Average employment	5.0	6.3	6.8	7.7
Total obligations	\$129,032	\$153,900	\$40,100	\$191,200

This Section provides the Commission with economic analysis and research capability accomplished by the design and development of econometric models and other quantitative methods. Its functions include: (1) Conceptualizing and providing econometric studies, forecasts and projections of the economy; (2) creating and developing econometric replications of the economy and carrier environment to provide perspective in Commission policy and decision making; (3) providing analytical services; and, (4) furnishing information, evaluations and special reports as required.

NARRATIVE JUSTIFICATION

This Bureau provides professional economic and statistical services in support of the Commission and its operating bureaus and staff offices. It assists the Commission in identifying, recognizing the significance of, and coping with economic issues and problems in the regulated transportation industries and in developing and improving the quality of the data and analyses used in decision making and policy formulation.

Although the Bureau provides support to all Commission programs through a variety of analytical, research, technical evaluation and advisory activities, the majority of its resources are applied in the formal proceedings area.

FORMAL PROCEEDINGS

The Bureau normally becomes involved in formal proceedings of general impact rather than those of a routine nature. Support is usually furnished in the form of special economic and statistical analyses of evidence introduced in a formal proceeding or preparation and submission of testimony on economic or statistical issues.

The Bureau has played and will continue to play an increasingly important role in evaluating general rate increase requests of both rail and motor carriers. Commission proceedings Ex Parte Nos. 270, Investigation of the Railroad Freight Rate Structure; 290, Procedures for General Increase Proceedings; and, MC-82, New Procedures for Motor Carrier Revenue Proceedings, have changed the evidentiary requirements applicable to rate proceedings. As a result, the Bureau, bolstered by informational inputs from its new Carrier Outlook Reports (COR) program, will be required to expand its analyses of the rate structure aspects of rate cases. In addition, the Bureau must maintain a capability to assist in reopened proceedings dealing with long standing transportation problems. For example, in Ex Parte No. 252 (Sub 1), Incentive Per Diem Charges - 1968, the Bureau must be prepared to advise the Commission on new rail car types and other modifications. Also, the deteriorating financial condition of railroads makes it highly likely that additional merger and acquisition cases will have to be analyzed and evaluated.

Work will also continue on subproceedings of Ex Parte No. 270. Subproceedings instituted during Fiscal Year 1976 on individual commodities are expected to be in the active stage preceding an initial report. It is expected that by Fiscal Year 1977, more emphasis will be placed on the lead case, where cross-commodity analyses will be made and conclusions drawn on rate-making standards in general.

In association with this work, studies will be undertaken to develop approaches for estimating the impact of changes in rates and rate relationships on the demand for various transportation services. For example, there is often a need to know the extent to which general increases for railroads will divert traffic to motor carriers, what commodities will be diverted, and the impact of differences in percent increases according to region, commodity, and length of haul on traffic patterns and the shipping industries. Moreover, efforts will likely begin to convert the information base developed in this investigation into a permanent system which is applicable to future general rate increases and individual rate adjustments.

During Fiscal Year 1977, if not earlier, the Commission should complete the Ex Parte No. 271 investigation into the railroads' investment base and rate of return. The research studies associated with this proceeding, however, will be continued as an ongoing program for reviewing the railroads' capital needs and long-term financial performance. The product of this program should be directly useful in evaluating general increase requests.

The Bureau will continue research activities in Fiscal Year 1977 to develop and strengthen its capability along functional and modal lines, and to continue to develop expertise and information on energy, environmental and related matters as they continue to influence the transportation sector. In this regard, the Bureau will extend its Fiscal Year 1976 efforts to build a reservoir of knowledge from which the Commission may draw for more enlightened regulation of each mode under its jurisdiction. Studies will be concentrated or progressed in each functional or modal area as developing economic and social forces dictate. For example, with the recent emphasis on antitrust activities and competitive opportunity, there will probably be a need to revive and expand research on conglomerates to determine their control of or impact on transportation service.

The reorganization of the Bureau is designed to enhance its capability to provide support in the formal proceedings area. As those involved become more fully aware of the Bureau's capability to offer assistance on short notice in handling a number of significant proceedings, such as ones involving financial regulations, rail abandonments, and AMTRAK-related matters, activity in this area will increase substantially.

In addition, there are about ten cost factors used by the Bureau of Accounts that need to be updated by collecting current sample data. For example, some factors were developed for operations by steam locomotives which do not apply to modern engines. Also, in conjunction with the Bureau of Accounts, a platform cost study must be implemented to restructure motor carrier less-than-truckload versus truckload rates. Both of these activities are important contributions in data development in rate cases. These expanded activities in the formal proceedings program will require three additional positions in Fiscal Year 1977.

FINANCIAL OVERSIGHT

The Bureau's support of the financial oversight program relates to the Commission's Early Warning System. The Bureau has cooperated closely with the Bureau of Accounts in the implementation of the Early Warning System for Class I railroads. With the extension of that function to include the 100 largest motor carriers, the workload of the Bureau will increase accordingly. The COR program has been useful in developing forecasts and reports in connection with this function. As the COR program develops and demonstrates its usefulness to the Commission as guidance in decision-making and policy matters, intensified interests and demands for adaptation of the forecasts and related reports for still wider usage are anticipated. For example, certain "lead" indicators and other COR tools or measures may have to be adapted to regional, industry, and commodity needs. These needs will be determined by the emerging transportation requirements and patterns regarding: (1) Carrier performance in the present and future economy; and, (2) carrier realignment or restructuring as dictated by current and developing legislation.

GENERAL SUPPORT

The Bureau also provides policy guidance and data development support to all Commission programs as required.

Data development includes the: (1) Design and implementation of sample studies and questionnaires to collect essential data; (2) advanced statistical, mathematical/economic interpretation of quantitative data; (3) review and design of information requirements for specific purposes; (4) maintenance of data inventories and sources; and, (5) preparation of statistical materials for periodic publication.

Quantitative data provide the necessary foundation for economic analyses and for monitoring and evaluating industry performance. The data requirements of major industry examinations such as those embodied in the investigation of rail freight rates of return are substantial. Adequate and appropriate staffing for data development purposes is a basic requirement for further progress in this support program.

The 1977 estimate for data development and analysis is based on the continuing need to supply additional support in the areas of rail passenger service standards, financial oversight and cost finding. The activities will include nationwide sample surveys to furnish reliable up-to-date information and estimates with respect to the particular areas of interest. Also included will be extensive statistical analyses and reviews to measure effectiveness of regulations, and a centralized statistical clearing unit to review the accuracy, validity and consistency of statistical data.

In addition to statistical evidence submitted in formal proceedings, there are over 17,000 carriers submitting reports to the Commission. The Bureau does not have the resources to validate the accuracy of statistical data submitted by these carriers. The data are consolidated, but no analysis can be made of the reliability of the information reported. Of primary concern is the questionable validity of data collected by the major motor carrier rate bureaus. Their continuous sampling plans must be examined. The proposed statistical review is essential to insure that the Administrative Law Judges, lawyers, accountants, economists, transportation specialists, and others who use the data can rely on the information contained in these reports. The soundness of decisions made by the Commission depends significantly on the reliability of the underlying data.

Fiscal Year 1977 should also witness a continuation of requests to the Bureau for responses to legislative proposals. The economy will still be experiencing the effects of the recession-inflation period even if the Nation has pulled out of the trough of the recession by that time. Thus, it is expected that numerous proposals for legislation dealing with transportation and related problems will be forthcoming during this period of economic adjustment. Further, the Bureau anticipates additional legislative proposals relating to continuing energy and environmental considerations, transportation conditions and needs. Consequently, no diminishing of requests for staff assistance in responding to legislative proposals is foreseen.

Rapidly changing social and economic developments warrant renewed emphasis and concentration in transportation policy matters. As indicated in the Fiscal Year 1976 budget estimates, the Bureau will intensify its efforts to contribute to Commission policy planning and decisions. By Fiscal Year 1977, it is anticipated that significant progress in this area will have been made.

To develop and solidify the Bureau's capability in policy guidance in the rail and motor carrier areas, and to carry out the planned program for data development, two additional positions are requested for Fiscal Year 1977.

Bureau of Enforcement

This Bureau enforces the criminal and penal provisions of the Interstate Commerce Act and related acts; negotiates compromise agreements, suspensions or terminations of monetary civil enforcement claims; guides complex investigations of violations; analyzes and evaluates reports of violations; prosecutes in court and assists the Department of Justice in prosecuting civil and criminal proceedings through trial and appellate steps; and, participates in Commission proceedings on the issue of the fitness of applicants to acquire operating authority and in a variety of other Commission proceedings for the purpose of developing pertinent facts and issues.

The following table shows the actual positions and obligations for Fiscal Year 1975 and estimates for 1976, the transition quarter and 1977:

	1975	1976	Transition Quarter	1977
Positions	85	87	87	84
Average employment	74.5	85.4	85.4	81.9
Personnel compensation	\$1,437,396	\$1,749,400	\$457,900	\$1,757,600
Personnel benefits	138,457	164,900	43,000	165,300
Total compensation and benefits	1,575,853	1,914,300	500,900	1,922,900
Travel	58,965	71,200	16,500	71,200
Other objects	236,104	230,400	52,100	252,700
Total	\$1,870,922	\$2,215,900	\$569,500	\$2,246,800

The Fiscal Year 1977 request will fund within-grade salary increases and annualized pay costs.

The following table shows an organizational distribution of the number of positions authorized in Fiscal Year 1976 and the transition quarter, and those requested for Fiscal Year 1977:

	Authorized 1976 and Transition Quarter	Requested 1977 ^{1/}
Director's Office	16	12
Motor, Water and Forwarder Enforcement	10	10
Rail Enforcement	14	15
Field Staff	36	36
Special Projects Staff	11	11
Total	87	84

^{1/} The Fiscal Year 1977 request reflects a pending Fiscal Year 1976 realignment of four positions in the Director's Office, with a transfer of two positions respectively to the Sections of Motor, Water and Forwarder Enforcement and Rail Enforcement.

Director's Office

	1975	1976	Transition Quarter	1977
Positions	<u>16</u>	<u>16</u>	<u>16</u>	<u>12</u>
Average employment	16.4	15.6	15.6	11.7
Total obligations	\$344,237	\$359,500	\$91,700	\$321,900

This Office directs and administers the overall activities of the Bureau. It handles selected cases of major importance to the Commission's enforcement program.

Section of Motor, Water and Forwarder Enforcement

	1975	1976	Transition Quarter	1977
Positions	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>
Average employment	10.1	9.7	9.7	9.7
Total obligations	\$252,105	\$263,800	\$68,500	\$275,400

This Section directs the legal activities in the enforcement of Parts II, III and IV of the Interstate Commerce Act and related acts; supervises, assists, and complements the enforcement activities of the Bureau's field staff; and, recommends and sometimes participates in court and Commission enforcement proceedings; and tries to assure a uniform approach and disposition of comparable violations of law and immediate and continued adherence to established policy. It also analyzes and comments on matters pertaining to enforcement in this area.

Section of Rail Enforcement

	1975	1976	Transition Quarter	1977
Positions	<u>14</u>	<u>14</u>	<u>14</u>	<u>15</u>
Average employment	12.6	13.4	13.4	14.6
Total obligations	\$351,222	\$401,400	\$104,200	\$426,300

This Section supervises and handles the legal activities involved in the enforcement of Part I of the Interstate Commerce Act, and other acts as they relate to railroads and pipeline carriers. It prosecutes or assists in the prosecution of civil and criminal proceedings; participates in negotiating compromise agreements and as counsel in Commission proceedings; and, assists the Bureau Director with respect to railroad and pipeline related enforcement in a manner parallel to that described in connection with the Section of Motor, Water, and Forwarder Enforcement.

Field Staff

	1975	1976	Transition Quarter	1977
Positions	35	36	36	36
Average employment	30.0	34.6	34.6	35.1
Total obligations	\$780,159	\$899,400	\$228,000	\$839,500

This Staff provides legal advice to members of the Commission's field staff in connection with investigations of violations and other matters requiring legal determinations. It takes or makes recommendations on enforcement action; prosecutes or assists U. S. Attorneys in the prosecution of civil and criminal proceedings in Federal Courts; participates in negotiation of compromise agreements, suspensions or terminations of monetary civil enforcement claims; and, participates in Commission proceedings as counsel.

Special Projects Staff

	1975	1976	Transition Quarter	1977
Positions	10	11	11	11
Average employment	5.4	12.1	12.1	10.8
Total obligations	\$143,199	\$291,800	\$77,100	\$383,700

As directed by the Chairman, Vice Chairman, or a Commissioner who has been named by the Commission to direct a particular proceeding, the Staff participates in Commission formal proceedings, conducted pursuant to the Administrative Procedure Act, to assure the development of an adequate record, including proper representation of the public interest and expediting the handling of the proceeding, and may set forth appropriate positions and recommendations for alternative decisions or courses of action and their probable consequences. Generally, intervention will be in cases having major significance or current and future policy implications.

NARRATIVE JUSTIFICATION

The Bureau is responsible for the enforcement activities of the Commission. In carrying out its operations in Fiscal Year 1977, the Bureau will attempt to make greater use of court proceedings looking to civil injunctions as well as criminal and civil forfeiture actions against those violating the Interstate Commerce Act. Civil injunctions are especially useful in connection with enforcement efforts against violations involving consumer matters such as adequate passenger and small shipments service, claims handling, and insurance coverage as well as such traditional areas as the provision of unlawful transportation.

The Bureau will also continue its program of administrative collection of enforcement claims. The Bureau proceeds on, settles, compromises, suspends, or terminates all enforcement claims of \$20,000 or less which are susceptible of such handling. The most successful use of settlement procedures for civil forfeiture claims has been in connection with unauthorized motor carriage and rail car service violations. Since the institution of demand forfeiture procedures, the average settlement has exceeded the average resulting from prior court proceedings for the same type of violations. These procedures relieve the courts of congestion and give the violator an opportunity to negotiate and settle the claim before the matter is made the subject of a judicial proceeding.

The primary workload of the Bureau depends on the number of complete enforcement investigations generated by the staffs of the Bureaus of Operations and Accounts. Thus, resource needs are directly related to their staffing levels in the three functional areas of rail operations, motor carrier activities and financial oversight. In addition, an increasing contribution to the Bureau's workload involves the number of broad formal investigations and rulemaking proceedings which are recommended by other bureaus and instituted by the Commission in which this Bureau is directed to participate as a party. A further work assignment involves the representation in formal disciplinary proceedings brought against Commission employees and practitioners.

Rail Operations - A continuance of our aggressive car service enforcement program is anticipated and will require Bureau of Enforcement staff to promptly dispose of the cases. The need for prompt and forceful disposition of an increasing number of cases in the field of car service continues. The enforcement of Commission car service orders gives the Bureau an effective tool to indirectly punish demurrage concessions by carriers.

During Fiscal Year 1977, it is expected that there also will be rail passenger service matters requiring an aggressive enforcement program to assure adequate service. These and freight service violation cases will be handled initially by the use of civil injunctions and the Federal Claims Collection Act procedures. However, the

Bureau expects that violations eventually will become less amenable to voluntary settlement procedures. At that time, prosecution through the United States Attorneys' offices will be necessary.

Other service matters will involve cases developed in the Commission's program to require rail carriers to properly and expeditiously handle all loss and damage claims they receive as well as those cases requiring the availability of pipeline facilities for all producers seeking access to those facilities.

Motor Carrier Activities - The Bureau's activities in this area have similarly continued to become increasingly consumer-oriented. This is reflected in increased participation in matters where individual consumers of transportation need representation or assistance different from the more organized industrial, shipping and transportation company interests.

In Fiscal Year 1977, the Bureau expects participation in several enforcement areas designed to give effect to the consumer aspect of the Commission's public interest mission. For instance, court injunctions and subsequent contempt of court proceedings are increasingly necessary. They are obtained to assure continued compliance with requirements of the law that protect the public.

Household goods carriers are prosecuted for a variety of violations particularly of new, more stringent regulations promulgated in recent years. These violations have involved the small carriers as well as the large. Similarly, the small shipments and adequacy of service problems are also attacked by the use of court cases. Prosecutions of this type have increased in the past few years. There will also be cases generated in the Commission's program to require the carriers to handle their claims under standards which will be of assistance to the shippers.

Problems arising out of purportedly exempt motor carriage which are often complex in design and execution and, in fact, unlawful are continuing. These cases are important because if unchecked, they affect the stability of the motor carrier industry and its ability to serve the public.

Special Projects Staff - The primary purpose of the Special Projects Staff is to represent the public interest in proceedings, designated by the Chairman or the entire Commission, that are of general transportation interest and that have national impact. This is accomplished by presenting independent views on the issues presented for decision in those cases; developing and presenting pleadings, data, exhibits and testimony on these issues; and, offering independent recommendations for action by an individual Commissioner, Division, or the entire Commission.

The services of a highly qualified, independent and impartial Special Projects Staff, which developed in connection with the Commission's rulemaking proceeding on the railroad freight rate structure, have been established. The Staff is to continue in other proceedings following the conclusion of the rate structure investigation.

The work of the Special Projects Staff involves two primary functional areas:

Rates and Economics - This includes developing, researching and preparing data, testimony and exhibits in rate, certificate and other Commission cases. The testimony and exhibits of other parties are analyzed to prepare rebuttal testimony and exhibits, and to assist attorneys in preparation for cross-examination.

Accounts and Finance - This includes developing, researching and preparing data, testimony and exhibits in rate and finance cases, emphasizing the cost and financial aspects of these cases. The testimony and exhibits of other parties are analyzed to prepare rebuttal testimony and exhibits, and to assist the attorneys in preparation for cross-examination. In rate cases, it provides analyses of accounts and of costs for the presentation of data and exhibits by the Staff.

In addition, the Special Projects Staff uses attorney-project managers to plan, coordinate and present the positions of the Special Projects Staff in Commission proceedings, drawing upon the two functional areas for support.

WORKLOAD STATISTICS

The following table shows the actual workload for the Bureau of Enforcement for Fiscal Years 1973 through 1975 and estimates for 1976 and 1977.

	<u>Actual</u>			<u>Estimated</u>	
	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
<u>Investigations:</u>					
On hand:	419	347	207	259	629
Received	920	863	1,076	1,620	1,500
Concluded	992	1,003	1,024	1,250	1,150
Pending	347	207	259	629	979
<u>Court Cases:</u>					
On hand	433	449	465	499	730
Instituted	650	688	669	1,240	1,200
Concluded	634	672	635	1,009	1,009
Pending	449	465	499	730	921
<u>Commission Proceedings:</u>					
On hand	201	204	196	188	203
Instituted	106	97	96	125	115
Concluded	103	105	104	110	100
Pending	204	196	188	203	218

Note: Statistics for the transition quarter are estimated at the same level as the preceding 12 months.

Bureau of Operations

The Bureau's basic mission is to insure industry compliance with the provisions of the Interstate Commerce Act. Its functions include: (1) Issuing and administering rules and regulations governing the carrier securing of insurance for the protection of the public; (2) interpreting carrier certificates, permits and Commission regulations; (3) advising the Commission on intermodal operations and practices; (4) issuing orders and administering rules relating to rail car service; (5) inspecting the operations and records of carriers: and, (6) enforcing the adequacy of passenger service regulations.

The following table shows the actual positions and obligations for Fiscal Year 1975 and estimates for 1976, the transition quarter and 1977:

	1975	1976	Transition Quarter	1977
Positions	525	526	526	514
Average employment	484.1	513.4	513.4	502.2
Personnel compensation	\$7,750,571	\$8,834,600	\$2,308,900	\$8,960,900
Personnel benefits	763,788	894,300	216,500	909,200
Total compensation and benefits	8,514,359	9,728,900	2,525,400	9,870,100
Travel	671,990	813,900	197,300	813,900
Other objects	1,458,287	1,393,100	314,900	1,541,400
Total	\$10,644,636	\$11,935,900	\$3,037,600	\$12,225,400

The Fiscal Year 1977 request will fund within-grade salary increases and annualized pay costs.

The following table shows the organizational distribution of the number of positions authorized in Fiscal Year 1976 and the transition quarter, and those requested for Fiscal Year 1977:

	Authorized 1976 and Transition Quarter	Requested 1977
Director's Office	14	14
Insurance	33	26
Motor Carriers	23	22
Railroads	21	20
Field Staff	435	432
Total	526	514

Director's Office

	1975	1976	Transition Quarter	1977
Positions	14	14	14	14
Average employment	13.9	14.0	14.0	14.0
Total obligations	\$332,192	\$367,100	\$93,200	\$377,700

This Office exercises overall management and supervision of the nationwide operations of the Bureau. It establishes basic policy and program objectives. The Office also handles administrative and general housekeeping functions.

Section of Insurance

	1975	1976	Transition Quarter	1977
Positions	33	33	33	26
Average employment	32.6	31.7	31.7	25.4
Total obligations	\$473,611	\$503,100	\$128,500	\$502,400

This Section performs work relating to insurance or other security carried by motor carriers, brokers and freight forwarders for the protection of shippers and the public. This includes: (1) Preparing recommendations on applications to self-insure; (2) ruling on related certificates of insurance and bonds and evaluating the acceptability of the issuing agency; (3) maintaining records of designated agents to receive service of judicial process in each state; and, (4) answering inquiries from the public relating to interpretation of insurance regulations.

Section of Motor Carriers

	1975	1976	Transition Quarter	1977
Positions	22	23	23	22
Average employment	21.7	22.3	22.3	21.4
Total obligations	\$458,163	\$517,200	\$133,900	\$522,600

This Section administers matters concerning the technical and operating activities of motor carriers and brokers. This Section: (1) Provides technical direction to the Bureau's field activities; (2) provides legal interpretations of motor carrier operating authorities, rules and regulations; (3) answers inquiries from the public and other Commission offices relating to operations and services; and, (4) develops regulations to protect the shipping public.

Section of Railroads

	<u>1975</u>	<u>1976</u>	<u>Transition Quarter</u>	<u>1977</u>
Positions	21	21	21	20
Average employment	17.9	20.2	20.2	19.4
Total obligations	\$414,695	\$465,800	\$120,000	\$469,200

This Section performs necessary duties relating to the administration of the economic regulation of the railroad industry. This includes overseeing the use, control, supply, movement, distribution, exchange, interchange and return of locomotives, cars and other vehicles used in the transportation of property. The Section also directs the enforcement of the adequacy of passenger service regulations.

Field Staff

	<u>1975</u>	<u>1976</u>	<u>Transition Quarter</u>	<u>1977</u>
Positions	435	435	435	432
Average employment	398.0	425.2	425.2	422.0
Total obligations	\$8,965,975	\$10,082,700	\$2,562,000	\$10,353,500

This Staff enforces the provisions of the Interstate Commerce Act, and related acts, and the rules and regulations of the Commission. The Staff furnishes advice and counsel to carriers and the public; gathers information on general and special conditions affecting transportation regulations and service; assists other Commission organizations in the handling of matters affecting their particular phase of operations; and, maintains liaison with industry leaders, shippers, government officials and state regulatory bodies.

NARRATIVE JUSTIFICATION

The Bureau of Operations' primary objective is to observe and investigate the operations and practices of the surface transportation industry regulated by the Commission to insure compliance with the Interstate Commerce Act, and related acts, rules and regulations. High priority is given within this overall objective to providing assistance to the individual shipper or consumer. As the awareness of the availability of Commission assistance to the consumer has grown, consumer assistance has become the major area of workload growth.

The workload of the Bureau can be divided into two broad categories: (1) Administrative Compliance; and, (2) Formal Enforcement.

Administrative Compliance - Administrative efforts in the Bureau are mainly the responsibility of transportation specialists; i. e., area district supervisors and car service agents, transportation consumer specialists, and transportation assistants. The primary roles of these personnel are geographical, administrative, and public contact oriented.

The activities of district supervisors are directed toward the motor carrier, water carrier, and freight forwarder industries. Their duties include conducting compliance surveys; processing requests for regular and temporary operating authorities; interpreting Commission rules, regulations, and tariffs for the public; gathering and exchanging information with state and other Federal bodies; handling carrier and shipper complaints; maintaining general awareness of carrier operating practices in each area; and, conducting investigations. Car service agents have responsibility in connection with the railroad industry nationwide. Their duties include checking carrier compliance with Commission service orders; conducting general compliance surveys; interpreting Commission rules, regulations, and tariffs for the public; checking on the utilization and distribution of freight cars; handling complaints; and, conducting investigations. Transportation consumer specialists are responsible for dealing with the complaints of small businesses and survey work. Their main job is to attempt to resolve complaints expeditiously and fairly to both the carrier and the shipper. Transportation assistants are newly created para-technical positions which are responsible for assisting in the consumer related workload and handling much of the quasi-technical and administrative detail formerly handled by the more technical staff. Their primary function is to relieve the technical staff of such duties so that more time and effort may be devoted to complex transportation matters.

With respect to transportation consumer specialists, it should be noted that the majority of the complaints the Commission receives are of a routine nature

which do not require the attention of a more skilled transportation specialist. Rather than assign this highly trained technician to routine complaints, transportation consumer specialists are trained sufficiently so that only the unusual or complex complaint need be referred to the transportation specialist for follow-up work.

In the past several years, there has been a qualitative improvement in complaint handling. In prior years, due to the lack of primary jurisdiction, the Commission considered itself an intermediary whose role was to obtain carrier acknowledgement of a loss and damage claim, leaving it up to the courts to effect equitable settlements. The practice now is to take a participant role by jawboning carriers into voluntarily making fair and swift claim settlements. The change requires additional time to handle these complaints. The consumer specialist must obtain the facts with respect to loss and damage and follow through on the complaint to see that reasonable settlements are offered and that promises are kept by carriers.

In this connection, the Commission has endeavored to resolve in the field as great a number of loss and damage claims and complaints as possible. In effect, this transfer of workload from the Section of Insurance to the field staff will provide more rapid and hopefully more responsive settlements. As a result of this shift in workload, fewer positions have been projected for the Section.

Substantial concern has been expressed by government and public interest groups that the consumer is not getting a fair deal from the business world. This is especially true with respect to the small or occasional shipper, who has neither the expertise nor the influence needed to get satisfactory service. Therefore, the principal efforts of the transportation consumer specialist have been largely directed to the household goods problem. However, the handling of other types of complaints is assigned as these para-technicals develop the ability to handle them including both motor and rail passenger complaints. Limited compliance work is also part of their normal duties.

During Fiscal Year 1975, the number of complaints increased over 20 percent above those of the prior year. In fact, the complaints situation has grown to be of such magnitude in some locations that technical employees have had to spend too much time away from their investigatory duties. Hopefully, this increase in workload will not impede the Commission's progress in the area of consumer assistance.

Based on a staffing study conducted in Fiscal Year 1975, another para-technical position similar to the transportation consumer specialist was established to further relieve the technical staff of time-consuming administrative work. The study identified those cities in which the new position of transportation assistant could be very beneficial. For the most part, these positions were created by restructuring existing lower level ones. Moreover, it is planned that competent

qualified clerical employees, most of whom are women and minorities, will be promoted or recruited for transportation assistant positions in cities where the workloads warrant and positions become available. Experience gained in this job will qualify employees for entry into the transportation consumer specialist positions which will subsequently qualify them for transportation specialist positions.

Notwithstanding the advantages of affording lower level employees the opportunity for advancement, the services of the transportation assistants are greatly needed. These para-technical positions do not require the degree of technical competence of the transportation consumer specialists. However, their handling of such matters as temporary and emergency temporary authority applications, carrier fitness reports, insurance reports, and routine complaints and inquiries will certainly enhance the Commission's responsiveness to the needs of the public by relieving the technical staff of such duties. All indications are that this new position is working very effectively in cities where it has had time to develop.

Formal Enforcement - The formal enforcement effort is primarily directed toward obtaining compliance through penalties, fines, injunctions, etc. The work is mainly the responsibility of investigative personnel. It is important to note, however, that in day-to-day work activities there are times when the duties of area district supervisors, car service agents, or transportation consumer specialists will overlap with investigator duties, and vice-versa. Where workloads permit, or where time limits require immediate follow-up, area district supervisors and car service agents will conduct investigations. Normally, these investigations will not be complex or time-consuming.

The principal duties of investigators include initiation and development of major, complex, and time-consuming investigations. Leads for investigations are developed during compliance surveys, general administrative work, and the handling of complaints by administrative compliance personnel. Some leads will also be developed by investigators during the course of their regular assignments and by conducting their own compliance surveys.

Investigators are also used to supplement administrative compliance personnel whenever an emergency condition exists. The area district supervisor and car service agent territories are designed on the basis of normal or average workload conditions. It was not, for example, thought feasible to design car service agent territories to provide enough agents to handle situations like the recent grain car shortage. Investigative personnel were assigned to augment the work of car service agents and area district supervisors as required in those circumstances. After the emergency, they returned to full-time investigative duties.

The following information relates in greater detail the primary work activities and problems of the staff.

Household Goods Complaints - The Commission continues to take steps to correct the many irregularities involved in the movement of household goods through the institution of rulemaking proceedings, carrier investigation and revocation proceedings, and subsequent revision of the regulations. However, the continuing in-flow of consumer complaints at an average rate of 800 per month confirms that a large degree of regulatory and enforcement effort is required in this area. The fact that the field staff must be relied upon to enforce almost all Commission regulations makes it extremely difficult to plan and carry out a concentrated enforcement program involving only those carriers engaged in the transportation of household goods. As a result, selectivity is required in assigning investigations of household goods carriers.

Agricultural Cooperative Association - The number of agricultural cooperative associations purportedly operating under the exemption of Section 203 (b) (5) of the Act has increased steadily during the past year. Thus far, filings have been made with the Secretary's Office by alleged cooperatives intending to transport non-exempt, non-member traffic. An effort is being made to examine carefully the filings so that those which contain apparently false or incomplete information can be rejected.

The Bureau's emphasis has shifted from proving the activities of a given cooperative are not incidental to its transportation operation and necessary for effective performance, to proving the cooperative was not legally formed in the first instance, thereby making it ineligible for exemption. However, it is often difficult to develop acceptable evidence for prosecution because of refusal by cooperatives to permit inspection of their records. Although the courts have assisted in a few cases by ordering specific cooperatives to make their records available for copying, extensive work-hours are still required for successful enforcement action.

The Bureau has assembled special teams for concentrated investigations on the West Coast where most of the cooperatives are headquartered. This concentrated team approach is showing encouraging results; and because of increased enforcement, a number of cooperatives have ceased operations. However, some have reorganized in other parts of the country. The problem continues to grow.

Service Complaints - This problem involves the entire spectrum of motor transportation from small shipments with limited revenue potential to hard-to-handle and high-risk traffic. Since the rail carriers generally have eliminated less-than-carload traffic, the public has few alternatives to motor carrier service. The carriers themselves have not willingly served many off-route, low-traffic points nor actively solicited shippers of commodities susceptible to theft or damage. In this respect, the field staff has been hard pressed to keep abreast of service complaints involving failure to provide what the Commission and the public believe is adequate service.

In recent months the investigation of service complaints, particularly with respect to the large freight carriers, has grown increasingly time-consuming. These larger carriers have become extremely selective with respect to the areas they will serve, the service they will provide, and the carriers they will join with in providing a through service for the public. This selectivity is well organized and engineered. Therefore, the field staff is now required to use new operational procedures requiring many work-hours to adequately conclude an investigation. It is anticipated that this problem will persist and continue to be a major work activity for the field staff. It is one with direct consumer impact and must continue to receive emphasis.

Motor Passenger Service Complaints - The public and the Commission continue to be increasingly aware of the many problems faced by those who travel by motor bus. Numerous complaints call attention to specific problems involving baggage claims, terminal conditions, schedules and equipment. The handling of these types of complaints may require an in-depth investigation or a discussion with carrier management involving more than one staff member.

The field staff has devoted hundreds of work-hours to the bus passenger service area. A survey of 421 terminals across the country, as well as 321 on-coach inspections, were completed in the recent past. The information gathered has been useful in identifying problem areas and potential areas of concern along with providing information on the general conditions in the bus industry and identifying where improvements are needed. This type of actual on-the-spot observation and examination is necessary, and will be continued to carry out these Commission responsibilities to the public.

Mobile Home Carriers - The movement of mobile homes poses serious transportation problems because of their size and construction. The requirement that the transportation be highly specialized and competent has resulted in a growing number of requests to the Commission and its field staff for assistance in handling claims for damage and service failing. The handling of these complaints is similar to that of household goods complaints because the complainant is generally an uninformed shipper with little or no prior transportation experience who needs the basic information concerning his rights and the carrier's obligations.

Compliance Surveys - Investigations are conducted of regulated motor carriers and brokers to determine overall economic compliance with regulations and provisions of the Interstate Commerce Act, which include tariffs, rates, charges, credit, insurance, operating authority, etc. Violations are reported for consideration of enforcement action. As a result of the increased workload in other areas, this work activity has been reduced to a bare minimum.

Operating Authority - Applications for new and extended motor carrier permanent authority, together with requests for emergency and regular temporary operating authority, continue to increase. With receipt of complaints as to the inadequacy of service provided by certain carriers, the determination of an applicant's fitness is of prime importance to insure satisfactory transportation

service for the consuming public. This presents an added burden on the field staff to scrutinize closely all applications for additional authority and to determine whether the applicant is meeting current shipper needs under its existing authority.

Unauthorized Operations - The transportation of non-exempt property in interstate or foreign commerce by motor vehicle without an appropriate certificate or permit in violation of the Act remains one of the major compliance problems. This problem includes operations by regulated carriers beyond the scope of their existing authority, but of a more serious nature is the extensive amount of unauthorized operations conducted by carriers without any authority from the Commission. There are approximately 135,000 carriers operating as private or exempt carriers. Our investigations disclose that a significant number of these engage regularly in unauthorized transportation. However, due to pressing priority problems related to the energy crisis and fluctuating economy, household goods complaints, and special investigations, the required attention to road check activities has been significantly reduced.

Cooperative Work With the States - The Commission presently has agreements in effect with 48 states regarding enforcement of the economic laws of highway transportation. These agreements provide for free exchange of information, joint examination of records, investigations, inspections, and joint administrative activities related to this common endeavor.

Without the active highway road check activities performed by the state agencies, and its subsequent exchange of information, it is apparent that we could not keep abreast of the many sophisticated arrangements used by the unlawful segment of the carrier industry. However, before such objectives can be accomplished fully, it will be necessary to continue the training of state personnel.

Railroads - The car supply situation is expected to remain generally adequate throughout the next several months. In view of this condition, the activities of the staff are being directed to the more technical and time-consuming economic regulation compliance checks and investigations for possible violations of the Interstate Commerce Act, the Elkins Act, and other related rules and regulations. In order to upgrade the quality and quantity of the work efforts of the field staff, a program is being developed to provide greater coverage of carrier agency and yard activities. Under this program, it is expected problem carriers will be isolated, general carrier deficiencies determined, and other transportation problems identified to a much greater degree.

Commensurate with the concentration on economic regulation checks by the field staff is the new concept of saturation checks in which a specific carrier's operations are reviewed at several locations simultaneously. This concept can be limited to one subject, such as trailer-on-flat-car (TOFC) regulations, or cover a variety of subjects. The principal purpose of such checking is to determine carrier operations on a broad scale. In instances where violations are found and the carrier does not take corrective action after notification, complete field investigations are undertaken. This type of checking is underway in four regions.

Railroad Abandonments - In response to Congressional and shipper complaints alleging unlawful abandonment or severe curtailment of service, the field staff has undertaken investigations on several carriers, including the Chicago and Northwestern, Baltimore and Ohio, Penn Central, Frisco, Chesapeake and Ohio, and others. These investigations include interviews with shippers, train crews, maintenance-of-way forces and high-level engineering department personnel; and the development of traffic volume, maintenance costs and other pertinent data. When appropriate, such reports are forwarded for enforcement action.

Rail Passenger Service - An important Bureau responsibility is the monitoring of performance of intercity passenger service with the objective of achieving improved service. In Fiscal Year 1975, the field staff submitted over 4,500 compliance reports on the rail passenger service regulations. Additionally, coordinated nationwide checks have been conducted on air conditioning requirements and train performance in three regions. This type of concentrated check and those of a routine nature will continue in the future. Six interns were added to the regular field staff to conduct compliance checks during the summer months. In-depth studies of Amtrak management and operations will be undertaken in 1976. Currently, there is an investigation in progress into Amtrak's incentive/penalty awards contracts with underlying carriers. Several field staff members have participated in hearings conducted by the Commission into the present quality of intercity rail passenger service with the objective of determining whether the Commission should promulgate additional rules and regulations, should recommend additional legislation, or take other appropriate action.

Empty Mileage Study - The issue of the motor carrier "empty backhaul" has been especially prominent since the emergence of the energy crisis. While the Commission and others have pointed out that such "empty mileage" is minor in terms of the overall transportation picture, neither this agency nor the motor carrier industry has had the kind of statistics necessary for a definitive appraisal of the situation. In Fiscal Year 1976, therefore, the Bureau of Operations has been cooperating with the Bureau of Economics, the Federal Energy Administration, the Department of Transportation, and the National Commission on Productivity to design a study to provide reliable information on the subject. The design has been completed and the study is now ready to be implemented. It will encompass checks at 225 points throughout the 48 contiguous states over a period of one year. The checks will be made by the Bureau of Operations' field staff in cooperation with various state agencies. All driver interviews will be conducted only by Commission employees. Approximately 2,000 man-hours will be devoted to the study by the field staff.

WORKLOAD STATISTICS

The following table shows the actual workload for the Bureau of Operations for Fiscal Years 1973 through 1975 and estimates for 1976 and 1977:

	<u>Actual</u>			<u>Estimate</u>	
	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
Insurance Certificates Processed	15,496	15,447	15,887	16,000	16,000
Loss and Damage Claims ^{1/}					
Complaints	2,604	3,500	3,711	4,500	5,000
Inquiries	<u>6,000</u>	<u>6,000</u>	<u>9,830</u>	<u>7,000</u>	<u>6,500</u>
Total	8,604	9,500	13,541	11,500	11,500
Interpretations	2,360	1,992	1,372	1,400	1,400
Complaints					
Jurisdictional	22,553	26,261	34,167	36,400	38,000
Nonjurisdictional	<u>13,071</u>	<u>10,057</u>	<u>9,409</u>	<u>10,700</u>	<u>12,000</u>
Total	35,624	36,318	43,576	47,100	50,000
Applications	14,580	16,356	14,539	15,000	15,800
Investigations	994	1,104	1,278	1,500	1,380
Compliance Surveys ^{2/}	4,745	4,807	6,314	5,700	5,580

^{1/} Distribution between complaints and inquiries is estimated for 1973 and 1974. Only the total number of claims were recorded through 1974.

^{2/} Includes special terminal and bus surveys.

Note: Statistics for the transition quarter are estimated at the same level as the preceding 12 months.

Bureau of Traffic

This Bureau performs duties relative to the: (1) Filing of schedules or tariffs of rates, fares, and charges, and of transportation contracts of regulated carriers; (2) suspension of tariff provisions; and, (3) administration of long and short haul aggregates of intermediate rate provisions of the Act. The Bureau confers with carriers, shippers and other interested parties, expressing its view concerning the application of rates and other tariff provisions as a possible means of settling controversies. It processes applications of carriers requesting authority to make reparations on past shipments.

The following table shows the actual positions and obligations for Fiscal Year 1975 and estimates for 1976, the transition quarter and 1977:

	1975	1976	Transition Quarter	1977
Positions	234	234	234	234
Average employment	225.0	225.8	225.8	225.8
Personnel compensation	\$ 3,351,311	\$ 3,484,900	\$ 911,600	\$ 3,550,700
Personnel benefits	310,728	324,900	85,000	326,600
Total compensation and benefits	\$ 3,662,039	\$ 3,809,800	\$ 996,600	\$ 3,877,300
Travel	4,776	5,900	1,400	5,900
Other objects	649,980	619,700	140,100	697,300
Total	\$ 4,316,795	\$ 4,435,400	\$ 1,138,100	\$ 4,580,500

The Fiscal Year 1977 request will fund within-grade increases and annualized pay costs.

The following table shows an organizational distribution of the number of positions authorized in Fiscal Year 1976 and the transition quarter and those requested for Fiscal Year 1977:

	Authorized 1976 and Transition Quarter	Requested 1977
Director's Office	6	6
Suspension and Fourth Section Board	46	46
Rates and Informal Cases	52	52
Section of Tariffs	130	130
Total	234	234

Director's Office

	<u>1975</u>	<u>1976</u>	<u>Transition</u> <u>Quarter</u>	<u>1977</u>
Positions	6	6	6	6
Average employment	5.0	5.9	5.9	5.9
Total obligations	\$ 135,109	\$ 161,900	\$ 42,100	\$ 166,500

This Office is responsible for the overall management and administration of the Bureau. It also serves as arbitrator to facilitate settlement in disputes respecting rates or interpretation of tariff provisions.

Suspension and Fourth Section Board

	<u>1975</u>	<u>1976</u>	<u>Transition</u> <u>Quarter</u>	<u>1977</u>
Positions	46	46	46	46
Average employment	45.0	44.4	44.4	44.4
Total obligations	\$ 997,285	\$ 997,700	\$ 257,000	\$1,028,600

With the exception of protested schedules filed in purported compliance with a decision or order of the Commission or one of its Divisions, the Board acts initially on the question of investigation or investigation and suspension of proposed new or changed rates, fares, charges, rules, regulations or practices. The Board, upon protest or on its own initiative, institutes investigations of effective rates and other tariff provisions. Prior to the submission of evidence, the Board enters orders discontinuing any proceeding when the suspended tariffs or schedules are voluntarily cancelled by the carriers. When petitions to vacate an order of suspension are filed by the carriers, the Board, acting in an advisory capacity, submits the question to Division 2 of the Commission together with a recommendation for action. It enters orders giving effect to its decisions to investigate or investigate and suspend and prepares orders to implement like actions of the Division on the question of vacating orders and discontinuing investigations.

The Board is also charged with the responsibility of administering the provisions of Section 4 of the Interstate Commerce Act. This includes the processing of applications for relief, petitions for reconsideration of actions of the Board, petitions for modification of orders entered by Division 2 or by the Board and orders to grant or deny relief. In addition, the work of the Board includes investigation of alleged violations of Section 4 as well as apparent unauthorized departures from this section.

Rates and Informal Cases

	<u>1975</u>	<u>1976</u>	<u>Transition Quarter</u>	<u>1977</u>
Positions	52	52	52	52
Average employment	47.7	50.1	50.1	50.1
Total obligations	\$ 962,701	\$1,044,600	\$ 268,200	\$1,077,900

This Section: (1) Checks and prepares rate statements from tariffs and schedules for use of the Commission and its staff; (2) handles informal complaints, such as those of shippers seeking damage because of unreasonable charges, and claims for recovery of excess charges alleged to have been collected by carriers; (3) processes applications requesting authority to make reparation; and, (4) reviews and ascertains the propriety of released rate applications.

Section of Tariffs

	<u>1975</u>	<u>1976</u>	<u>Transition Quarter</u>	<u>1977</u>
Positions	130	130	130	130
Average employment	127.3	125.4	125.4	125.4
Total obligations	\$2,221,700	\$2,231,200	\$ 570,800	\$2,307,500

This Section: (1) Conducts a review of all tariffs filings for adverse effects upon the consumer of new, existing, or changed tariff provisions; conducts inquiries for justification; and rejects or proposes suspension on the Commission's own motion; (2) receives, examines, criticizes, rejects, and files new tariffs, schedules, contracts, Section-22 government rate tenders or quotations, classifications of property, powers of attorney, and concurrences filed by all carriers with respect to compliance with the Interstate Commerce Act, Commission regulations and formal orders; (3) reviews and evaluates the justification submitted in applications for authority to establish rates, fares, charges, and rules on less-than-statutory (30 days) notice or to depart from the Commission's rules and orders governing the construction, filing or posting of tariffs and schedules; and, (4) maintains the Public Tariff File Facility for inspection by the public of new tariff and schedule publications.

NARRATIVE JUSTIFICATION

The Bureau's workload can be divided into four broad categories: (1) Tariff examination; (2) tariff application and interpretation; (3) tariff suspension; and, (4) relief from statute and regulations.

Tariff Examination - The tariff examination program has two major objectives: (1) To determine whether the tariffs filed by the transportation industry comply with the law and the Commission's regulations and orders; and, (2) to seek out and reject or require timely correction of discovered unlawful tariff provisions or to question and, where warranted, recommend consideration for suspension on the Commission's own motion, those which appear to be unreasonable, unjustified, or discriminatory or fail to carry out the carriers' obligation to serve the public.

The great number of tariff publications filed with the Commission each year makes it impossible to check each one in detail. Instead, all tariffs are checked for certain key points as to lawfulness, including prior notice of effectiveness; and, a certain proportion are given a more complete examination for unlawful, unreasonable, or ambiguous provisions.

The search for tariff defects demands high skill and a depth of knowledge which must be applied within a very limited timeframe. A fundamental responsibility is to detect unjustified and "hidden" charges and service and rate restrictions which have a potentially heavy impact upon the consuming and shipping public alike. Timely discovery of defective tariffs is important because once it becomes effective, the published rate, rule, or other tariff provision is the legal one and must be applied. Failure to publish tariff rates, charges and other provisions properly can and frequently does result in time-consuming controversy and litigation.

The level of authorized personnel resources directly affects the quality and magnitude of these efforts. However, although no additional tariff examiner positions were authorized in Fiscal Year 1975, a reduction in the total number of tariffs filed with the Commission enabled the Bureau to expand the consumer-oriented review program. This was accomplished by assigning additional personnel to the consumer units and by increasing the spectrum of examination to include additional modes of transportation. During that year, the consumer units examined approximately 40 percent of the publications categorically selected for examination and about 30 percent of all tariffs filed. The goal is to eventually examine all publications assigned to the units and to examine an even larger portion of the total received. Early indications are that the number of publications that will be received in Fiscal Year 1976 will exceed those received in 1975, with the 1977 workload continuing at the 1976 level. Increased productivity will permit an expansion of the consumer-oriented type of examination and continue the key points examination at a lower but above minimum level. A strong program would provide protection and assistance for shippers and consumers, especially

the small or unknowledgeable ones who do not have the resources to seek relief from the Commission or the courts. It would also provide for the correction of errors before they became the source of costly formal proceedings while simultaneously serving as a policing function to improve the quality of tariffs being filed.

The beneficial aspects of any tariff review program are very difficult to quantitatively measure. Ideally, all tariffs should be free of defects with a resultant zero criticism and rejection rate. However, since this is totally impractical, the Bureau hopes to minimize the number of defective publications by keeping the carriers aware that a strong tariff examination program is in effect. Notwithstanding a reduced Fiscal Year 1975 criticism and rejection rate in the consumer-oriented program, the Bureau believes that the quality of the tariff filings is definitely improving. However, only about 30 percent of all filings are presently undergoing this review.

Tariff Application and Interpretation - The Bureau expresses informal interpretations of freight, express, and passenger tariffs to the public and also furnishes rate and tariff information to the various offices and bureaus of the Commission. Since carrier tariffs have the force and effect of statutes, the Bureau also receives informal complaints from shippers and issues informal opinions on the reasonableness and applicability of the provisions of tariffs of all modes of transportation subject to the Interstate Commerce Act. Competent replies are also given to miscellaneous inquiries concerning such matters as credit, statutes of limitation, and free and reduced charges for transportation. Applications filed by rail and water carriers seeking authority to pay reparations on past shipments are also processed.

This activity is notable for its breadth. For example, complaints may originate with a small consumer who has no understanding of carrier operations, pricing methods or tariffs, or with a billion dollar corporation whose law and traffic departments have an extensive knowledge of transportation matters. Therefore, it is imperative that the Bureau be available and adequately staffed with the expertise to respond. Otherwise, every complaint would have to be handled as an adversary proceeding either on the Commission's formal docket or in the courts.

Being a service function, it is impossible to accurately forecast or control the quantity and complexity of projects received. Total projects (rate cases-general, informal complaints, special docket applications and released rate applications) processed during Fiscal Year 1975 exceeded those processed in 1974 by over 10 percent. This was due, in part, to a large number of special docket applications (92) which resulted in a single court case. Discounting these 92 applications, however, the total number processed in that category still exceeded the number processed for any previous year, without the addition of even one position.

Again discounting these 92 special docket applications, the forecasted workload for Fiscal Year 1976 and Fiscal Year 1977 is not expected to vary substantially from Fiscal Year 1975. No additional positions are requested for Fiscal Year 1977.

Tariff Suspension - Action on the question of suspension, which must be taken prior to the effective date of the tariff provision involved, constitutes the great preponderance of the work in this area. Since the law provides any interested party with the right to protest, there is no control over the workload except to the extent that tariff changes are considered upon the Board's own motion without protestations.

Unsettled economic conditions significantly affect the workload. While it would appear that constantly increasing costs would mitigate against carrier-proposed reductions, the serious decline in tonnage handled now being experienced by the carriers has resulted in an increase in this type of proposal. Presumably these proposed reductions (principally by motor carriers) represent attempts to make up for declining tonnage by encouraging diversion of traffic to the proponents of reduced rates. On an overall basis, however, the workload is not expected to increase. Therefore, no additional positions are requested for Fiscal Year 1977.

Relief from Statutes and Regulations - Rate and tariff relief requests fall into three categories: (1) Relief from the general rate-filing requirements of the Act, including the the thirty-day notice rule, and from the tariff-publishing regulations of the Commission and termed Special Permission Applications; (2) relief from the so-called long-and-short-haul and aggregate-of-intermediate rate provisions of Section 4 of the Act and termed Fourth Section Applications; and, (3) relief from the Act's prohibition against carrier-imposed limitations on its own liability for loss or damage and termed Released Rate Applications.

Each of the three categories of rate and tariffs relief requests has been affected by an increase in the complexity of the matters handled. Special permission applications, for example, have become more difficult and varied as the carriers developed new ways to furnish service. The other two items have been affected by filing fees that have prompted carriers to combine requests in one application thus making them broader and more complicated.

Applications for rate and tariff relief from the so-called long-and-short-haul and aggregate-of-intermediate rate provisions of Section 4 of the Act are very important to the public since they usually involve rate reductions. There is no control over the workload, and practically all applications must be handled within twenty workdays.

Special permission applications and permits involve carrier requests for relief from the tariff publication rules. Permission for such relief can and is granted on the basis of the justifications for such relief as filed with the applications. Innovative marketing practices introduced by carriers in response to shipper and receiver requests,

in many cases, generate such applications which must be reviewed in depth before making decisions as to the validity of the applications. The number of such applications has also grown in the past year as a result of the number of rail general rate increases and the complexities of the provisions of these cases. In numerous instances, compliance with the provisions of such proceedings has warranted the granting of statutory relief through special permits.

Released rate applications involve carrier requests for relief from full liability for loss and damage to goods transported. Applications are submitted by the carriers, the statements and justifications are analyzed, and decisions are reached on the basis of specific conditions involved and the meeting of certain criteria established over the years through court and Commission precedent.

Based on the prior year workloads in this area, it is estimated that the workload for Fiscal Years 1976 and 1977 will be slightly greater than Fiscal Years 1974 or 1975. However, the Bureau expects to be able to adequately process this increase without the need for additional staffing. Therefore, no additional positions are requested for Fiscal Year 1977.

WORKLOAD STATISTICS

The following table shows the actual workload for the Bureau of Traffic for Fiscal Years 1973 through 1975, and estimates for 1976 and 1977:

	Actual			Estimated	
	1973	1974	1975	1976	1977
<u>Tariff Examination</u>					
Tariff & Schedules Examined	329,215	386,228	333,982	350,000	350,000
Tariff & Schedules Criticized and Rejected	16,775	20,745	19,456	20,340	20,340
<u>Consumer-Oriented Examination</u>					
Tariff Publications Examined	*	45,437	101,310	105,000	120,000
Publications Criticized	*	4,853	3,963	5,000	5,000
Publications Rejected	*	1,110	379	500	500
Publications Canceled or Amended by Carriers	*	815	1,104	1,200	1,200
Publications Referred to Suspension and Fourth Section Board	*	84	147	160	160
<u>Tariff Application & Interpretation</u>					
Rate Cases - General Processed	3,218	3,081	3,436	3,600	3,600
Informal Complaints Processed	93	87	112	115	115
Special Dockets Processed	322	362	456	375	375
<u>Tariff Suspension</u>					
Protested Adjustments	4,852	3,877	3,737	2,500	2,500
Petitions to Vacate	124	97	104	70	70
Petitions to Investigate, Discontinue, etc.	70	33	54	30	30
Appeals of Board's Action Not to Suspend	204	193	224	240	240
<u>Relief from Statute & Regulations</u>					
Fourth Section Applications Processed	251	144	157	170	170
Violations Investigated	48	55	56	70	70
Special Permission Applications Processed	5,728	4,853	5,055	5,400	5,400
Released Rate Applications Processed	78	47	60	65	65

*The Consumer-Oriented Tariff Examination Program was established in February, 1973.

Note: Statistics for the transition quarter are estimated at the same level as the preceding 12 months.

Other Objects

The total estimate for other objects obligations for Fiscal Year 1977 is \$11,076,000. This is \$2,291,000 more than the estimate for 1976.

The principal changes between the two years include increases of \$693,000 for rental of existing office space, \$957,000 for mandatory and annualization increases of existing programs and positions, and \$641,000 for new positions.

The following statement shows the actual 1975 obligations for other objects and the estimates for 1976, the transition quarter and 1977, excluding the Rail Services Planning Office:

<u>Object Class</u>	<u>1975</u>	<u>1976</u>	<u>Transition Quarter</u>	<u>1977</u>
21 Travel and transportation of persons.....	\$1,239,267	\$1,643,000	\$396,000	\$1,722,000
22 Transportation of things..	49,085	64,000	16,000	65,000
23 Rent, communications, and utilities.....	3,696,955	4,508,000	1,100,000	5,209,000
24 Printing and reproduction	276,251	339,000	71,000	389,000
25 Other services.....	2,030,783	1,497,000	328,000	2,480,000
26 Supplies and materials...	500,958	552,000	128,000	637,000
31 Equipment.....	704,365	182,000	6,000	574,000
Total	\$8,497,664	\$8,785,000	\$2,045,000	\$11,076,000

Travel and Transportation of Persons

The \$1,722,000 requested for 1977 represents an increase of \$79,000 over the 1976 estimate. An increase of \$29,000 is necessary to provide travel funds on an annual basis for the additional positions approved in 1976. The increase for new positions requested in 1977 is \$50,000.

Transportation of Things

The \$65,000 requested for 1977 represents an increase of \$1,000 to provide for an increased number of permanent change of station moves.

Rent, Communications and Utilities

The \$5,209,000 requested is an increase of \$701,000 over 1976. This includes \$593,000 in increased space rental costs reflecting a substantial GSA rental rate increase for existing space, and \$100,000 for space for new positions requested in 1977. The increased cost of communications and utilities for new positions will be \$20,000. Annualization of communication and utilities cost for the additional positions approved for 1976 total \$14,000. An increase of \$40,000 is requested to cover higher costs of FTS. A net decrease of \$66,000 will occur in ADP rental due primarily to the purchase of OCR equipment.

Printing and Reproduction

The \$389,000 requested is \$50,000 more than the 1976 estimate to provide for more printing, of which \$25,000 is due to new positions requested in 1977.

Other Services

The request of \$2,480,000 represents an increase of \$983,000 over 1976. An increase of \$23,000 is requested for annualization of ADP equipment maintenance contract costs; \$206,000 for an expansion of the on-going computer service bureau contract; and \$125,000 in tenant alterations for site preparation for a new in-house computer in 1978. An increase of \$70,000 is included for the increased cost of hearing transcripts and \$5,000 for printing equipment maintenance. Additionally, \$41,000 is requested for costs of additional positions approved for 1976 and \$513,000 to provide for outside contracts for computer and attorney support for the Public Counsel.

Supplies and Materials

The \$637,000 requested is \$85,000 higher than the 1976 estimate. An increase of \$62,000 is requested for printing supplies; \$5,000 for computer supplies; and, \$18,000 for the costs of additional positions approved for 1976 and new positions requested in 1977.

Equipment

The \$574,000 requested is \$392,000 higher than 1976. An increase of \$364,000 is requested for the purchase of OCR equipment and terminals and \$28,000 for the costs of additional positions approved for 1976 and new positions requested in 1977.

Rail Services Planning Office

The Commission's 1976 budget request exhausted the \$5.0 million authorization for the Rail Services Planning Office that was included in the Regional Rail Reorganization Act of 1973 (Public Law 93-236), which was enacted January 2, 1974. Although legislation is currently under consideration in Congress to extend the life of RSPO, there is no formal basis at the present time for requesting an additional appropriation. Therefore, no funds will be included in our initial

1977 request. The budget will be amended, if and when additional authorization is approved by Congress.

A summary of obligations for this Office follows:

	<u>FY 1974/1975</u> <u>Obligations</u>	<u>FY 1976</u> <u>Estimate</u>
Personnel compensation	1,412,000	484,000
Personnel benefits	116,000	43,000
Travel	102,000	35,000
Rent, communications, and utilities	254,000	90,000
Printing and reproduction	241,000	45,000
Other services	1,683,000	394,000
Supplies and materials	9,000	9,000
Equipment	82,000	-
Total	<u>\$3,899,000</u>	<u>\$1,100,000</u>

Payments for Directed Rail Service

Section 1(16) of the Interstate Commerce Act, as amended by the Regional Rail Reorganization Act of 1973, authorizes the Commission to direct rail service over the lines of a rail carrier which has ceased a portion or all of its operations under the conditions specified in the statute. The Commission is further authorized to make payments to directed carriers to cover costs incurred to the extent they exceed direct revenues.

In November, 1975, Congress appropriated \$15,000,000 for payments for directed rail service, to remain available until expended, provided that "not to exceed \$750,000 of this appropriation shall be available for necessary independent auditing expenses incurred in the administration of the directed rail service program."

In December, 1975, disbursements of \$42,638 and \$319,512 were made to reimburse the Reading Company and the Lehigh Valley Railroad Company, respectively, for the directed operation of the Lehigh and New England Railway Company.

Loan Guarantee Program

Part V of the Interstate Commerce Act, enacted on August 12, 1958, provided financial assistance to railroads in the form of loan guarantees in principal amounts not to exceed \$500 million. The loan guarantees were for the financing or refinancing of (1) additions and betterments or other capital expenditures, made after January 1, 1957, or to reimburse the carrier for expenditures, made from its own funds for such additions and betterments or other capital expenditures, or (2) expenditures for the maintenance of property.

The provisions of Part V of the Act as to new loan applications terminated June 30, 1963. A total of 36 loan guaranty applications were filed. Loans of \$243,972,360 were guaranteed to 14 railroads and to the trustees of the New Haven Railroad. Of this amount, \$1.5 million was approved but not disbursed. As of December 31, 1975, unpaid balances on outstanding loans held by financial institutions totaled \$33.8 million.

Several railroads have defaulted on the guaranteed loans made to them under this program. When this happens, the Commission must seek an appropriation from Congress to pay the principal and interest amounts due the private lenders.

The following table summarizes the payments made by the Commission on defaulted loans. (Figures are in thousands of dollars)

<u>Fiscal Year</u>	<u>Railroad</u>	<u>Payment</u>		<u>Total</u>
		<u>Principal</u>	<u>Interest</u>	
1962	New York/New Haven	\$ 14,375	\$ 301	\$ 14,676
1967	Central of New Jersey	16,995	373	17,368
1971	Boston & Maine	3,217	206	3,423
1971	Penn Central	16,900	905	17,805
1971	Lehigh Valley	11,285	465	11,750
1971	NY/NH Trustees	12,500	422	12,922
1972	Reading	28,000	1,330	29,330
1973	Erie-Lackawanna	12,000	323	12,323
	Total	115,272	4,325	119,597

These payments have been partially offset by repayments on these defaulted loans. Through December 31, 1975, \$11.5 million had been recovered by the Commission and returned to the Treasury.

The following appendices summarize, by railroad, loan guaranty applications received and actions thereon:

Appendix A - reflects the amount of each loan applied for, final Commission action, total number of applications and total amount guaranteed for each railroad.

Appendix B - shows for each loan, the terms of the guaranty, date of final maturity, rate of interest and the purpose of the loan.

Appendix C - indicates the repayments of principal and the unpaid balance of each loan as of December 31, 1975.

APPENDIX A

RECAPITULATION BY RAILROADS OF
LOAN GUARANTY APPLICATIONS RECEIVED AND ACTIONS THEREON

Finance Docket Number	Railroad	Amount Applied For			Date	Action	
		Original Amount	Amended or Withdrawn	Net Amount		Amount Approved	Amount Denied
20691	Atlantic & Danville	\$ 800,000	-	\$ 800,000	Jan. 6 1960	-	\$ 800,000
20429	Boston & Maine	10,500,000	4,500,000	6,000,000	June 22 1959	3,000,000	3,000,000
21365	"	3,000,000	-	3,000,000	Jan. 17 1961	3,000,000	-
21615	"	1,000,000	-	1,000,000	Aug. 15 1961	1,000,000	-
21888	"	5,845,348	5,845,348	-	July 27 1962 ✓	-	-
22231	"	1,000,000	-	1,000,000	Oct. 3 1962	1,000,000	-
22639	"	1,000,000	-	1,000,000	July 24 1963	1,000,000	-
	Total	22,345,348	10,345,348	12,000,000		9,000,000	3,000,000
21555	Central of New Jersey	15,000,000	-	15,000,000	Aug. 26 1961	15,000,000	-
22640	"	5,000,000	-	5,000,000	Dec. 20 1963	2,000,000	-
	Total	20,000,000	-	20,000,000	Nov. 6 1964	3,000,000	-
21210	Chicago & Eastern Illinois	3,000,000	-	3,000,000	Sept. 23 1960	3,000,000	-
22361	"	12,000,000	200,000	11,800,000	Feb. 28 1963	11,800,000	-
	Total	15,000,000	200,000	14,800,000		14,800,000	-
21494	Erie Lackawanna	15,000,000	-	15,000,000	June 8 1961	15,000,000	-
22632	"	15,000,000	10,000,000	5,000,000	Nov. 12 1963	-	5,000,000
	Total	30,000,000	10,000,000	20,000,000		15,000,000	5,000,000
20517	Georgia & Florida	1,000,000	65,040	934,960	May 8 1959	934,960	-
20518	"	1,000,000	-	1,000,000	Oct. 5 1959	1,000,000	-
	Total	2,000,000	65,040	1,934,960		1,934,960	-
20760	Lehigh Valley	6,000,000	77,000	5,923,000	Nov. 27 1959	5,923,000	-
21300	"	5,000,000	-	5,000,000	Dec. 7 1960	5,000,000	-
21539	"	2,500,000	-	2,500,000	Apr. 28 1961	2,500,000	-
21776	"	5,000,000	-	5,000,000	Nov. 28 1961	5,000,000	-
22339	"	5,000,000	-	5,000,000	Apr. 25 1963	3,400,000	1,600,000
	Total	23,500,000	77,000	23,423,000		21,823,000	1,600,000

APPENDIX A

RECAPITULATION BY RAILROADS OF
LOAN GUARANTY APPLICATIONS RECEIVED AND ACTIONS THEREON

Finance Docket Number	Railroad	Amount Applied For		Date	Action	
		Original Amount	Amended or Withdrawn		Amount Approved	Amount Denied
21454	Missouri-Kansas-Texas	\$16,000,000	\$ -	May 22 1961	\$16,000,000	\$ -
21552	" "	6,000,000	-	June 26 1961	6,000,000	-
22577	" "	12,000,000	-	Nov. 12 1963	12,000,000	-
	Total	34,000,000	-		34,000,000	-
21551	Monon	5,000,000	-	July 26 1961	5,000,000	-
22675	" "	5,500,000	-	Sept. 23 1963	5,500,000	-
	Total	10,500,000	-		10,500,000	-
20372	New Haven	16,542,460	8,383,060	Aug. 5 1960	8,159,400	-
20397	" "	500,000	-	Jan. 8 1960	500,000	-
20398	" "	1,500,000	-	Oct. 28 1959	1,500,000	-
21299	" "	6,000,000	-	Oct. 31 1960	4,500,000	1,500,000
21299	" "	4,500,000	-	Dec. 29 1960	3,500,000	1,000,000
21299	" "	3,500,000	-	Feb. 14 1961	3,500,000	-
21299	" "	1,500,000	-	May 12 1961	1,500,000	-
	(Subtotal F. D. No. 21299)	15,500,000	-		13,000,000	2,500,000
	Subtotal New Haven R.R.	34,042,460	8,383,060		23,159,400	2,500,000
21685	New Haven Trustees	5,000,000	-	Aug. 2 1961	5,000,000	-
21808	" "	7,500,000	-	Dec. 7 1961	7,500,000	-
	(Subtotal N. H. Trustees)	12,500,000	-		12,500,000	-
	Total N. H. and Trustees	46,542,460	8,383,060		35,659,400	2,500,000
20689	Penn-Central (N.Y. Central)	40,000,000	-	Sept. 16, 1959	40,000,000	-
20395	New York, Susq. & Western	450,000 ^{2/}	450,000	Jan. 29 1959 ^{2/}	-	-
20840	" "	300,000	-	Apr. 20 1960	300,000	-
20841	" "	200,000	-	Dec. 23 1959	-	200,000
21794	" "	555,000	-	Mar. 1 1962	555,000	-
	Total	1,505,000	450,000		855,000	200,000

APPENDIX A

RECAPITULATION BY RAILROADS OF
LOAN GUARANTY APPLICATIONS RECEIVED AND ACTIONS THEREON

Finance Docket Number	Railroad	Amount Applied For			Date	Action	
		Original Amount	Amended or Withdrawn	Net Amount		Amount Approved	Amount Denied
21121	Norfolk Southern	\$ 2,000,000	\$ -	\$ 2,000,000	Sept. 21 1960	\$ 2,000,000	\$ -
22488	"	5,400,000	-	5,400,000	June 5 1963	5,400,000	-
	Total	7,400,000	-	7,400,000		7,400,000	-
21547	Pittsburgh & West Virginia	1,500,000	-	1,500,000	June 26 1961	1,500,000	-
22445	"	1,500,000	-	1,500,000	Mar. 18 1963	1,500,000	-
		3,000,000	-	3,000,000		3,000,000	-
22545	Reading	30,000,000	-	30,000,000	June 26 1963	30,000,000	-
	GRAND TOTAL	\$286,592,808	\$29,520,448	\$257,072,360		\$243,972,360	\$13,100,000

1/ B&M application, Finance Docket No. 21888 for \$5,845,348, was withdrawn at request of applicant and dismissed by order of July 27, 1962.

2/ New York, Susquehanna & Western application, Finance Docket No. 20395 for \$450,000, was withdrawn at request of applicant and dismissed by order of January 29, 1959.

LOAN GUARANTY APPLICATIONS
STATEMENT SHOWING FOR APPROVED APPLICATIONS THE TERM OF GUARANTY, RATE OF INTEREST, AND PURPOSE OF LOAN

<u>Finance Docket Number</u>	<u>Railroad</u>	<u>Amount Approved</u>	<u>Term of Guaranty (Years)</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest (Percent)</u>	<u>Purpose of Loan</u>
20429	Boston & Maine	\$ 3,000,000	15	Dec. 1 1974	5	1/
21365	"	3,000,000	15	July 1 1975	5	1/
21615	"	1,000,000	6	July 1 1965*	4-7/8	1/
22231	"	1,000,000	15	Oct. 15 1977	5	1/
22639	"	1,000,000	3	July 1 1966*	4-3/4	1/
	Total	9,000,000				
21555	Central of New Jersey	15,000,000	15	July 1 1976	5	2/
22640	"	5,000,000	15	Dec. 1 1978	5	1/
	Total	20,000,000				
21210	Chicago & Eastern Illinois	3,000,000	15	July 31 1975	5-1/4	1/
22361	"	11,800,000	15	Dec. 31 1977	5	3/
	Total	14,800,000				
21494	Erie Lackawanna	15,000,000	15	June 1 1976	5-1/4	1/
	Total	15,000,000				
20517	Georgia & Florida	934,960	10	Dec. 31 1970*	5	4/
20518	"	1,000,000	10	Dec. 23 1970*	5-1/2	5/
	Total	1,934,960				
20760	Lehigh Valley	5,923,000	15	Aug. 1 1974	5.0059	6/
21300	"	5,000,000	15	June 15 1975	5	1/
21539	"	2,500,000	4	May 17 1970	4-3/4	1/
21776	"	5,000,000	15	Nov. 1 1976	4-1/2 & 5	1/
22339	"	3,400,000	15	May 1 1977	4-3/4	1/
	Total	21,823,000				

LOAN GUARANTY APPLICATIONS
STATEMENT SHOWING FOR APPROVED APPLICATIONS THE TERM OF GUARANTY, RATE OF INTEREST, AND PURPOSE OF LOAN

Finance Docket Number	Railroad	Amount Approved	Term of Guaranty (Years)	Date of Final Maturity	Rate of Interest (Percent)	Purpose of Loan
21454	Missouri-Kansas-Texas	\$16,000,000	15	May 1 1976	5	✓
21552	" "	6,000,000	15	June 1 1976	4-3/4	✓
22577	" "	12,000,000	15	June 1 1978	5-5/8	✓
	Total	34,000,000				
21551	Monon	5,000,000	15	July 1 1976	4-3/4 & 5	✓
22675	" "	5,500,000	15	Oct. 1 1978	4-5/8	8/
	Total	10,500,000				
20372	New Haven	8,159,400	15	June 1 1975	5-1/2	2/
20397	" "	500,000	6	Jan. 1 1965*	5-1/2	10/
20398	" "	1,500,000	15	Jan. 1 1974	5	11/
21299	" "	4,500,000	1	Nov. 3 1961	5	✓
21299	" "	3,500,000	1	Nov. 3 1961	5	✓
21299	" "	3,500,000	1	Nov. 3 1961	5	✓
21299	" "	1,500,000	1	Nov. 3 1961	5	✓
	(Subtotal F. D. No. 21299	13,000,000				
	Subtotal New Haven R.R.	23,159,400				
21685	New Haven Trustees	5,000,000	10	Aug. 4 1971	5-1/4	✓
21808	" "	7,500,000	10	Dec. 13 1971	5-1/4	✓
	(Subtotal N. H. Trustees)	12,500,000				
	Total N. H. and Trustees	35,659,400				
20689	New York Central	40,000,000	15	July 1 1974	5	✓
20840	New York, Susq. & Western	300,000	15	Dec. 1 1974	5-1/2	✓
21794	" "	555,000	10	Sept. 1 1972	5-1/2	12/
	Total	855,000				
21121	Norfolk Southern	2,000,000	15	July 1 1974	5-1/4	✓
22488	" "	5,400,000	15	May 1 1978	4-3/4	13/
	Total	7,400,000				

LOAN GUARANTY APPLICATIONS
STATEMENT SHOWING FOR APPROVED APPLICATIONS THE TERMS OF GUARANTY, RATE OF INTEREST, AND PURPOSE OF LOAN

Finance Docket Number	Railroad	Amount Approved	Term of Guaranty (Years)	Date of Final Maturity	Rate of Interest (Percent)	Purpose of Loan
21547	Pittsburgh & West Virginia	\$ 1,500,000	15	June 1 1976	4-3/4	✓
22445	" "	1,500,000	2	May 28 1965*	4-3/4	✓
	Total	3,000,000				
22545	Reading	30,000,000	15	July 1 1978	4-3/4	14/
	GRAND TOTAL	\$243,972,360				

- 1/ Reimbursement of treasury.
 - 2/ Financing acquisition of not less than 634 covered hopper cars and 725 box cars at a cost in excess of \$5.0 million; and reimbursement of treasury \$10 million.
 - 3/ Refinancing certain equipment obligations incurred after January 1, 1957.
 - 4/ Acquisition of 100 new freight cars.
 - 5/ Maintenance and rehabilitation of roadway.
 - 6/ Refinance equipment obligations \$1,167,127; finance planned capital expenditures \$1,574,609; and reimbursement of treasury \$3,181,264.
 - 7/ Reimbursement of treasury \$2,268,359; and acquisition of 4 diesel locomotives and 116 freight cars with a total cost of \$2,731,641.
 - 8/ Financing acquisition of 9 new locomotives \$2.4 million; and 74 freight cars \$1.1 million; and reimbursement of treasury \$2.0 million.
 - 9/ Acquisition of 30 new diesel electric locomotives.
 - 10/ Acquisition of maintenance of way equipment and machinery.
 - 11/ Construction of certain shop facilities.
 - 12/ Financing acquisition of 3 locomotives.
 - 13/ Financing acquisition of 17 new locomotives \$2,975,000; and reimbursement of treasury \$2,425,000.
 - 14/ Financing acquisition of 56 new locomotives \$11 million; and reimbursement of treasury \$19 million.
- * These loans have been paid in full.

N.B. Reimbursement of treasury items above represent reimbursement for capital expenditures made after January 1, 1957 from the railroad's own funds.

STATEMENT SHOWING REPAYMENTS AND UNPAID BALANCES FOR APPROVED APPLICATIONS
 LOAN GUARANTY APPLICATIONS

Finance Docket Number	Railroad	Date	Amount Approved	Approved But Not Disbursed	Repayments	Unpaid Balance December 31, 1975
20429	Boston & Maine	June 22 1959	\$ 3,000,000	-	\$ 3,000,000	-
21365	"	Jan. 17, 1961	3,000,000	-	3,000,000	-
21615	"	Aug. 15 1961	1,000,000	-	1,000,000	-
22231	"	Oct. 3 1962	1,000,000	-	1,000,000	-
22639	"	July 24 1963	1,000,000	-	1,000,000	-
	Total		9,000,000	-	9,000,000	6/
21555	Central of New Jersey	Aug. 26 1961	15,000,000	-	5,144,713	9,855,287
22640	"	Dec. 20 1963	5,000,000	-	1,103,702	3,896,291
	Total		20,000,000	-	6,248,422	13,751,578
21210	Chicago & Eastern Illinois	Sept. 23 1960	3,000,000	-	3,000,000	-
22361	"	Feb. 28 1963	11,800,000	-	9,828,504	1,971,496
	Total		14,800,000	-	12,828,504	1,971,496
21494	Erie Lackawanna	June 8 1961	15,000,000	-	3,000,000	12,000,000
20517	Georgia & Florida	May 8 1959	934,960	-	934,960	-
20518	"	Oct. 5 1959	1,000,000	100,000	900,000	-
	Total		1,934,960	100,000	1,834,960	-
20760	Lehigh Valley	Nov. 27 1959	5,923,000	-	3,128,657	2,794,343
21300	"	Dec. 7 1960	5,000,000	-	2,336,000	2,664,000
21539	"	Apr. 28 1961	2,500,000	-	1,375,000	1,125,000
21776	"	Jan. 28 1961	5,000,000	-	2,469,000	2,531,000
22339	"	Apr. 25 1963	3,400,000	-	1,235,000	2,165,000
	Total		21,823,000	-	10,543,657	11,279,343

APPENDIX C

LOAN GUARANTY APPLICATIONS
STATEMENT SHOWING REPAYMENTS AND UNPAID BALANCES FOR APPROVED APPLICATIONS

Finance Docket Number	Railroad	Date	Amount Approved	Approved But Not Disbursed	Repayments	Unpaid Balance December 31, 1975
21454	Missouri-Kansas-Texas	May 22 1961	\$16,000,000	\$ -	\$ 3,200,000	\$12,800,000
21552	" "	June 26 1961	6,000,000	-	5,040,000	960,000
22577	" "	Nov. 12 1963	12,000,000	-	-	12,000,000
	Total		34,000,000	-	8,240,000	25,760,000
21551	Monon (Assumed by Louis-	July 26 1961	5,000,000	-	4,300,000	700,000
22675	ville & Nashville)	Sept. 23 1963	5,500,000	-	3,500,000	2,000,000
	Total		10,500,000	-	7,800,000	2,700,000
20372	New Haven (Assumed by	Aug. 5 1960	8,159,400	-	8,159,400	-
20397	" " Penn Central)	Jan. 8 1960	500,000	-	500,000	-
20398	" "	Oct. 28 1959	1,500,000	-	1,500,000	-
21299	" "	Oct. 31 1960	4,500,000	-	627,900	3,872,100
21299	" "	Dec. 29 1960	3,500,000	-	-	3,500,000
21299	" "	Feb. 14 1961	3,500,000	-	-	3,500,000
21299	" "	May 12 1961	1,500,000	-	-	1,500,000
	(Subtotal F.D. No. 21299)		13,000,000	2/	627,900	12,372,100
	Total		23,159,400	-	10,787,300	12,372,100
21685	New Haven Trustees	Aug. 2 1961	5,000,000	-	3,125,000	1,875,000
21808	" "	Dec. 7 1961	7,500,000	-	3,125,000	4,375,000
	Total		12,500,000	-	6,250,000	6,250,000
20689	Penn Central (N.Y. Central)	Sept. 16 1959	40,000,000	-	23,100,000	16,900,000
20840	New York, Susq. & Western	Apr. 20 1960	300,000	-	300,000	-
21794	" "	Mar. 1 1962	555,000	-	555,000	-
	Total		855,000	-	855,000	-

APPENDIX C

LOAN GUARANTY APPLICATIONS
STATEMENT SHOWING REPAYMENTS AND UNPAID BALANCES FOR APPROVED APPLICATIONS

Finance Docket Number	Railroad	Date	Amount Approved	Approved But Not Disbursed	Repayments	Unpaid Balance December 31, 1975
21121	Norfolk Southern	Sept. 21 1960	\$ 2,000,000	-	\$ 2,000,000	-
22488	"	June 5 1963	<u>5,400,000</u>	-	<u>2,100,000</u>	<u>3,300,000</u>
	Total		<u>7,400,000</u>	-	<u>4,100,000</u>	<u>3,300,000</u>
21547	Pittsburgh & West Virginia	June 26 1961	1,500,000	-	1,400,000	100,000
22445	"	Mar. 28 1963	<u>1,500,000</u>	<u>1,400,000</u>	<u>100,000</u>	-
	Total		<u>3,000,000</u>	<u>1,400,000</u>	<u>1,500,000</u>	<u>100,000</u>
22545	Reading	June 26 1963	<u>30,000,000</u>	-	<u>2,900,000</u>	<u>28,000,000</u> 12/
	GRAND TOTAL		<u>\$243,972,360</u>	<u>\$1,500,000</u>	<u>\$108,087,843</u>	<u>\$134,384,517</u>

1/ The entire unpaid principal balance of these loans, with accrued interest, was paid by the Receiver of the Georgia & Florida on June 29, 1963, from the funds received by him from sale of all of the properties and franchises of the railroad to certain subsidiaries of the Southern Railway. No further disbursements will be made.

2/ New Haven defaulted on its loans in Finance Docket Nos. 20398 and 21299 in July 1961, with unpaid principal balances of \$1,375,000 and \$13,000,000, respectively. On October 2, 1961, the United States paid the unpaid principal balance of these loans, plus interest of \$300,740, with funds provided in Supplemental Appropriations Bill 1962 (H.R. 9169). Subsequently the entire principal of \$1,375,000 and \$22,708 of the interest in Finance Docket No. 20398 was recovered. The loans in Finance Docket Nos. 20372 and 20397 were assumed by the New Haven Trustees. When it purchased the properties of New Haven, the loan in Finance Docket No. 20372 was assumed by Penn Central, and when Penn Central entered reorganization, the loan was assumed by the Penn Central Trustees.

3/ As of December 31, 1975, \$627,900 had been applied against the principal of this loan as a result of settlement of certain claims.

- 4/ Upon request of the railroad, the commitment of the lender in respect of this undisbursed balance terminated as of October 31, 1964. Accordingly, no further disbursement will be made.
- 5/ Central of New Jersey defaulted on its loans in Finance Docket Nos. 21555 and 22640 in March 1967, with unpaid principal balances of \$12,375,000 and \$4,620,000, respectively. On June 1, 1967, the United States paid the unpaid principal balances of these loans, plus interest of \$373,312.50, with funds provided by Supplemental Appropriation (Public Law 90-21). As of December 31, 1975, \$3,243,422 had been applied on the principal of these loans from revenues derived from the collateral security, leaving an aggregate principal balance of \$13,751,578.
- 6/ Boston & Maine defaulted on its loans in Finance Docket Nos. 20429, 21365 and 22231 in March 1970, with unpaid balances of \$900,000, \$1,800,000 and \$516,667, respectively. On April 1, 1971, the United States paid the unpaid principal balances of these loans, plus interest of \$206,454, with funds from the appropriation for the Transportation agencies. \$301,137 has been recovered on these loans, leaving an aggregate principal balance of \$2,915,530. On November 8, 1974, a settlement was approved by the Attorney General whereby \$1,944,445 was received from the Boston & Maine Trustees in full payment of the \$2,915,530 aggregate principal balance of the loans.
- 7/ Lehigh Valley defaulted on its loans in Finance Docket Nos. 20760, 21300, 21539, 21776 and 22339 in July 1970, with unpaid balances of \$2,800,000, \$2,664,000, \$1,125,000, \$2,531,000 and \$2,165,000, respectively, a total of \$11,285,000. On January 19, 1971, the United States paid the unpaid principal balance of these loans, plus accrued interest of \$465,296, with funds provided by Supplemental Appropriation (Public Law 91-665). As of December 31, 1975, \$5,657 has been recovered on the loans.
- 8/ The Trustees of the New Haven Railroad defaulted on their loans in Finance Docket Nos. 21685 and 21808, evidenced by Trustees' Certificates, in September 1970, with unpaid balances of \$9,000,000 and \$7,500,000, respectively. On January 19, 1971, the United States paid the unpaid principal balances of these loans, plus accrued interest of \$422,188.35, with funds provided by Supplemental Appropriation (Public Law 91-665). In December 1975, the U.S. Department of Justice reached a settlement whereby the Attorney General accepted \$4,023,188 in satisfaction for one-half (\$6,250,000) of the Trustees' Certificates. The settlement was approved by the reorganization court, and by check dated December 2, 1975, \$4,023,188 was received, thus reducing the aggregate of the Trustees' Certificates outstanding to \$6,250,000.
- 9/ Penn Central defaulted on its loan in Finance Docket No. 20689, in June 1970, with an unpaid balance of \$16,900,000. On January 19, 1971, the United States paid the unpaid principal balance of this loan, plus accrued interest of \$905,400.22, with funds provided by Supplemental Appropriation (Public Law 91-665).
- 10/ Reading Company defaulted on its loan in Finance Docket No. 22545, in November 1971, with an unpaid balance of \$28,000,000. On March 24, 1972, the United States paid the principal balance of this loan, plus accrued interest of \$1,329,611.11
- 11/ Erie Lackawanna defaulted on its loan in Finance Docket No. 21494, in June 1972, with an unpaid balance of \$12,000,000. On November 3, 1972, the United States paid the principal balance of this loan, plus accrued interest of \$323,000.

APPENDIX D

INTERSTATE COMMERCE COMMISSION
BUREAU OF OPERATIONS - SECTION OF RAILROADS
CLASS I RAILROADS AND RAILROAD OWNED AND CONTROLLED PRIVATE REFRIGERATOR CAR LINES
FISCAL YEARS 1975, 1974, 1973, 1972, AND 1971

TOTAL OWNERSHIPS	Box			Covered			Flat	Others	Total Cars
	Plain	Equipped	Refr.	Gondola	Hopper	Hopper			
June 30, 1975	315,006	171,002	83,951	176,154	344,113	156,198	97,948	37,464	1,381,836
June 30, 1974	322,917	175,143	94,391	179,056	349,780	152,383	101,876	38,850	1,414,396
June 30, 1973	327,853	179,069	91,939	183,236	363,256	145,629	96,916	39,300	1,427,198
June 30, 1972	345,718	176,473	92,597	181,758	379,125	139,109	95,358	44,920	1,455,058
June 30, 1971	358,887	171,592	98,707	185,537	390,398	134,883	75,444	49,165	1,464,613
SERVICABLE OWN-ERSHIPS									
June 30, 1975	280,751	152,503	77,585	163,075	327,141	147,144	91,709	35,698	1,275,606
June 30, 1974	294,737	161,644	89,715	169,663	331,481	146,039	96,422	37,198	1,326,899
June 30, 1973	300,575	168,580	87,512	171,391	345,427	140,043	92,391	37,723	1,343,642
June 30, 1972	314,360	166,440	88,508	169,868	362,324	133,718	90,522	43,129	1,368,869
June 30, 1971	327,475	162,577	94,365	176,329	375,192	130,350	70,905	46,853	1,384,046
PERCENT UNSERV-ICEABLE CARS									
Annual Avg. 1975	9.7%	8.5%	4.7%	6.1%	4.7%	4.8%	5.9%	4.5%	6.6%
High Monthly Avg. 1975	10.8%	10.3%	6.0%	7.3%	5.2%	5.7%	6.3%	4.8%	7.5%
Low Monthly Avg. 1975	8.7%	7.7%	3.7%	5.2%	4.2%	4.2%	5.4%	4.0%	6.1%
Annual Avg. 1974	8.8%	6.7%	3.9%	6.2%	5.5%	4.1%	5.2%	4.1%	6.2%
High Monthly Avg. 1974	9.1%	7.4%	4.2%	6.5%	5.8%	4.3%	5.6%	4.9%	6.4
Low Monthly Avg. 1974	8.3%	5.9%	3.5%	5.4%	4.9%	3.8%	4.7%	3.6%	5.8%

PERCENT UNSERV- ICEABLE CARS	Box			Refr.	Gondola	Hopper	Covered Hopper	Flat	Others	Total Cars
	Plain	Equipped								
Annual Avg. 1973	8.6%	5.8%	3.6%	6.8%	4.8%	3.7%	4.9%	3.8%	5.9%	
High Monthly Avg. 1973	9.5%	6.1%	3.9%	7.1%	5.2%	3.8%	5.3%	4.2%	6.2%	
Low Monthly Avg. 1973	8.2%	5.5%	3.3%	6.4%	4.4%	3.6%	4.5%	3.2%	5.7%	
Annual Avg. 1972	9.0%	5.6%	3.1%	5.9%	4.1%	3.5%	5.7%	4.5%	5.7%	
High Monthly Avg. 1973	9.3%	5.7%	3.5%	6.6%	4.5%	3.9%	6.4%	5.1%	5.9%	
Low Monthly Avg. 1972	8.8%	5.3%	2.8%	5.0%	3.7%	3.2%	5.0%	3.7%	5.4%	
Annual Avg. 1971	8.5%	5.5%	3.2%	6.4%	4.0%	3.4%	6.0%	5.1%	5.7%	
High Monthly Avg. 1971	8.9%	6.0%	3.7%	7.2%	4.2%	3.6%	6.2%	5.8%	6.0%	
Low Monthly Avg. 1971	8.1%	5.1%	2.8%	5.0%	3.8%	3.1%	5.6%	4.3%	5.5%	
CARS INSTALLED										
1975	7,980	5,080	2,180	4,928	10,075	7,143	2,037	240	39,663	
1974	8,504	4,598	1,992	1,061	4,022	8,951	2,219	573	31,920	
1973	7,037	7,091	2,749	4,384	3,353	7,685	1,221	602	34,122	
1972	9,287	5,812	2,837	5,809	12,007	5,847	1,330	50	42,979	
1971	6,993	9,299	5,233	5,906	15,789	7,911	1,958	675	53,764	

CARS INSTALLED

CARS RETIRED	Box					Covered	Total Cars
	Plain	Equipped	Refr.	Gondola	Hopper		
1975	15,891	9,221	12,620	7,830	15,742	3,328	72,223
1974	13,440	8,524	- 460	5,241	17,498	2,197	44,722
1973	25,172	4,225	3,407	2,906	19,222	1,165	61,982
1972	22,456	931	8,947	9,588	23,280	1,621	52,534
1971	28,333	1,002	7,028	10,725	17,406	1,605	67,536

CARS REPAIRED
(HEAVY REPAIR ONLY)

1975	29,040	21,085	7,937	12,685	18,088	10,702	2,821	109,825
1974	38,380	17,877	11,706	15,432	16,208	13,614	3,025	124,343
1973	46,434	19,462	9,801	13,407	11,981	13,205	3,898	127,141
1972	57,656	19,201	8,830	12,504	16,628	12,029	3,802	141,615
1971	52,148	17,999	7,751	20,058	22,790	9,776	3,750	143,695

NEW CARS ORDERED

	Box					Cov. Hop.	Flat	Others	Tot. Cars
1975	-	76	2,117	5,453	19,542	5,514	1,884	15	34,449
1974	21,605		1,421	6,139	10,706	7,559	2,433	798	50,661
1973	19,373		4,085	3,472	5,782	25,286	10,319	10,652	78,969
1972	11,011		3,543	4,551	7,414	9,177	2,724	4,803	43,223
1971	9,272		6,045	5,508	16,917	10,865	3,637	6,815	59,059

NEW CARS ON ORDER
(JUNE 30)

1975	2,385	514	18,812	5,974	9,345	2,628	1,251	0	31,564
1974	15,521	977	9,345	5,449	9,345	4,257	1,404	225	37,178
1973	7,018	1,548	2,661	371	2,661	5,649	1,190	0	18,437
1972	4,904	1,563	4,031	1,654	4,031	2,165	689	1,930	16,936
1971	9,518	1,575	9,035	3,908	9,035	3,589	549	0	28,174

FREIGHT CAR SURPLUS

FY	Box			Gondola	Hopper	Cov. Hop.	Flat	Others	Tot. Cars
	Daily Avg.	Daily High	Daily Low						
1975	21,171	42,640	2,711	666	3,335	3,626	3,306	2,347	38,774
				3,468	30,675	17,094	6,759	2,970	76,262
				10	0	110	307	1,700	10,527

<u>FREIGHT CAR SURPLUS</u>		<u>Box</u>	<u>Refr.</u>	<u>Gondola</u>	<u>Hopper</u>	<u>Cov. Hop.</u>	<u>Flat</u>	<u>Others</u>	<u>Tot. Cars</u>
FY 1974	Daily Avg.	1,447	2,762	51	7,053	254	305	1,560	7,463
	Daily High	5,259	4,244	176	25,020	3,720	675	2,528	31,779
	Daily Low	305	1,492	2	0	0	87	551	3,468
FY 1973	Daily Avg.	3,002	3,184	1,406	14,745	368	860	1,821	25,386
	Daily High	17,914	4,376	5,178	34,274	2,342	2,318	2,426	57,049
	Daily Low	270	1,316	60	140	0	122	781	5,918
FY 1972	Daily Avg.	8,050	4,106	5,470	28,185	2,255	1,396	2,662	52,131
	Daily High	23,073	6,401	13,542	109,243	5,933	2,723	3,585	131,621
	Daily Low	2,437	2,133	112	1,110	47	542	1,556	15,716
FY 1971	Daily Avg.	3,335	4,613	355	421	670	2,109	2,910	14,416
	Daily High	6,629	6,718	1,850	1,525	5,634	5,138	4,230	23,036
	Daily Low	636	2,175	18	0	0	299	804	9,183
<u>FREIGHT CAR SHORTAGE</u>									
FY 1975	Daily Avg.	313	44	2,120	2,597	1,115	218	34	6,425
	Daily High	1,455	369	4,390	7,580	2,830	877	215	15,257
	Daily Low	10	0	131	140	0	60	1	661
FY 1974	Daily Avg.	12,634	266	4,757	3,269	9,487	1,462	193	32,066
	Daily High	17,482	895	7,409	7,058	14,031	3,670	436	44,283
	Daily Low	1,633	18	2,045	1,108	291	689	60	13,733
FY 1973	Daily Avg.	9,675	111	1,532	1,184	7,941	482	75	20,999
	Daily High	19,883	513	3,730	3,866	16,582	1,343	178	42,534
	Daily Low	700	17	232	63	168	77	5	1,467
FY 1972	Daily Avg.	1,112	63	209	389	419	162	28	2,382
	Daily High	2,078	234	1,311	1,060	1,161	327	79	4,434
	Daily Low	263	0	8	15	17	11	0	430
FY 1971	Daily Avg.	3,715	55	1,521	2,320	2,511	98	96	10,316
	Daily High	7,597	178	3,285	5,448	4,323	241	330	16,421
	Daily Low	239	9	126	228	171	8	12	2,292

TURN AROUND TIME - DAYS
(CALENDAR YEAR) 52 WKS.

	Box	Refr.	Gondola	Hopper	Covered	Flat	Others	Total Cars
1974	24.98	33.96	18.25	13.29	22.40	13.68	--	19.59
1973	22.53	33.01	17.76	13.53	21.16	12.20	--	18.74
1972	23.21	32.21	19.41	14.71	20.73	12.57	--	19.57
1971	24.01	35.46	20.76	15.31	21.98	13.78	--	20.14
1970	22.35	33.21	19.12	13.94	20.23	13.46	--	18.73

TRIPS PER YEAR
(CALENDAR YEAR)
52 WKS.

1974	14.6	10.7	20.0	27.5	16.3	26.7	--	18.6
1973	16.2	11.1	20.6	27.0	17.2	29.9	--	19.5
1972	15.7	11.3	18.8	24.8	17.6	29.0	--	18.7
1971	15.2	10.3	17.6	23.8	16.6	26.5	--	18.1
1970	16.3	11.0	19.1	26.2	18.0	27.1	--	19.5

TOTAL REVENUE AND
NON-REVENUE
CARLOADINGS
(CALENDAR YEAR)

	Box	Refr.	Gondola	Hopper	Cov. Hop.	Flat	Others	Tot. Cars
12 Months - 1975	5,116,630	930,734	2,453,953	8,229,462	3,059,725	2,765,417	1,965,358	24,54,279
% of Total Loadings	20.87	3.80	10.00	33.56	12.48	11.28	8.01	100.00
12 Months - 1974	6,436,343	1,006,799	3,022,475	8,672,297	3,138,632	3,313,778	2,285,859	27,876,183
% of Total Loadings	23.09	3.6	10.84	31.11	11.26	11.89	8.20	100.00
12 Months - 1973	7,248,428	1,069,631	3,076,628	8,759,515	3,051,290	3,496,653	2,275,114	28,977,259
% of Total Loadings	25.01	3.69	10.62	30.23	10.53	12.07	7.85	100.00
12 Months - 1972	7,198,851	1,082,306	2,814,672	8,425,174	2,855,655	3,294,273	2,184,724	27,855,655
% of Total Loadings	25.84	3.89	10.10	30.25	10.25	11.83	7.84	100.00
12 Months - 1971	7,194,196	1,057,480	2,731,351	8,435,511	2,566,326	3,091,741	2,136,954	27,213,559
% of Total Loadings	26.44	3.89	10.04	31.00	9.43	11.36	7.84	100.00

INTERSTATE COMMERCE COMMISSION

SALARIES AND EXPENSES

(Amended February 1976)

SUMMARY STATEMENT

The enclosed budget amendment for Fiscal Year 1977 is to provide resources required by enactment of the Railroad Revitalization and Regulatory Reform Act of 1976 (Rail Act of 1976). The amendment includes requests of \$1,250,000 and 28 positions for the Rail Services Planning Office, which the Act establishes as a permanent part of the Interstate Commerce Commission; \$1,042,000 and 15 positions for a new Office of Rail Public Counsel, which the Act directs shall be established within 60 days of its passage into law; and \$2,662,000 and 82 positions for bureaus and offices of the Interstate Commerce Commission requiring additional resources under various provisions of the Act.

Funds included in the Commission's pending Fiscal Year 1977 request for an Office of Public Counsel (\$958,000) would be added to those requested in the enclosed amendment to bring the new Office of Rail Public Counsel to the \$2,000,000 level authorized by the Rail Act of 1976. Similarly, the 15 positions included in the pending request would bring the new Office's total staff to 30--the same number as in the Commission's pending supplemental request for Fiscal Year 1976.

Program and Financing (in thousands of dollars)

Identification code 31-20-0100-3-1-404	19 actual	19 77	1977 estimate	1977 estimate
		Request Pending	Proposed Amendments	1977 Revised Request
<u>Program by activities:</u>				
<u>Direct Program:</u>				
1. Formal proceedings		27,820	1,284	29,104
2. Compliance		16,229	308	16,537
3. Financial oversight		6,555	-	6,555
4. Tariff examination		4,072	112	4,184
5. Planning rail services		---	1,250	1,250
6. Rail Public Counsel		---	2,000	2,000
Total, direct program		<u>54,676</u>	<u>4,954</u>	<u>59,630</u>
Reimbursable programs		---	---	---
Total program costs, funded		<u>54,676</u>	<u>4,954</u>	<u>59,630</u>
Change in selected resources (undelivered orders).....		---	---	---
10. Total obligations		<u>54,676</u>	<u>4,954</u>	<u>59,630</u>
<u>Financing:</u>				
Budget authority		54,676	4,954	59,630
<u>Budget authority:</u>				
40. Appropriation		54,676	4,954	59,630
<u>Relation of obligations to outlays:</u>				
71. Obligations incurred, net...		54,676	4,954	59,630
72. Obligated balance, start of period		3,968	--	3,968
74. Obligated balance, end of period		- 3,968	--	- 3,968
77. Adjustments in expired accounts		---	--	---
90. Outlays		<u>54,676</u>	<u>4,954</u>	<u>59,630</u>

INTERSTATE COMMERCE COMMISSION

Identification code	19 actual	19 77	19 77 estimate	19 77 estimate
Budget Appendix Heading Page		Request Pending	Proposed Amendments	1977 Revised Request
748 Salaries and Expenses (Revise as indicated)		\$54,676,000	\$4,954,000	\$59,630,000
<p>For necessary expenses of the Interstate Commerce Commission, including service as authorized by 5 U.S.C. 3109, [\$54,676,000] \$59,630,000 of which \$150,000 shall be available for valuation of pipelines; of which \$625,000 shall be available for necessary expenses of the Rail Services Planning Office to carry out the powers and duties authorized by the Regional Rail Reorganization Act of 1973, as amended by the Railroad Revitalization and Regulatory Reform Act of 1976; and of which \$2,000,000 shall be available for the Office of Rail Public Counsel to carry out the powers and duties authorized by the Railroad Revitalization and Regulatory Reform Act of 1976: Provided, that Joint Board members and cooperating State Commissioners may use Government transportation requests when traveling in connection with their duties as such.</p>				

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code	19 actual	19 77	19 77 estimate	19 77 estimate
31-20-0100-3-1-404				
Direct obligations:		Request	Proposed	Revised
Personnel compensation:		<u>Pending</u>	<u>Amendment</u>	<u>Request</u>
11.1 Permanent positions.....		39,468	2,495	41,963
11.3 Positions other than permanent.....		200	---	200
11.5 Other personnel compensation.....		132	---	132
Total personnel compensation.....		39,800	2,495	42,295
Personnel benefits:				
12.1 Civilian.....		3,800	236	4,036
21.0 Travel and transportation of persons.....		1,722	125	1,847
22.0 Transportation of things.....		65	1	66
23.0 Rent, communications, and utilities.....		5,209	341	5,570
24.0 Printing and reproduction.....		389	59	448
25.0 Other services.....		2,480	1,634	4,114
26.0 Supplies and materials.....		637	25	662
31.0 Equipment.....		574	18	592

99.0 Direct Total/obligations.....		54,676	4,954	59,630

Personnel Summary

Identification code 31-20-0100-3-1-404	19 actual	19 77	19 77 estimate	19 77 estimate
		<u>Request Pending</u>	<u>Proposed Amendment</u>	1977 <u>Revised Request</u>
Total number of permanent positions.....		2,174	125	2,299
Full-time equivalent of other positions.....		20	20	20
Average paid employment.....		2,120	120	2,240
Average GS grade		9.93	+ .09	10.02
Average GS salary		\$18,918	+\$ 91	\$19,009
Average grade, grade established by Railroad Revitalization and Regulatory Reform Act of 1976		--	18	18
Average salary, salary established by Railroad Revitalization and Regulatory Reform Act of 1976		--	\$37,800	\$37,800
Average salary of ungraded positions		\$12,346	--	\$12,346

DETAIL OF PERMANENT POSITIONS

	1977 actual	1977 estimate	1977 estimate
GRADES AND RANGES	Request Pending	Proposed Amendment	Revised Request
Executive level III, \$42,000	1	--	1
Executive level IV, \$39,900	10	--	10
Subtotal	11	--	11
GS-18, \$37,800	3	--	3
GS-17, \$37,800	14	1	15
GS-16, \$36,338 to \$37,800	95	2	97
GS-15, \$31,309 to \$37,800	139	9	148
GS-14, \$26,861 to \$34,916	112	7	119
GS-13, \$22,906 to \$29,782	269	55	324
GS-12, \$19,386 to \$25,200	426	20	446
GS-11, \$16,255 to \$21,133	130	4	134
GS-10, \$14,824 to \$19,270	41	--	41
GS- 9, \$13,482 to \$17,523	135	3	138
GS- 8, \$12,222 to \$15,885	33	--	33
GS- 7, \$11,046 to \$14,358	93	1	94
GS- 6, \$ 9,946 to \$12,934	147	2	149
GS- 5, \$ 8,925 to \$11,607	325	18	343
GS- 4, \$ 7,976 to \$10,370	126	1	127
GS- 3, \$ 7,102 to \$ 9,235	36	--	36
GS- 2, \$ 6,296 to \$ 8,186	6	--	6

DETAIL OF PERMANENT POSITIONS

	19 77 actual	19 77 estimate	19 77 estimate
	<u>Request Pending</u>	<u>Proposed Amendment</u>	<u>Revised Request</u>
GS- 1, \$ 5,559 to \$ 7,224	2	--	2
Subtotal	2,143	123	2,266
Grade established by the Railroad Revitalization and Regulatory Reform Act of 1976:			
GS-18 \$37,800	--	2	2
Ungraded	--	--	31
Total permanent positions	2,174	125	2,299
Unfilled positions, September 30	- 62	--	- 62
Total permanent employment, end of year.	2,112	125	2,237

Rail Services Planning Office (Activity 5)

This Office performs specified functions in connection with the analysis and planning of rail services throughout the United States pursuant to the provisions of the Railroad Revitalization and Regulatory Reform Act of 1976 and the Regional Rail Reorganization Act of 1973. These functions include: analysis of proposed mergers, acquisitions and other significant changes to the national rail system; evaluation of the Department of Transportation's (DOT) classifications of rail lines; establishment of an accounting system for branch lines and of definitions for certain cost accounting terms; provision of assistance to States and other potential subsidizers of rail services; development of policy recommendations for improved regulation of transportation; evaluation of the long-term rail transportation needs of the nation; and provision of a permanent planning staff available to assist the Commission and the other Bureaus and Offices. In addition to its specified assistance to the Commission, the Office interacts with the Department of Transportation, the United States Railway Association, and the State transportation agencies, as well as the Consolidated Rail Corporation and other railroads involved in the restructuring of rail service in the northeast.

The following table shows the positions and estimated obligations included in the Fiscal Year 1977 budget and the proposed amendment:

	Request Pending	Proposed Amendment	1977 Revised Request
Positions	-	28 ^{1/}	28
Average employment	-	27.0	27.0
Personnel compensation	-	\$ 567,000	\$ 567,000
Personnel benefits	-	51,000	51,000
Total compensation and benefits	-	618,000	618,000
Travel	-	35,000	35,000
Other objects	-	597,000	597,000
Total	-	\$ 1,250,000	\$ 1,250,000

^{1/} Anticipates that a substantial portion of the funds and positions requested for the Permanent Planning Staff will be allocated to the Rail Service Planning Office.

NARRATIVE JUSTIFICATIONGENERAL

The Railroad Revitalization and Regulatory Reform Act of 1976 (Rail Act), which was signed into law on February 5, 1976, makes the Rail Services Planning Office a permanent adjunct of the Commission, assigns it certain additional duties under the Regional Rail Reorganization Act (RRR Act), and adds certain continuing functions not related to the Northeast-Midwest rail restructuring process. The Rail Act provides an additional \$2 million authorization for appropriation to the Office. The "Report of the Committee of Conference" (S. 94-585) states that the purpose of this \$2 million additional authorization is to carry out the Office's functions under the RRR Act and that the new permanent functions assigned to it are to be covered by the Commission's general authority to seek appropriations. This action by the Congress will provide adequate authorization for appropriations for the foreseeable future.

Functionally, the permanent duties of the Office are of three types: (1) determining and promulgating Subsidy and Accounting Standards; (2) Analysis and Evaluation of reports, studies, and proposals; and (3) providing Policy Planning assistance to the Commission in the discharge of its regulatory duties.

Some of these duties, such as those involving the initial determination of various subsidy and accounting standards, are to be essentially completed within statutory time frames of 180 to 270 days from enactment of the Rail Act although some follow-up or modification effort will be required. Others, such as policy planning and evaluation of merger, coordination, and joint use projects, will be of a continuing nature. To minimize the problems which would arise from a rapid build-up of the Office's staff, with the necessity for subsequent cut-backs, it is contemplated that major effort on the permanent planning and evaluation duties will be deferred until completion of some of the tasks with statutory deadlines.

SUBSIDY AND ACCOUNTING STANDARDS

The Rail Act establishes three separate subsidy programs involving over \$650 million in Federal funding. The Office is required to develop the standards for determining the subsidy payments for each of the programs. A major rule-making proceeding under the Administrative Procedures Act will be required for the development of each of the Standards.

Original Standards. Title IV of the RRR Act established a program under which unprofitable rail services could be continued through payment of subsidies to the operators and the owners of rail properties under a Federal-State matching formula. The Office is required under Sec. 205(d)(6) of the amended Act to determine, publish, and from time to time revise and reissue, standards for determining the "revenue attributable

to the rail properties," the "avoidable costs of providing service," a "reasonable return on the value," and "a reasonable management fee," as those phrases are to be applied in the subsidy agreements.

In February, 1974, the Office instituted a rulemaking proceeding for this purpose in Ex Parte No. 293 (Sub-No. 2) Standards for Determining Rail Service Continuation Subsidies. After an extended period for public comment, and at the request of several parties, the preliminary standards were tested on actual branch lines; following two further periods for public comment, final standards were published March 28, 1975. However, since the posting of service discontinuance notices on December 9, 1975, and the beginning of active negotiations toward subsidy agreements, some new and unforeseen questions have arisen both as to the adequacy of some of the notices and as to some details of the Standards. By notice published in the Federal Register of January 22, 1976, two amendments were ordered, with comments to be entertained until March 1, 1976. Additional revisions will be necessary both in the light of experience and to accommodate the management fees provided for the amended section.

Criteria. Sec. 205(d)(3) of the amended RRR Act requires the Office to assist States and local and regional transportation agencies in making determinations whether to provide rail service continuation subsidies by establishing criteria for use in such determinations. On June 9, 1975, a notice of intent to establish such criteria was published in the Federal Register and comments were invited. The public response was not nearly so marked as in the case of the Subsidy Standards; nevertheless, some valuable suggestions were received, and on November 7, 1975, the Criteria for Rail Service Continuation Subsidies were issued (40 FR 52200). It is not contemplated that much further work under this subsection of the Act will be required.

Commuter Subsidy Standards. The Rail Act has provided that financial assistance be made available under the Urban Mass Transportation Act of 1964 to continue certain rail commuter passenger services which might otherwise be terminated. The Office, under Sec. 205(d)(5) of the RRR Act as amended, is to issue regulations which will contain standards for the computation of these commuter subsidies, and also for determination of the passenger service operating assistance payments to be made by the Department of Transportation.

Preliminary work toward the establishment of these standards had already begun before enactment of the Rail Act, since this task is to be completed within 180 days. Conversations with representatives of the Urban Mass Transportation Administration and the various commuter authorities have been held; copies of most of the existing commuter service assistance agreements have been obtained, and are under review to determine the issues which must be addressed. It is anticipated that a rulemaking notice incorporating preliminary proposed standards will be issued about March 1, 1976. The services of consultants will be utilized to supplement the capabilities of the Office's staff.

During the two years of light-density line studies since enactment of the RRR Act, it has become apparent that the railroads do not keep accounting records which are adequate for determining the economic contribution of particular lines or for determining the amounts of financial assistance necessary to preserve operations over such lines where required by the public need. Also, in Secs. 802 and 803 of the Rail Act, Congress has established new procedures and criteria for rail line abandonments in areas other than the Midwest-Northeast Region, and established a national program of local rail service assistance.

Accounting Regulations. Accordingly, Sec. 205(e) has been added to the RRR Act by Congress, requiring that within 270 days the Office issue regulations to develop an accounting system which will permit the collection and publication by ConRail and profitable railroads providing service over lines scheduled for abandonment of the information necessary to permit accurate determinations of the attributable revenues, avoidable costs, and operations of light-density lines as operating and economic units.

Avoidable Cost Standards. The regulations are also to determine the "avoidable cost of providing rail freight service" as that phrase is used in the amended section of the Interstate Commerce Act governing abandonments. (As that phrase has been defined in amended Sec. 1(b)(10) of the Interstate Commerce Act, this standard for "avoidable cost" is to be different from that applied under the RRR Act). The Office is to revise and reissue standards and regulations from time to time to accommodate changes made necessary by the new accounting system.

Under Sec. 20(3) of the Interstate Commerce Act as amended, the Commission is directed to issue new regulations by June 30, 1977, prescribing a uniform cost and revenue accounting and reporting system for all railroads. To a considerable degree, therefore, it will be desirable to harmonize the regulations to be issued by the Office with those to be developed by the Commission. However, the Office's regulations are for a specific and limited purpose, and the activity on these regulations must commence immediately, and be completed, for the most part, by the close of the calendar year 1976. Thus these must be finished before the general rules are to be issued by the Commission.

Much of the effort in developing all the Standards will be innovative in nature. There is little or no expertise in the Federal Government regarding these matters. The statutory time frames and the short duration of the need for this talent will require substantial dependence on consulting assistance.

ANALYSIS AND EVALUATION

Light-Density Line Evaluations. Section 205(e)(2) of the RRR Act, as amended, requires that if any State in the region so requests within 90 days after enactment of the Rail Act, the Office is to prepare and publish an evaluation of the economic viability

of any or all light-density lines within that State which were not designated for inclusion in the Final System Plan. At this stage, it is not known what requests will be made of the Office under this section. It is likely, however, that they will be considerable. There are approximately 400 lines which are not included in the Final System Plan. Since the States have everything to gain and nothing to lose by requesting such evaluations, it is anticipated that they will all do so. The evaluation will require an analysis of current transportation patterns, the potential for industrial growth, and the alternative or adjustments in service available for preserving rail service. In most instances, an on-site inspection of the facilities will be required. It is estimated that this activity will require 15 man-years of effort during the next year. In addition, there will be a substantial requirement for computerized analysis of the data involved.

It is anticipated that assistance other than these special analyses will continue to be required for some time, and that persons outside the region will begin to seek the Office's assistance as the programs under Title IV, V, and VIII of the Rail Act go into operation.

Public Hearings. Under Section 503(c) of the Rail Act, the Office is to conduct public hearings at representative locations to solicit comments and receive views on the DOT's preliminary designations and classifications of rail lines. These hearings presumably will have to be held in almost every state during the months of December, 1976, and January, 1977. Judging from the public response to the hearings under the RRR Act, a large number of parties may be expected to submit statements, and the record developed probably will be considerable.

In advance of the public hearings, however, it will be necessary to collect and analyze a considerable mass of data and to solicit the views and positions of the Departments of Agriculture, Commerce, Defense, Labor, and Interior, the Environmental Protection Agency, and other Federal and State agencies concerned with various aspects of rail transportation throughout the Nation.

Report. Under Section 503(d) of the Rail Act, the Office's staff must review and evaluate the data submitted by railroads, the Department of Transportation's preliminary standards and designations, the positions of the Federal agencies involved in rail transportation, and the statements and data submitted by persons and organizations participating in the public hearings. The Office's report on DOT's Standards and Designations for the classification of rail lines must be issued 120 days after the publication of DOT's report. Thus, the main burden of this task will be concentrated in the period between November 1976 and February 1977.

The Office is then to assist DOT in establishing the final criteria for classifying rail lines and in making the final designations of individual lines into the proper categories. The finalization of the criteria and designations must be completed within 60 days after publication of the Office's evaluation report.

Mergers, Consolidations. The Office will have a similar analysis and evaluation function with respect to railroad mergers, consolidations, unifications, coordinations, acquisitions, and joint use projects proposed under Secs. 5(2) and 5(3) of the Interstate Commerce Act. These duties are assigned to the Office under Section (d)(2) of the RRR Act as amended. Since these duties are entirely new, it is not yet possible to determine with any precision what the manpower requirements for carrying them out will be.

POLICY PLANNING

Economic Regulatory Policies. Under amended Section 205 (d) (2) of the RRR Act, the Office is to assist the Commission in developing, with respect to economic regulation of transportation, policies which are likely to result in a more competitive, energy-efficient, and coordinated transportation system which utilizes each mode of transportation to its maximum advantage to meet the transportation needs of the Nation.

Plans and Programs. Amended Section 205 (d) (4) of the RRR Act assigns to the Office the responsibility to conduct an ongoing analysis of the rail transportation needs of the Nation and to evaluate the policies, plans and programs of the Commission on the basis of this analysis. The Office is to advise the Commission of its findings.

In this respect, the Office will discuss with the Commission the relationships of these functions to the functions and operations of the Bureaus and Offices within the Commission. As stated at the outset, it is contemplated that the emphasis of the Office's staffing and activities in the early stages will be placed on those duties which must be discharged within short time deadlines and those which are of a non-repetitive, rather than a continuing nature. As a result, there is a longer lead time available in finalizing the approach and procedures involved in the Office's policy planning responsibility.

Office of Rail Public Counsel (Activity 6)

The Commission's budget for Fiscal Year 1977 includes resources for a new Office of Public Counsel. The Interstate Commerce Act, Section 27, as amended by the Railroad Revitalization and Regulatory Reform Act of 1976, requires the establishment of a new Office of Rail Public Counsel within 60 days of enactment. Due to the establishment of the Office of Rail Public Counsel it is anticipated that the positions included in the Fiscal Year 1977 budget for the Office of Public Counsel should be initially utilized to staff this new function. To bring the new Office up to the staffing level considered necessary to perform its statutory responsibilities, the Commission is requesting a total of 30 positions for Fiscal Year 1976. Since 15 positions already are included in the 1977 budget, only 15 additional will be required.

The Interstate Commerce Commission has the statutory responsibility to regulate the surface transportation industry in the public interest and to make every effort to assure that the public is informed of and represented in its proceedings. The Office of Rail Public Counsel would be established as an affiliate of the Commission in order to carry out that responsibility as it pertains to railroad matters. In any rail-related proceeding, the Public Counsel would be responsible for assisting in the development of the record in the Commission's effort to determine the public interest with regard to Part I of the Interstate Commerce Act and related statutes.

The following table shows the positions and estimated obligations included in the Fiscal Year 1977 budget and the proposed amendment:

	<u>Request Pending</u>	<u>Proposed Amendment</u>	<u>1977 Revised Request</u>
Positions	15	15	30
Average employment	14.6	14.6	29.2
Personnel compensation	\$ 273,000	\$ 406,000	\$ 679,000
Personnel benefits	<u>25,000</u>	<u>40,000</u>	<u>65,000</u>
Total compensation and benefits	298,000	446,000	744,000
Travel	50,000	46,000	96,000
Other Objects	<u>610,000</u>	<u>550,000</u>	<u>1,160,000</u>
Total	958,000	\$1,042,000	\$2,000,000

In 1974, as part of the Regional Rail Reorganization Act of 1973, Congress established a Public Counsel function in the Commission's Rail Services Planning Office (RSPO) to assist the public in the development of a plan to restructure the railroads in

the Northeast. Congress and the Administration have further demonstrated their support with the enactment of the Railroad Revitalization and Regulatory Reform Act of 1976. Contained therein is a provision for the establishment of a permanent Office of Rail Public Counsel within 60 days of enactment. The responsibilities of the RSPO Public Counsel staff to protect the interests of those communities and users of rail service not adequately represented during the reorganization process will remain with the Rail Services Planning Office until such duties are assumed by the newly created Office of Rail Public Counsel.

The concept of a public counsel is not new at the Commission. As early as 1903, the Commission used a public counsel in the interest of fully developing the issues in its investigations. The most celebrated use of a public counsel was in 1914 when the Commission contracted with Louis Brandeis to serve as special counsel in the so-called-Five Percent Case, 31 ICC 351 (1914), to insure a complete record in that case. No serious consideration was given to institutionalizing this concept on a full-time basis until the period from 1961 through 1964 when the Commission unsuccessfully sought funds in its annual budget to establish an economic counse. The concept was revived in 1973, when the Commission appointed a special projects counsel to represent the public in Ex Parte 270, Investigation of the Railroad Freight Rate Structure, and related proceedings under arrangements similar to those with Justice Brandeis.

Moreover, within the Commission itself, a Blue Ribbon Panel of highly qualified staff members constituted to recommend internal regulatory improvements independently proposed that the Public Counsel functions be established on a permanent basis. After additional study and deliberation, a majority of the Commission, on October 30, 1975, voted to approve the creation of an Office of Public Counsel. Funds for initial staffing of this Office have been included in the Commission's Fiscal Year 1977 budget request, now before the Congress. However, in view of the requirement in the new Rail Act for establishment of the Office in Fiscal Year 1976, the Commission has submitted a request for a supplemental appropriation. Since the Act requires the Office to be functioning sooner than had been anticipated, additional resources also will be needed in Fiscal Year 1977.

In recent years, a great deal of skepticism has developed regarding the Government's concern for the protection of the public. While reasonable people can debate the degree of this concern, there is no denying that all agencies of the Federal Government can benefit from a re-examination of their performance in this area. The Commission has always recognized and been sensitive to its responsibility to protect the public interest. It was created for this purpose in 1887 and believes it to be its prime function today. But the recent successful experience with the public counsel approach to insure a full record in Ex Parte No. 270 and related proceedings and to assist the public in developing a plan for the restructuring of the railroads in the Northeast has shown that a strong system can be made stronger.

The Office of Rail Public Counsel would have the discretion to participate as a party or to intervene in any adjudicative or rulemaking proceeding before the Commission which pertains to rail matters where, in the judgment of the Public Counsel, its input may be of assistance to the Commission in determining the public interest. Moreover, the Office would be able to petition the Commission to institute a proceeding, and may seek judicial review of any Commission action on any matter involving a common carrier subject to Part I of the Interstate Commerce Act, as amended.

As a participant, the Public Counsel would be responsible for assisting in the development of the record by assuring that it contains all relevant and material information needed for the Commission to reach an informed result consistent with the public interest. In this respect, the term "public interest" would be broadly defined to include the interests of carriers, shippers, labor, consumers and the public in general. It would embrace the full social, economic and governmental impact of Commission deliberations. Participation by the Public Counsel would include, but not be limited to, consideration of such issues as adequate common carrier rail services at reasonable and compensatory prices, environmental and energy considerations, employee protection in merger proceedings, and the rational allocation of transportation resources.

To fulfill its responsibilities, the Office would, among other things: (1) Present, subpoena, examine and cross-examine witnesses and introduce other documentary evidence; (2) negotiate and enter into stipulations regarding procedures and evidence; (3) delineate, develop and refine issues at various stages of a proceeding, including a prehearing conference; (4) facilitate the handling of procedural and other matters on proceedings; and, (5) take such other actions as a party consistent with the public interest and within the authority and jurisdiction of the Commission.

The Public Counsel would also provide assistance to those lacking the resources or expertise to develop and present their position on an issue. Those benefitting from such assistance could include individuals, consumer groups and local governments. The Public Counsel would also consult and cooperate with others representing the public in particular proceedings.

The Commission has been emphasizing the use of broad-scale rulemaking proceedings as a regulatory device and plans to continue to do so in the future. As a result, many such proceedings now are in progress, and a significant number of new ones can be expected in the future. Since these proceedings invariably encompass critical transportation issues involving Commission regulations and carrier rates, practices, and finances, there is an extremely wide area of potential workload for the Public Counsel. In order to accomplish its objectives, the Office of Rail Public Counsel would have to be provided with a staff of sufficient size with broad-based skills to assure the capacity to enter any proceeding.

In view of the potentially broad scope of Public Counsel activities, the Commission believes that 30 positions would be required to fulfill the minimum needs for the Public Counsel. The staff would include personnel with the skills necessary to research and develop data (investigators, auditors, tariff specialists); attorneys to participate in the proceedings and provide consumer assistance; and the necessary clerical support.

Because of the nationwide scope of this program, the travel needs would be relatively high for a staff of this size. Estimates of travel costs are based upon the requirement that the Office participate in proceedings in all parts of the country and visit the specific geographical area affected to inspect the conditions and to develop and compile data for evidence.

The estimates for other objects reflect the need to use experts, consultants, and attorneys to develop and present the evidence in Commission proceedings in the public's interest. It is envisioned that extensive contract support of this nature would be needed in such diverse areas as data gathering, environmental assessments, economic analyses, and depreciation and property valuations. Moreover, experience with Ex Parte Nos. 270 and 271 has shown that heavy computer support would be required in compiling and analyzing the vast amounts of data collected. The estimates include the necessary resources for outside contract assistance in the ADP area. Estimates for requirements such as space rental, telephones, mail, printing, supplies, and equipment reflect levels normally associated with new organizations.

Office of the General Counsel (Activity 1)

Operating as a staff support unit that reports to the Chairman, this Office is responsible for: (1) Defending Commission reports and orders in the courts; (2) furnishing legal advice to the Commission; and, (3) assisting in the formulation of the Commission's legislative position.

The following table shows the positions and estimated obligations included in the Fiscal Year 1977 budget and the proposed amendment:

	Request <u>Pending</u>	Proposed <u>Amendment</u>	1977 <u>Revised Request</u>
Positions	32	6	38
Average employment	30.8	5.7	36.5
Personnel compensation	\$ 718,800	\$ 95,500	\$ 814,300
Personnel benefits	<u>68,300</u>	<u>9,100</u>	<u>77,400</u>
Total compensation and benefits	787,100	104,600	891,700
Travel	24,500	0	24,500
Other objects	95,400	17,300	112,700
Total	<u>\$ 907,000</u>	<u>\$ 121,900</u>	<u>\$ 1,028,900</u>

The Railroad Revitalization and Regulatory Reform Act of 1976 (the Rail Act) is complex and far-reaching legislation which will have an immediate impact on many of the Commission's activities. The Act will produce, in the Commission's judgment, a vast number of requests for interpretations of the law which, when acted upon by the Commission in the proceedings it is required to conduct, will also result in an increase in litigation.

The Rail Act makes the need for additional personnel critical at a time when the General Counsel's staff has been faced with a tremendous increase in new cases filed under new Court of Appeals review procedures. While cases pending under the old procedure were averaging around 200 in Fiscal Years 1974 and 1975, 287 were pending at the end of calendar year 1975. A total of 232 new cases were filed in calendar year 1975. This dramatic increase in workload shows no signs of abating. The staff's opinion work for the Commission also has increased to a great degree. Accordingly, despite significant gains in productivity and a relatively small gain in staff, a workload crisis is expected in Fiscal Year 1977 as the pending cases mature into briefing and argument stages.

The acute workload problem will be further exacerbated by the requirements of the Railroad Revitalization and Regulatory Reform Act of 1976. Numerous questions concerning the effect, scope and interpretation of that Act already have been raised, and a continued heavy demand for legal opinions is foreseen. Additionally, the Act calls for various studies, projects and proceedings running into Fiscal Year 1977 which will involve the Office in an advisory function or as a participant in staff study groups. Finally, the end product of mandated Commission actions and the many changes made by the Act in substantive and procedural law will undoubtedly occasion a whole new body of court tests beginning in Fiscal Year 1977.

If the Commission is to continue to receive the quality of work which it requires from this Office, a total of three additional attorneys and three secretaries will be needed.

Office of Hearings (Activity 1)

The Office of Hearings handles all Commission formal proceedings subject to oral hearing. Specifically, the Office schedules and conducts hearings, prepares and issues initial decisions and handles related procedural questions until the initial decisions are served. The staff also reviews procedures and makes recommendations for changes to improve efficiency and to expedite proceedings.

The following table shows the positions and estimated obligations included in the Fiscal Year 1977 budget and the proposed amendment:

	Request Pending	Proposed Amendment	1977 Revised Request
Positions	111	10	121
Average employment	108.8	9.6	118.4
Personnel compensation	\$ 3,160,200	\$ 193,100	\$ 3,353,300
Personnel benefits	288,000	18,300	306,300
Total compensation and benefits	3,448,200	211,400	3,659,600
Travel	130,000	20,000	150,000
Other objects	900,900	28,800	929,700
Total	\$ 4,479,100	\$ 260,200	\$ 4,739,300

The Rail Act of 1976 increases the operating burdens of the Office of Hearings primarily by the imposition of mandatory time limitations on the disposition of contested cases. At the same time, certain additional processing requirements, including the determination of market dominance and the satisfaction of environmental requirements, will consume some part of the time requirements. In Division cases commenced by complaint, all evidentiary proceedings must be completed within one year. The right of any party intending to file such a complaint to employ discovery procedures will apparently add administrative burdens on the Office as well. The requirement for de-terminations with respect to "going concern value" can be expected to generate controversy in contested cases leading to demands by parties for additional time for analysis of statistical evidence.

The requirement that Investigation and Suspension cases be completed within seven months has now been extended to all cases in which a railroad is involved, and these cases are given preference over all other cases before the Commission. This will require particular care in the scheduling and assignment of cases since it will not be practicable to assign a Law Judge to more than one case of this type at a time in order that it may be given preference. The statute also apparently applies to rail cases submitted on modified procedure, which are normally handled in a more routine fashion.

The Commission has been able to handle its caseload of orally heard cases with a relatively small number of Administrative Law Judges by exercising extreme care in the scheduling and assignment of these cases. Administrative Law Judges maintain a number of cases on their dockets at all times and are scheduled for sessions at points throughout the United States which result in receiving evidence on a number of cases during the course of two- or three-week trips. These cases become ripe for decision at about the same time, and any case having a time limit or preferred status must necessarily be worked on immediately whether or not it is the oldest case on the docket.

The Rail Act also requires the Commission to institute a number of formal rule-making proceedings while the precise impact of these cases on the Office of Hearings is unclear; it appears reasonable to assume that at least five or six of them will require oral hearings and the assignment of an Administrative Law Judge. Prior to the passage of the Rail Act, as part of its budget estimate for Fiscal Year 1977, the Commission had made an overall evaluation of its authorized positions and had determined to reduce the

personnel allowance of the Office of Hearings by 13 positions. The effect of this was to reduce the allowance of Administrative Law Judges from its present 83 to 75. A high retirement rate during the past three years resulted in the Commission's staff of Administrative Law Judges being reduced below its allowance, and the employment of additional Judges has been at a conservative rate up to this time. It is believed that the additional demands to be placed on the Office by the Rail Act will require the immediate employment of Administrative Law Judges up to the full number allowed. In the past 18 months, the Commission has employed a number of younger attorneys to perform law clerk functions. This practice has proven helpful in the disposition of cases. These attorneys are assigned selectively to assist Administrative Law Judges having larger cases or heavier than normal caseloads. While the continuation of this practice will aid in meeting the demands of the Rail Act, adequate position allowance must be made. It has been possible, due to the retirement of many Law Judges, to employ attorney advisors in the vacant positions thus created. With the need as mentioned above to bring the staff of Administrative Law Judges up to allowance, it will be necessary to provide eight additional attorney advisors.

Certain portions of the Rail Act require the Commission to keep track of all cases to determine whether or not the statutory deadlines are being met and to take appropriate steps to obtain extensions of time and make required reports to Congress whenever this becomes necessary. An appreciable additional administrative burden results from these requirements, and two additional clerical positions will be needed to enable the Office to continue its administrative responsibility. A total of 10 additional positions, therefore, is requested for Fiscal Year 1977.

Office of Proceedings (Activity 1)

This Office is responsible for: (1) Assisting the Commission in creating a regulatory atmosphere in which for-hire surface transportation can meet the needs of the public and sustain itself as an attractive investment competitive with other investment opportunities; (2) generating legislative proposals and procedural recommendations for the achievement of a dependable efficient and economical surface transportation system; and, (3) managing, analyzing, and drafting orders and reports in all formal and certain informal proceedings instituted under the Interstate Commerce Act and several other related acts administered by the Commission. These proceedings deal primarily with carriers' rates and practices, and finance and operating authorities.

The following table shows the positions and estimated obligations included in the Fiscal Year 1977 budget and the proposed amendment:

	Request <u>Pending</u>	Proposed <u>Amendment</u>	1977 <u>Revised Request</u>
Positions	400	20	420
Average employment	390.0	19.2	409.2
Personnel compensation	\$7,309,800	\$ 336,400	\$ 7,646,200
Personnel benefits	668,300	32,000	700,300
Total compensation and benefits	7,978,100	368,400	8,346,500
Travel	26,200	2,300	28,500
Other objects	1,185,700	57,600	1,243,300
Total	\$9,190,000	\$ 428,300	\$ 9,618,300

The Railroad Revitalization and Regulatory Reform Act of 1976 (the Rail Act) makes dramatic changes in regulatory standards, and imposes heavy burdens upon the Commission in terms of new assignments and procedural time limits. The impact upon the Office of Proceedings is immediate, substantial and continuous.

The primary effect will be in the regulation of rates, carrier pricing practices, abandonment of service and issuance of securities. New standards of reasonableness are established for rates. To determine the rate ceiling in a particular case, the Commission must first ascertain whether the proponent railroad has "market dominance," a concept for which new standards, regulations and rules must be established within eight months.

The Rail Act specifies that the rate floor is to be determined in relation to the rate's contribution to "going concern value," and the "variable costs" of producing the service. The quoted terms and another, "incremental costs," must all be given meaning, most likely on the anvil of litigation. Even after clear meaning emerges, we can expect a long period of intensified litigation between carriers and shippers in particular cases.

While the rate cases are increasing in number, the time for deciding them will be shortened. Today, the average age of complaint-type cases is 18 months. Under the new law, divisions cases will have to be decided in 9 months, and all other cases (including those under modified procedure) will have to be decided within four months after the record is submitted.

The new law also requires that we undertake new projects, some of which will continue permanently and all of which will require additional personnel immediately and through Fiscal Year 1977. Among those projects are a one-year investigation of rates on recyclable commodities, a two-year study on "adequate revenue levels," and investigations of each rate bureau at least once every three years. In addition, the Interstate Commerce Act must be recodified within one year.

Listed below are the various rulemaking proceedings and one-time actions which the Commission must undertake immediately and which extend into Fiscal Year 1977:

<u>Section of the Act</u>	<u>Requirement</u>	<u>Allocated Time</u>
(1) 202(d)	Standards for demand-sensitive rates and for rates for distinct rail services	1 year ending February 4, 1977
(2) 204(a)(1), (2), and (3)	Investigation of rate structure on recyclables	1 year ending February 4, 1977
(3) 205	Standards for adequate revenue levels	2 years ending February 4, 1978
(4) 208	Review of Rate Bureau agreements	At least once every three years
(5) 211	Standards for demurrage charges	As soon as possible
(6) 212(b)	Revision of car service rules	18 months ending August 19, 1977
(7) 402(b)	Merger procedures	180 days after close of evidentiary proceeding
(8) 403	Expedited merger procedures	As soon as possible
(9) 802	Rail service continuation payments	--

All of the above requirements of the Rail Act will involve input from the Office of Proceedings; many will be met primarily through the efforts of the Office. The required actions will be running concurrently thus imposing workloads over and above the adjudications and other functions routinely performed in the Office. To handle these additional requirements the Office of Proceedings will require 5 attorneys and 2 clerks; 2 miscellaneous documents examiners; and 1 editor-typist.

In addition to establishing new standards and procedures and revising rules and regulations as indicated above, the Rail Act prescribes specific time periods for the disposition of cases. For example, evidentiary hearings must be completed within 180 days of "assignment," initial decisions must be rendered within 120 days of "submittal," and divisions cases must be decided within two years. Railroad abandonments applications must be dismissed within 60 days after filing or be decided within starting time-frames, and (under the expedited railroad merger procedure of Section 403) mergers must be decided within 24 months of filing. At the present rate of incoming work the Office will need 2 attorneys and 1 clerk.

To process abandonment applications within the initial 60-day period, to assist in preparing final reports in abandonment cases, and to participate in the "panel" required for handling expedited merger cases, the Office will require 2 attorneys and 1

clerk. Since the expedited merger procedure will be available only for five years and since the Secretary of Transportation has been assigned a planning and assisting function therein, it is anticipated that the railroad industry will use this time period to achieve more than the usual number of mergers and consolidations. It is our understanding that the Secretary of Transportation has already constituted a task force to deal with expedited mergers.

Because the Rail Act establishes concurrent jurisdiction in the Commission and the SEC as to carrier securities, it is essential that a close liaison be maintained with the SEC so that decisional standards and disclosure requirements of both agencies will be consistent. To maintain this liaison as securities proceedings move through both agencies and to avoid undue delays, particularly as to obtaining adequate information from the applicants, the Office will need 1 additional paralegal.

The expedited procedures for abandonments and mergers will impose heavy requirements upon the Environment staff. Because of the Harlem Valley injunction, the Commission is required to satisfy all NEPA procedures before proceeding upon the merits of an abandonment case. The Environment staff will have to compile a data bank and arrive at conclusions as to the line segments listed in advance by railroads, so that timely environment action can be taken within the initial 55-day period (after notice of abandonment is posted) in which the Commission must make its initial decision on whether to investigate. As to the mergers, court decisions have made it clear that NEPA procedures must be satisfied. For these reasons 3 additional environmental specialists will be required.

Specific requirements of several particularly important sections of the Act are:

Section 402(b) - entitled "Merger Procedures." This section places time constraints on the Commission for considering applications by railroads in consolidation and merger proceedings. Because of these time constraints, which require a Commission decision within 180 days following the close of the evidentiary proceeding, the Office of Proceedings will be under considerable pressure.

Section 403 - This section includes a new provision which for a period of five years permits an expedited railroad merger procedure. Under the new provisions, the time constraints are such that team efforts will be required and in order to perform the functions required by the amendment this office will require two additional attorneys and one para-legal, as noted above.

Section 802 - This section amends a part of the Interstate Commerce Act dealing with discontinuance and abandonment of rail freight service. It permits parties to make offers of rail service continuation payments. Because of the manner in which this new provision is constructed, each proceeding before the Commission could involve two or more separate actions by the Commission. The first action would require the issuance of an order containing the findings of a decisional body, which are required to be published in the Federal Register. Thereafter, the Commission will be required to consider, prior to the issuance of a certificate and order, proposals which will involve rail service continuation payments. An analysis of the procedures

required and the obligations imposed upon the Commission indicate that performance within the time constraints set forth will require two additional attorneys and one para-legal clerical, as indicated above.

Bureau of Accounts (Activity 1)

The principal functions of the Bureau of Accounts include: (1) Developing uniform systems of accounts and valuation and records destruction regulations; (2) examining accounts and records of the regulated industry; (3) preparing financial and cost analyses for Commission proceedings and cost studies; (4) compiling and publishing statistical and accounting reports; and, (5) developing depreciation rates and maintaining pipeline valuation property data.

The following table shows the positions and estimated obligations included in the Fiscal Year 1977 budget and the proposed amendment:

	Request <u>Pending</u>	Proposed <u>Amendment</u>	1977 <u>Revised Request</u>
Positions	292	24	316
Average employment	285.7	23.0	308.7
Personnel compensation	\$ 5,438,200	\$ 494,000	\$ 5,932,200
Personnel benefits	<u>520,200</u>	<u>47,300</u>	<u>567,500</u>
Total compensation and benefits	5,958,400	541,300	\$ 6,499,700
Travel	409,900	2,000	411,900
Other objects	<u>856,700</u>	<u>69,100</u>	<u>925,800</u>
Total	\$ 7,225,000	\$ 612,400	\$ 7,837,400

The implementation of the Railroad Revitalization and Regulatory Reform Act of 1976 (Rail Act) will require a relatively substantial resource commitment by the Bureau of Accounts. Although a portion of the additional requirements placed upon the Bureau by the Rail Act can be met with positions now authorized, the need exists for an additional 24 positions for this request is as follows:

Section 201 - Expeditious Divisions of Revenues. Under this section, the Commission is required to establish standards and procedures for the conduct of proceeding for the adjustment of divisions of joint rates or fares, within 180 days after the date of enactment. After the establishment of such standards and procedures, it is anticipated that all divisions cases will be required to adhere to these standards and procedures. Therefore, one additional cost analyst is requested to establish the standards and subsequently to analyze and evaluate the cost evidence submitted in such cases.

Section 202 - Railroad Ratemaking. This section requires the development of criteria for defining and measuring "market dominance" and "going concern value" as they apply to the design and making of specific rates. Both of these tasks, will require the efforts of at least one financial analyst for the rulemaking effort which would have to be completed within 240 days after enactment of the Rail Act. Adoption of these rules

may require an additional commitment of one or two financial analysts in the case by case application of the criteria once they are adopted. However, at the present time, we do not anticipate the need for more than one additional financial analyst to handle this additional work. The section further requires the Commission, within one year, to establish standards and expeditious procedures for the establishment of railroad rates based on seasonal, regional, or peak-period demand for railroad services. For this function one cost analyst is requested.

Section 204 - Investigation of Discriminatory Freight Rates for the Transportation of Recyclable or Recycled Materials.

This section of the Act requires the Commission, within 12 months to "conduct an investigation of (A) the rate structure for the transportation, by carriers by railroad subject to part I of the Interstate Commerce Act, of recyclable or recycled materials and competing virgin natural resource materials, and (B) the manner in which the rate structure has been affected by successive general increases approved by the Commission for such common carriers by railroad." This investigation will be similar to the Ex Parte No. 270, Investigation of the Railroad Freight Rate Structure. Based on the experience gained in Ex Parte No. 270, and the numbers of commodities to be investigated under this Act, three additional cost analysts will be needed to meet the requirements of this section. After completion of the 12 month time period, these analysts will be required to continue monitoring the effects of the investigation.

Section 205 - Adequate Revenue Levels. Implementation of this section will require a major commitment of resources to formulate and administer the procedures and standards required to determine adequate railroad revenue levels. For these purposes, the Bureaus of Accounts and Economics would be primarily responsible for providing the supportive technical input because of their extensive involvement in Ex Parte No. 290, Procedures for General Increase Proceedings, and Ex Parte No. 271, Net Investment - Railroad Rate Base. Both of these proceedings have a direct bearing on the railroad revenue need question. The Bureau of Accounts' responsibilities in this area, alone, will require five additional financial analysts.

Essentially, two major phases of endeavor would be required. First, two years of rulemaking would be needed to formulate the standards and procedures necessary to measure revenue need. An extensive effort at the outset would be required to draft the notice of the proposed rulemaking, possibly involving incorporation of many of the ideas, concepts, notions, procedures, and techniques now being developed within the confines of the Ex Parte No. 271 investigation. Subsequent to this effort, an extensive amount of time would be required to study and evaluate the verified statements and replies of the various parties participating in the rulemaking.

Second, once the procedures and standards are formulated and adopted through rulemaking, a continuous resource commitment would be required to develop, update,

and maintain the necessary data base of rail statistics; refine the measuring standards; and conduct and report the actual measurement results. This assumes a determinative effort based on aggregated district and nationwide levels.

Specific projects that would have to be undertaken by financial analysts supportive of this effort include:

1. Determination of adequate case and funds flow necessary to maintain an adequate level of capital investment.
2. Determination of a fair and reasonable level of railroad profit to attract debt and equity capital.
3. Determination of a capital structure mix of debt and equity consonant with carriers' ongoing needs for external capital and the desirability to reduce the cost of capital.
4. Productivity analysis to determine what portion of total revenue needs can be met through rationalization of plant, cost reduction efforts, technological change, and market cultivation and expansion.
5. Determination of adequate dividend pay-outs consistent with the need to maintain stock prices and required earnings retention for reinvestment in rail plant.
6. Determination of the extend of deferred maintenance and delayed capital expenditures and how these problems can be curtailed.
7. Development of selective price indices and other measures to take into account the effect of inflation on rail costs.

Section 206 - Rate Incentives for Capital Investment. This cases requires the Commission to develop criteria and procedures for measuring the expected rate of return to be earned on new rail projects. Such procedures would enable the Commission to determine whether or not the new rate or fare will produce the cash flow and earnings necessary to induce additional capital investment on projects and at levels consistent with the best interests of the railroads and the public. It is expected that this program will require one additional financial analyst.

Section 212 - Car Service Compensation and Practices. Under this section the Commission is required to revise its rules, regulations, and practices with respect to car service. Under the requirement, the Commission must determine the rates of

compensation to be paid for the use of each type of freight car owned or controlled by railroads. This determination must be made within 18 months after the date of the enactment of the Rail Act and at least once every two years thereafter. Three additional cost analysts will be required for this purpose.

Section 307 - Uniform Cost and Revenue Accounting System. This section requires that the Commission prescribe a uniform cost and revenue accounting and reporting system by June 30, 1977, with an effective date not later than January 1, 1978. The Commission's plan for the revision of the railroad accounting system is divided into three major phases: (1) Restructuring the accounts; (2) improving service costing and statistical analysis; and, (3) refining the cost system and standards. Phases two and three do not have effective dates required by section 307. However, these phases are necessary to insure the "most accurate cost and revenue data.... with respect to light density lines, main line operations, information required in establishing fair and reasonable rates..." as required by paragraph (3)(b) of the section. It is important to realize, however, that the procedures and regulations effective January 1, 1978, only lay the groundwork for further improvements to the system. Subsequent to implementation, the railroad accounting system must be reviewed periodically, but not less than once every five years, and revised as necessary. Four systems accountants and two cost analysts will be required for the development, implementation, and review of the revised railroad accounting system.

The development of a Uniform Cost and Revenue Accounting System for railroads will necessitate the acquisition of contractual support in Fiscal Year 1976 in order to obtain the extensive cost information required. In recognition of the vastness of this undertaking, the Rail Act authorizes to be appropriated \$1 million for contracts or cooperative agreements for this purpose. Therefore, included in this budget is a request for three senior financial analysts to monitor the \$500,000 for the contracts in Fiscal Year 1977 and thereafter.

Bureau of Economics (Activity 1)

The Bureau of Economics is responsible for: (1) providing the Commission with advisory, analytical, and informational services on economics, mathematics, and statistics; (2) conducting and reporting on studies in these areas; (3) directing and monitoring economic research performed under contract for the Commission; and (4) defining Commission requirements for economic information.

The implementation of the Rail Act of 1976 will require a substantial commitment of resources by the Bureau of Economics. It is anticipated that a large part of the Bureau's additional work under the Act will be contracted out in Fiscal Year 1976 to assure that the work is undertaken promptly; however, to insure a high probability of completing the various projects within prescribed time limits, eight additional positions and \$207,000 in contract funds will be required beyond request for Fiscal Year 1977.

The following table shows the positions and estimated obligations included in the Fiscal Year 1977 budget and the proposed amendment:

	Request <u>Pending</u>	Proposed <u>Amendment</u>	1977 <u>Revised Request</u>
Positions	56	8	64
Average employment	54.6	7.6	62.2
Personnel compensation	\$ 1,173,500	\$ 175,900	\$ 1,349,400
Personnel benefits	107,300	16,700	124,000
Total compensation and benefits	1,280,800	192,600	1,473,400
Travel	6,100	1,000	7,100
Other objects	163,000	229,800	392,800
Total	\$ 1,449,900	\$ 423,400	\$ 1,873,300

NARRATIVE JUSTIFICATION

The Bureau of Economics will have a lead or participating role in many of the staff actions under the Commission's plan to meet the new requirements of the Rail Act. These are listed below with the statutory suspense date, where applicable:

<u>Section</u>	<u>Role</u>	<u>Requirement</u>	<u>Statutory Suspense Date</u>
201	P	Expedite division proceedings	8/3/76
202(b)	P	Cost definitions, market dominance	10/4/76

<u>Section</u>	<u>Role</u>	<u>Requirement</u>	<u>Statutory Suspense Date</u>
202(d)	P	Seasonal/regional peak period demand rates for distance services	2/5/77
202(g)	L	Study effect of rate making amendments	10/5/77
203(a)	P	Cancellation of through routes/ joint rates	None
204	P	Investigation of recyclable rates	2/4/77
205	P	Adequate revenue standards	2/4/78
206	P	Investment incentive rates	None
207	P	Exemptions from regulations	None
208	P	Review of rate bureau agreements	Once every 3 years
211	L	Demurrage standard	None
212	L	New standards for per diem rules	8/3/77
306	P	Define transportation property for taxation	None
307	P	Revise uniform system of accounts	6/30/77
310	L	Assignment of cars to unit coal trains	8/3/76
402/403	P	Revision of rail merger, adquisition procedures	As soon as possible
802	P	Abandonment--definition of economic terms and description of rail system potentially subject to abandonment	None
903	L	Conglomerate study	2/4/77

L - Lead; P - participatory.

While the Bureau will absorb many of the staff actions listed above with originally proposed staffing for Fy 1977, additional positions and funds will be necessary for the following purposes:

Section 202 - Ratemaking Process. The Commission is required to establish new procedures and standards to be applied in determining what rates can be disapproved as being above a reasonable maximum or below a reasonable minimum. The Bureau will be required to provide the Commission with economic insight on the impact of such key concepts as market dominance, going concern value, incremental costs, and variable costs. Additionally, the Bureau will be required to assist the Commission in the establishment of standards and procedures for implementation of peak period and seasonal pricing, as well as for separate rates for distinct services, rate incentive for capital improvements, and other new innovative ratemaking provisions.

The Bureau has been delegated primary responsibility for studying the effects of rail ratemaking changes required by this section, gathering and making available to the Secretary of Transportation such data as he may request for making a parallel study, and submitting reports to Congress. The study to be initiated under contract in Fiscal Year 1976 will require additional funding of \$144,000 in Fiscal Year 1977.

Two additional economists are required to conduct these studies and supervise the contract services.

Section 204 - Investigation of Discriminatory Freight Rates for the Transportation of Recyclable or Recycled Materials. This section of the Act requires the Commission, within 12 months, to conduct an investigation, of (A) the rate structure for the transportation by carriers by railroad, subject to Part I of the Interstate Commerce Act, of recyclable or recycled material and competing virgin natural resource materials, and (B) the manner in which the rate structure has been affected by successive general rate increases approved by the Commission for such common carriers by railroad. The Bureau will share responsibility for a thorough analysis of the rate structure of recyclable materials. A study will be required in the next 12 months to determine whether such a rate structure is unjustly discriminatory or reasonable. The Bureau will have a continuing function to monitor on a yearly basis the impact of this section and submit reports every three years. These responsibilities will require one additional economist.

Section 205 - Adequate Revenue Levels. This section directs the Commission to establish standards and procedures for determining adequate rail revenue levels, thereafter revised as appropriate. It is expected that this requirement can be substantially fulfilled by the continual development of a funds flow model in preparation for Ex Parte No. 271. In view of the substantial increase in workload, the Bureau will require two additional economists.

Sections 211 and 212 - Car Service Matters. Section 211 requires that demurrage charges be computed and rules and regulations established so as to fulfill national requirements for freight car utilization and adequate freight car supply. Section 212 requires the Commission to set per diem rates to encourage acquisition of adequate car fleets and efficient car utilization under revised standards. Rule revisions are required within 18 months of enactment.

The Bureau will be required to continue monitoring economic studies to be initiated in Fiscal Year 1976 concerning the effectiveness of Commission decisions and orders under these sections, as well as developing new methods and approaches to carry out the mandates of the new provisions. Two additional economists will be required.

Section 802 - Abandonments. The Commission is required to define "significant use" of the line. Additionally, the Commission must identify lines subject to abandonment and the major shippers located thereon. In order to carry out the complex and continuing studies made necessary by this section, the Bureau will require an additional economist.

Section 903 - Conglomerate Study. The Commission is required by this section to study conglomerate and other corporate structures in the railroad industry and issue its report within one year. The Bureau of Economics has the primary responsibility for directing and coordinating this study, and it will require an additional four months of contract work at a cost of \$63,000. This will permit the finalization of the draft report, including such revisions as the Commission may require after review.

Bureau of Enforcement (Activity 2)

This Bureau enforces the criminal and civil provisions of the Interstate Commerce Act and related acts; negotiates compromise agreements, suspensions or terminations of monetary civil enforcement claims; guides complex investigations of violations; analyzes and evaluates reports of violations; prosecutes in court and assists the Department of Justice in prosecuting civil and criminal proceedings; and, participates in Commission proceedings, including the issue of the fitness to acquire operating authorities, for the purpose of developing pertinent facts and issues.

The following table shows the positions and estimated obligations included in the Fiscal Year 1977 budget and the proposed amendment:

	Request Pending	Proposed Amendment	1977 Revised Request
Positions	84	3	87
Average employment	81.9	2.9	84.9
Personnel compensation	\$ 1,757,600	\$ 52,500	\$ 1,810,100
Personnel benefits	165,300	5,000	170,300
Total compensation and benefits	1,922,900	57,500	1,980,400
Travel	71,200	1,800	73,000
Other objects	252,700	8,600	261,300
Total	\$ 2,246,800	\$ 67,900	\$ 2,314,700

Several provisions of the Rail Act of 1976 are expected to involve the Bureau of Enforcement. For example, the Bureau would participate in individual hearings to support a Commission finding of "market dominance," a term for which the Commission is required to establish a standard by Section 202 of the Act.

Section 305 requires the consideration of necessary changes in the Commission's Rules of Practice. The Bureau of Enforcement would participate in any rulemaking proceedings conducted pursuant to this requirement.

Section 903 of the Act requires the Commission to complete a study of conglomerate holding companies and their effect on intermodal competition, revenue levels, and transportation services. The Bureau of Enforcement will be expected to have some input in connection with the study.

In view of the increased number of assignments which will be given to the Bureau of Enforcement as a result of the Rail Act of 1976, the Bureau will need two additional attorneys and one clerical employee in Fiscal Year 1977.

Bureau of Operations (Activity 2)

The Bureau of Operations' primary objective is to monitor and investigate the operations and practices of the surface transportation industry regulated by the Commission to insure compliance with the Interstate Commerce Act and related acts, rules and regulations.

The following table shows the positions and estimated obligations included in the Fiscal Year 1977 budget and the proposed amendment:

	Request <u>Pending</u>	Proposed <u>Amendment</u>	1977 <u>Revised Request</u>
Positions	514	11	525
Average employment	502.2	10.6	512.8
Personnel compensation	\$ 8,960,900	\$ 174,600	\$ 9,135,500
Personnel benefits	<u>909,200</u>	<u>16,600</u>	<u>925,800</u>
Total compensation and benefits	9,870,100	191,200	10,061,300
Travel	813,900	16,900	830,800
Other objects	<u>1,541,400</u>	<u>31,800</u>	<u>1,573,200</u>
Total	\$ 12,225,400	\$ 239,900	\$ 12,465,300

The Regional Rail Reorganization Act of 1973 did not provide the Bureau of Operations with any additional workload. Under the Railroad Revitalization and Regulatory Reform Act of 1976, new and increased responsibilities to be explained below have been given the Bureau. The increased responsibilities will require a total of eleven additional positions: two transportation specialists positions; six service agent or special agent positions; and three clerical support positions. The two transportation specialist positions will be located at headquarters and one special agent or service agent will be added in each of the Commission's six regions. The locations of the three clerical support positions will be selected in line with the most pressing needs as a result of the new responsibilities.

Section 201- Expedient Divisions of Revenue. Under the terms of this Section, the Commission is required within 180 days to establish rules, standards, and procedures to be used in divisions cases. It provides that the Commission shall issue final orders within 270 days after submission of a case to the Commission. It further provides that in evidentiary proceedings that originate at the request of a complainant, the Commission must complete the case in one year, with a two year limit if the Commission initiates the proceeding on its own.

It is envisioned that the strict time frame in which the Commission has to act precludes some of the reasons why divisions cases were delayed, such as various legal

maneuvers by the parties. Now the Commission is expected to require the Bureau of Operations, at both headquarters and in the field, to develop information from the carrier's files as to various criteria used in arriving at the division of revenues. The fundamentals concerning divisions of revenues practiced by the carriers are expected to be essential as overall background knowledge and information.

For example, in interterritorial divisions proceedings, and to a lesser degree in complaints brought by a single line, so-called "differences in transportation conditions" are major considerations used by the Commission in determining the level of divisions to be ordered. Some of the factors involved in comparing transportation conditions include: length of haul; comparison of grade conditions; complexity of gathering (origin) and distribution (destination) operations; density of traffic; frequency and complexity of classification; frequency and complexity of necessary interchanges; and interference caused by unavoidable rail operations such as commuter traffic, heavy through-passenger operations, movements through densely populated areas with frequent grade crossings, and severe speed restrictions.

All of these aspects of rail operations require evaluation by the Commission in major divisions cases, and the Bureau of Operations will assist in the accumulation of the data.

Section 203(a) - Tariff Modification. This section provides that in the cancellation of a tariff joint rate, through route, or a tariff classification, the Commission shall (a) compare the distance, expense, and transit time of the through route against the distance, expense, and transit time of the alternate routes; (b) the difference in the consumption of energy that may result; and, (c) the overall impact on small shippers and carriers affected by the cancellation. The purpose is to permit the Commission to determine whether the cancellation is in the public interest and thereby grant or deny the petition.

It is anticipated that the added responsibility will require the Bureau to check on the figures submitted by carriers in respect to recorded transit times and possibly the expenses of the through route being canceled and of the alternate routes. It is also anticipated that the Bureau will be requested occasionally to survey affected shippers for their input on the impact of such cancellation. In view of the tone of the new language, it is obvious that Congress intended the Commission to reach out and contact the shippers for their views rather than merely provide a formal means for such shippers to offer input through the hearing procedure. Many shippers do not know the intricacies of tariff matters and formal protest procedures.

Section 204 - Investigation of Discriminatory Freight Rates for the Transportation of Recyclable or Recycled Materials. Paragraph (c) of Section 204 provides that the Secretary of Transportation, in cooperation with the Commission, shall establish a research, development, and demonstration program to develop and improve railroad

terminal operations, transport service characteristics, equipment, and processing methods to facilitate the efficient transportation of recyclable materials.

It is anticipated that whatever program is adopted to reach the required objective stated in the law will involve the Bureau of Operations. First, the headquarters office will certainly be part of the Commission's staff working with the Department of Transportation in the program. The Bureau's contribution would consist of offering advice as to the operational aspects of railroad operations and coordinating whatever work needs to be accomplished by the field staff. The R & D professional staff will call for random sampling of data in the possession of carriers and shipper groups, and the assignments will be of a type which the Bureau can handle most expediently. This is particularly true of the study of railroad terminals relative to obstacles that delay transit of recyclable materials.

Another feature of any study that is conducted is the inherent transportation characteristics of the recyclable goods and the influence the material has on (1) the average length of haul, (2) the revenues that are generated by the traffic, (3) the attitude of carrier management to purchase or repair equipment if (1) and (2) are unattractive; and, (4) what can be done to turn the situation around if (1), (2), and (3) prove negative. The Bureau will certainly be used in the data gathering functions of this project, probably at strategic industrial locations across the Nation and at specific railroad car distribution and repair points.

Section 208 - Rate Bureaus. Rate Bureaus have been the source of strong argument and debate over the last several years. One side argued the protection of carriers from the antitrust laws was paternalism and contrary to public interest, while the other side voiced the benefit of the industry's rate making procedures permitted by Section 5a agreements approved by the Commission.

Congress has decided that the immunity from the antitrust laws should continue and has established a new Section 5(b) pertaining exclusively to railroads.

More stringent provisions have been adopted in Section 5(b) with greater Commission authority and responsibility. A most important requirement is that the Commission at least once every three years shall review each agreement to determine whether the rate bureau conforms to the standards set forth in (1) the statute, (2) the agreement as approved by the Commission; and, (3) in the public interest by evaluating the success and effect upon the consuming public and national rail freight transportation system.

There is no doubt that Congress intended a continuing comprehensive investigatory study of railroad rate bureaus. In fact, it is precisely stated in the "Joint Explanatory Statements of the Committee of Conference" in the Railroad Revitalization and Regulatory Reform Act of 1976.

Our experience from Ex Parte No. 297 indicates that approximately 70 man days are required to examine a rail rate bureau's operations. Since there are approximately 24 railroad rate bureaus to view it is estimated that eight examinations per year will be necessary. This is an expenditure of approximately 500 man days or the equivalent to the full time of close to three employees.

The headquarters office must coordinate and review the investigation reports. Additionally, they will work closely with the Office of Proceedings' attorneys designated to analyze the reported factual information against the statute, the agreement, and the Commission's rules published in 49 CFR 1253.

Section 211 - Demurrage Charges. This section requires the Commission to adopt demurrage rules and regulations and levels of demurrage compensation which are compatible with national needs for (a) freight car utilization and distribution; and, (b) maintenance of an adequate freight car supply.

The Commission presently has two demurrage proceedings underway. Ex Parte No. 285 possibly may lead to a uniform system of carrier records relating to demurrage accounting. In Ex Parte No. 289, the possibility exists that a carrier collecting demurrage on cars owned by another carrier will retain a certain amount collected in line with the expense incurred and remit the balance to the car owner.

It is anticipated that the Commission will open a proceeding into the present demurrage compensation levels. The undertaking will certainly increase the Bureau's headquarters contact with other Commission staff in planning the scope and direction of the formal investigation. The Bureau of Enforcement most likely will be named a party to the proceeding and the Bureau of Operations will be called upon to accumulate specific types of information from railroads' files. As in every venture of this nature, the Bureau's headquarters office must coordinate the field investigations.

While regulations might have risen out of Ex Parte No.'s 285 and 289 without any additional staff to monitor the rail industry's compliance, a new thrust has been given these matters by the Rail Act's requirements. The combination of factors uplifts demurrage monitoring to a new status. Accordingly, the Bureau will be required in the near future to devote increased attention to demurrage in line with Commission regulations growing out of the Congressional mandate in Section 1(6). The increased positions requested would assist in maintaining compliance surveys of all carrier operations as more time and attention is devoted to demurrage by the field staff.

Section 212 - Car Service Compensation and Practices. This amendment to Section 1(14) of the Interstate Commerce Act is intended to encourage the purchase and efficient utilization of freight cars. Accordingly, the Commission within 18

months must revise its rules and regulations in respect to car service. Primarily, this responsibility involves the levels of compensation one carrier pays another for the use of the latter's equipment. Additionally, the provision allows the Commission to adopt rules for incentive payments on specific types of equipment that is found to be in less than adequate supply.

The burden for the development of much of the information in the anticipated proceeding will not fall to this Bureau. However, it is anticipated that other offices within the Commission will include the Bureau's headquarters staff in discussions concerning car service and ask that the field staff accumulate various types of information from the carriers' offices in advance of the hearing.

After the new rules are adopted, the Bureau will definitely have additional responsibilities. The new provision requires that the Commission adopt penalties for nonobservance of such rules. When allegations are received that the rules have been violated, this Bureau will conduct those investigations.

Section 310 - Equitable Distribution of Cars for Unit Train Service. A major change is made in Section 1(12) of the Interstate Commerce Act by this section. The railroads have been given wide latitude in the distribution of coal cars between the users of unit trains and small shippers who are unable to produce trainload amounts of coal. In view of most carriers' long-held views on this matter, it seems likely that large shippers using unit-train service will be furnished a major proportion of the available cars, a situation no longer unlawful under the amended Act. The Bureau believes that this situation generate a large number of complaints from small shippers, which will require additional investigations and efforts to secure more cars.

The "independent" coal producers, many of whom do not have sufficient production capacity to qualify for unit-train shipments, may find the carriers allocating such a large percentage of their cars to unit trains that they will be in a severe shortage situation while their larger competitors are receiving an adequate supply of cars. In view of the change in the law, field investigations will be required to determine whether or not any of these complaints alleging discrimination have merit or are merely the result of the amended law.

This amendment defines "unit-train service" as the movement of a single shipment of coal of not less than 4,500 tons, tendered to one carrier, on one bill of lading, at one origin, on one day, and destined to one consignee, at one plant, via one route. Our experience with unit-train movements has taught us that carriers tend to interpret these types of tariffs loosely. It is not uncommon for so-called unit trains to originate at several points and to conduct operations not conforming to tariff requirements. In view of the specificity of the revised section, considerably more monitoring will be required to gain compliance, as there will be great economic pressure on operators to qualify for unit-train service.

Section 802 - Discontinuance and Abandonment of Rail Service. The added provision sets up new rail abandonment procedures. Of particular importance to this Bureau is the requirement that each railroad must submit to the Commission a full and complete diagram (map) of the transportation system operated. Additionally, each railroad must initially and continuously thereafter identify and fully describe each line of railroad that is potentially subject to abandonment. This Bureau is expected to be the Commission's repository for the maps.

The Bureau's headquarters office will maintain the map files and make them available to other Bureaus for independent review or, if requested, attempt to ascertain from the files the information requested by other Bureaus.

Additionally, paragraph (9) of the new provision contains rather severe penalties for abandonments or discontinuances by carriers contrary to established procedures. The Bureau will have an up-to-date listing of all lines over which service must be provided, as well as those lines on the "potential abandonment" list. From time-to-time the service agent staff will be asked to review the service being afforded by individual carriers in their respective territories to determine compliance with the abandonment procedure.

Any willful departure from the abandonment procedures specified in the statute will require full investigation to determine what person or persons are responsible. The investigations will be time consuming because of the nature of evidence needed in this type of case.

Section 903 - Study of Conglomerates. There has been a long-standing allegation that parent conglomerates of railroads have systematically been requiring the carriers to transfer valuable assets to the parent corporations.

The Rail Act of 1976 addresses this allegation by requiring the Commission to undertake a study of conglomerates. The study shall determine what effect such diverse organizational structures have on the rail transportation system, intermodal transportation, and revenue levels.

Basically, the conglomerate study will involve financial and accounting analysis performed by other Bureaus. However, it is anticipated that the study will involve interrogations and interviews of carrier personnel at various levels of authority and responsibility relative to questionable transactions. When this type of situation develops, investigators of this Bureau will be called upon to assist the auditors. It is expected that the next 12 months will show a noticeable increase in this Bureau activity.

Automatic Data Processing Systems Support

Although specific systems requirements cannot be totally defined until the appropriate rule-making proceedings have been completed, the following information provides an estimate of future data processing requirements for certain selected provisions of the Railroad Revitalization and Regulatory Reform Act of 1976.

Section 202 - The Commission's method of keeping a record of the tariffs filed will have to be changed to accommodate the provisions of Section 202 which permit up or down changes in pricing within the limit of seven percent per year. In addition to the probable acquisition of the certification of the individual carrier that he is within the provisions of this section in filing a given tariff, the Commission must establish an audit trail, and concurrently provide the basis for analyses of the operability of this section. The estimated record volume for the establishment of such an audit trail is 24,000 records per annum with an estimated size of 300 characters per record, leading to a file storage requirement of approximately 12 million characters. Two additional terminals will be needed for update purposes and one for summary capability utilizing a combined total of 350 hook-up hours per month. The estimated contracting cost will be \$9,000 per month for systems support, \$350 per month for communication and terminal associated hardware, for an annual requirement of \$112,000.

Section 202 also requires the establishment of procedures to determine the impact of seasonal rate adjustments. This will require expansion of the current movement analyses being done for the selected commodities of Ex Parte 270. The estimated cost of the expansion of this data base to all commodities is \$80,000 per annum, with the prime cost coming from significant expansion of storage requirements to encompass all commodities rather than only the nine commodities specifically mentioned in the subproceedings of Ex Parte 270.

Section 203(a) - This section requires consideration of the economic impact of the cancellation of joint rates. In order to successfully perform the analyses to determine the economic impact, the Commission must expand its current use of econometric modeling techniques to apply both macro and micro economic analytical capabilities. Current expenditures must be expanded by approximately \$5,000 per month for additional interactive processing support to provide for the continuing economic impact analyses. In addition, further regional models must be acquired from Chase Manhattan at an estimated annual cost of \$30,000. Total annual cost of this expanded effort is estimated at \$90,000.

Section 205 - This section requires the promulgation of standards for the determination of adequate revenue levels. The implementation of these provisions will require the continuation and expansion of efforts begun under Ex Parte 271. The analyses started within that proceeding must now be institutionalized and expanded. The estimated requirements are for the expansion of the current \$12,500 per month

computer contract expenditure to approximately \$22,000 per month. Four terminals will be added and storage costs will expand significantly because of the continued storage of large data bases. The total annual increased cost is anticipated to be approximately \$120,000.

Sections 303(a), 305, 402 and 403 - The time constraints placed upon the Commission by Sections 303(a), 402, 403, and particularly 305, will require expansion of the current Case Status System both in terms of the availability of information and in terms of the data contained within the System. We expect an increase of 15 terminals to assure availability of information at the Commission and bureau and office level and an increase of six million characters of data in the overall data base. System revision and reprogramming also will be required to provide for a review of the completeness of the case submitted to ascertain whether the Commission can, in fact, handle it and to institute the application of the time frame to the specific case. Terminal and communication cost will approximate \$1,000 per month. Storage cost is estimated at an additional \$500 per month and a processing increase in the current contract is expected to be approximately \$3,000 per month. The total annual requirement, therefore, is \$54,000. It is currently anticipated that revised programming requirements will be accommodated within the existing strength.

Section 307 - This section requires a new Uniform System of Accounts for Railroads to be effective January 1, 1978. This will require a complete redesign of the current rail master information file system which processes the overall rail accounting reports and establishes our analytical financial data base. It is anticipated that interactive validation and access will be provided in order to enhance the timeliness of the availability of the data in this base. Revised forms will be required for the collection of data, which because of our commitment to Optical Character Recognition, will require significant forms design activity. Four additional terminals will be required in the Bureau of Accounts as well as an expansion of our existing contract in the amount of \$4,000 per month. This estimate of \$4,000 per month was arrived after allowing for reduced cost because of less in-house activity. Total annual requirement is \$52,000 per year.

It is recognized that the total data processing increase of \$508,000 is substantial because of the provisions of the Rail Act. However, the overall thrust of the Act is for the establishment of and the continuing analysis and monitoring of standards to eliminate the need for a separate proceeding for every economic activity. This will require additional recurring study activity on the part of the Commission. These studies must be based upon accurate and timely information. The creation, validation, and analysis of large scale data bases is a necessary pre-requisite to the successful performance of the newly assigned functions.

NATIONAL TRANSPORTATION SAFETY BOARD

SALARIES AND EXPENSES

For necessary expenses of the National Transportation Safety Board, [\$11,260,000] including hire of passenger motor vehicles and aircraft; services as authorized by 5 U.S.C. 3109, but at rates for individuals not to exceed the per diem rate equivalent to the rate for a GS-18; uniforms, or allowances therefor, as authorized by law (5 U.S.C. 5901 - 5902), \$12,000,000.

[For "Salaries and expenses" for the period July 1, 1976, through September 30, 1976, \$3,095,000.] (49 U.S.C. 1901 et. seq.; Department of Transportation and Related Agencies Appropriation Act of 1976, and the period ending September 30, 1976.)

June 1975, Office of Management and Budget
Circular No. A-11, Revised.

Program and Financing (in thousands of dollars)

Identification code	19 75 actual	19 76 estimate	19 TQ estimate	19 77 estimate
31-47-0310-0-1-407				
<u>Program by Activities:</u>				
1. Aviation accident and safety investigation	5,587	6,231	1,616	6,483
2. Surface accident and safety investigation	1,063	1,898	581	2,411
3. Certificate or license appeal	576	597	151	613
4. Policy and support	1,828	2,534	747	2,493
Total program costs, funded	9,054	11,260	3,095	12,000
Change in selected resources (undelivered orders)	541	---	---	---
10 Total Obligations	9,595	11,260	3,095	12,000
<u>Financing:</u>				
25 Unobligated balance lapsing	45	---	---	---
<u>Budget Authority</u>	9,640	11,260	3,095	12,000
<u>Budget Authority:</u>				
40 Appropriation	9,640	11,260	3,095	12,000

Program and Financing (in thousands of dollars)

Identification code	19 75 actual	19 76 estimate	19 TQ estimate	19 77 estimate
31-47-0310-0-1-407				
Relation of obligations to outlays:				
71 Obligations incurred, net	9,595	11,260	3,095	12,000
72 Obligated balance, start of year	771	1,711	971	1,026
74 Obligated balance, end of year	-1,711	-971	-1,026	-1,126
77 Adjustments in expired accounts	-27	---	---	---
90 Outlays	8,628	12,000	3,040	11,900

PROGRAM AND PERFORMANCE

The Independent Safety Board Act of 1974 charges the National Transportation Safety Board with investigating accidents, conducting special studies, promoting transportation safety, and reviewing on appeal actions against certificates or licenses issued by the Department of Transportation.

1. Aviation Accident and Safety Investigation. The Board investigates all U.S. civil aviation accidents, except for the field phase of investigation of most non-fatal accidents, which has been delegated to the Federal Aviation Administration for fact-finding purposes; determines accident cause and reports facts and circumstances in all aviation accidents; conducts special studies of aviation safety problems; and develops recommendations to prevent aviation accidents.

2. Surface Accident and Safety Investigation. Under this activity, which includes the highway, marine, railroad, pipeline, and hazardous materials modes and intermodal transportation, the Board investigates accidents, determines their probable cause, and reports facts and circumstances of surface transportation accidents. The Board also conducts special studies of surface safety problems, and develops recommendations to prevent surface transportation accidents.

3. Certificate or License Appeal. The Board reviews on appeal the suspension, amendment, modification, revocation, or denial of any certificate or license issued by the Secretary or an Administrator of the Department of Transportation.

4. Policy and Support. This activity includes the formulation and development of policy and program objectives; centralized management, control, and execution of the Board's programs; provisions of legal advice and assistance to the Board components; and provision of information concerning the Board's activities.

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code	19 75 actual	19 76 Estimate	19 TQ estimate	19 77 estimate
31-47-0310-0-1-407				
Personnel compensation:				
11.1 Permanent positions.....	5,952	7,030	1,962	7,764
11.3 Positions other than permanent.....	106	137	34	137
11.5 Other personnel compensation.....	126	158	36	165
11.8 Special personal services payments.....	32	37	8	38
Total personnel compensation.....	6,216	7,362	2,040	8,104
Personnel benefits:				
12.1 Civilian.....	539	679	180	726
21.0 Travel and transportation of persons.....	382	491	114	541
22.0 Transportation of things.....	12	29	3	16
23.0 Rent, communications, and utilities.....	901	1,252	324	1,301
24.0 Printing and reproduction.....	347	382	94	444
25.0 Other services.....	503	939	308	736
26.0 Supplies and materials.....	70	76	20	82
31.0 Equipment.....	84	50	12	50
Total direct costs, funded.....	9,054	11,260	3,095	12,000
94.0 Change in selected resources.....	541	--	--	--
99.0 Total obligations.....	9,595	11,260	3,095	12,000

PERSONNEL SUMMARY

Identification code	19 75 actual	19 76 estimate	19 TQ estimate	19 77 estimate
31-47-0310-0-1-407				
Total number of permanent positions	301	386		386
Full-time equivalent of other positions	17	17		17
Average paid employment	288	302		327
Average GS grade	11.11	11.03		11.06
Average GS salary	\$21,525	\$20,515		\$20,941

DONATIONS
Program and Financing (in thousands of dollars)

Identification code	19 75 actual	19 76 estimate	19 TQ estimate	19 77 estimate
31-47-8969-0-1-407				
<u>Financing:</u>				
21 Unobligated balance available, start of year	-39	-39	-39	-39
24 Unobligated balance available, end of year	39	39	39	39
<u>Budget Authority</u>	---	---	---	---
<u>Relation of obligations to outlays:</u>				
71 Obligations incurred, net	---	---	---	---
90 Outlays	---	---	---	---
<u>PROGRAM AND PERFORMANCE</u>				
Donations received are to be used in connection with aircraft investigation work.				

SUMMARY AND HIGHLIGHTS

The mission of the National Transportation Safety Board is to improve transportation safety. This mission is accomplished by making recommendations to Federal agencies and transportation organizations, based on findings of Safety Board accident investigations and studies of safety problems.

The ability of the Safety Board to complete its mission was substantially improved with the passage of the Independent Safety Board Act of 1974, which made the Safety Board an independent agency (on April 1, 1975) and expanded the agency's authorities and responsibilities. These authorities and responsibilities are:

1. Investigate and/or determine the facts, conditions, circumstances, and the probable causes of any:
 - a. Civil aircraft accident occurring within the United States, its territories, or its possessions (including participation in foreign accident investigations of United States products and operations under the International Civil Aviation Organization Convention);
 - b. Highway accident, including any railroad grade-crossing accident, that it selects in cooperation with the States;
 - c. Railroad accident in which there is a fatality, substantial property damage, or which involves a passenger train;
 - d. Pipeline accident in which there is a fatality or substantial property damage;
 - e. Major marine casualty occurring in United States waters or involving a vessel of the United States, and any marine accident involving a public vessel and a nonpublic vessel, in accordance with regulations prescribed jointly with the Department of Transportation (DOT); and
 - f. Accident which is catastrophic, involves problems of a recurring nature, or involves alleged misfeasance or nonfeasance by the Federal government.
2. Initiate and conduct special studies and special investigations on matters pertaining to safety in transportation.
3. Propose corrective steps to make the transportation of persons as safe and free from risk of injury as possible.

4. Investigate and report on the safe transportation of hazardous materials, and evaluate the adequacy of safeguards, procedures, and the performance of other agencies concerning the transportation of hazardous materials.

5. Assess and reassess techniques and methods of accident investigation, and prepare and publish recommended procedures for accident investigations.

6. Evaluate, assess the effectiveness of, and publish findings with respect to transportation safety consciousness and efficacy of other government agencies in preventing accidents.

7. Issue periodic reports to interested parties recommending and advocating meaningful responses to reduce the likelihood of recurrence of transportation accidents.

In addition to the above responsibilities, the Safety Board is also the appellate body to which suspensions, amendments, modifications, revocations, or denials of licenses or certificates issued by the Secretary of Transportation or an Administrator are appealed.

The Safety Board developed a program plan, identified in an amendment to the FY 1976 President's Budget, to begin to undertake the expanded authorities and responsibilities charged to it under the Independent Safety Board Act of 1974. The Department of Transportation and Related Agencies Appropriation Act for FY 1976 provided 85 additional positions to accomplish the railroad, pipeline, and hazardous materials responsibilities and to initiate an expanded program in highway and marine safety.

The FY 1976 end-of-year employment level allowed the Safety Board to fill 41 of the 85 positions authorized. The Safety Board, therefore, reduced the level of effort directed to the railroad, pipeline, and hazardous materials programs and eliminated the proposed highway and marine programs.

The authorized position level of 386 and the employment level of 313 requested in the President's Budget for FY 1977 provides for only a continuation of the level approved in FY 1976. The \$12,000,000 in budget authority for FY 1977, which is an increase of \$740,000 over the \$11,260,000 provided in FY 1976 will allow the Safety Board to fund only the inflationary and workload increases in the current program and annualize the 41 employment authorizations approved on a part year basis in FY 1976.

The following is a detailed distribution of these resources:

TOTAL NTSB FINANCIAL REQUIREMENTS

	<u>FY 1975</u> <u>Actual</u>	<u>FY 1976</u> <u>Program</u>	<u>Transition</u> <u>Quarter</u>	<u>FY 1977</u> <u>Estimate</u>	<u>Difference</u> <u>FY 76 & FY 77</u>
Permanent Positions	301	386	386	386	-0-
Permanent Man-years	270.4	283.0	77.0	308.0	+ 24.4
Temporary Man-years	16.8	16.8	4.2	16.8	-0-
End-of-year Employment ^{1/}	270	313	313	313	-0-
Obligations	\$9,595,000	\$11,260,000	\$3,095,000	\$12,000,000	+\$740,000

Change in Costs Associated with Continuing Current Positions and Programs

Annualization of FY 1976 pay raise	\$136,000
Annualization of positions approved in prior years	492,000
Annualization of prior year's within-grade increases	97,000
Annualization of FY 1976 promotions	6,000
FY 1977 within-grade increases	74,000
One less day's pay	-24,000
Overtime	7,000
Witness fees	1,000
Travel	50,000
Transportation of things	-13,000
Rent, communications and utilities	49,000
Printing and reproduction	62,000
Other services	-203,000
Supplies and materials	6,000
Total Increase	<u>\$740,000</u>

^{1/} One military position assigned to the marine function of the Safety Board is in addition to end-of-year employment totals.

I. AVIATION ACCIDENT AND SAFETY INVESTIGATION

A. Responsibilities

The Safety Board's aviation safety program consists of (1) the investigation of all U. S. civil aviation accidents, except the fact-finding phase of certain investigations requested of the Federal Aviation Administration (FAA), the determination of cause, and the issuance of accident reports to the public; (2) the conduct of special studies and investigations to seek out and identify safety problems in need of correction; and (3) the development of recommendations resulting from all aviation program activities to prevent aviation accidents and promote aviation safety.

The Safety Board is responsible for investigating and determining the facts, conditions, circumstances, and cause or probable cause of all U. S. civil aviation accidents. Because of insufficient resources of its own, the Board has delegated to the FAA responsibility for conducting the factfinding phase of certain accident investigations. Under this delegation the FAA investigates all nonfatal general aviation accidents in light aircraft (weighing less than 12,500 lbs.) and fatal accidents in aerial application, amateur-built, or restricted-category aircraft operations. The FAA provides the Board with a report on the facts, conditions, and circumstances of these accidents. The Safety Board then reviews and analyzes each report, determines probable cause, publishes a public report, and extracts and stores pertinent data on these accidents in its ADP system. Such automated data are used to develop special studies and statistical compilations, and to determine accident rates, trends, and patterns.

Special studies and investigations are conducted on selected aspects of aviation safety that may be uncovered in an accident investigation or an analysis of the data from several accident investigations. Approaches used to carry out such studies or investigations include the collection and exchange of information on potential hazards, utilization of computer capabilities in developing trend analyses and evaluations, and research into accident causal factors and potentially unsafe conditions. Special studies and investigations utilize the Safety Board's experience, particular expertise, objective position and special relationships in the aviation field to promote safe conditions in the total technological and operational environment.

Recommendations are developed as a result of all aviation safety activities, but primarily from accident investigations and special studies and special investigations. Recommendations are the most important part of the Safety Board's work because they are the tool by which corrective action is effected. The recommendations from accident

investigations are the result of an analysis of the facts gathered during accident investigations and are issued to cognizant agencies and segments of the aviation community to preclude the recurrence of similar accidents. Recommendations from special studies and investigations, which include an analysis of broad aviation safety problems, are made to responsible agencies and the aviation community in order to effect needed corrections to prevent the occurrence or recurrence of a broad spectrum of accidents or unsafe conditions.

B. Financial Requirements

	<u>FY 1975 Actual</u>	<u>FY 1976 Program</u>	<u>Transition Quarter</u>	<u>FY 1977 Estimate</u>	<u>Difference FY 76 & FY 77</u>
Permanent Positions	183	183	183	183	-0-
Permanent Man-Years	162.2	159.4	39.9	159.4	-0-
Temporary Man-Years	7.8	7.8	2.0	7.8	-0-
End-of-Year Employment	161	161	161	161	-0-
Obligations	\$5,691,000	\$6,231,000	\$1,616,000	\$6,483,000	+\$252,000

C. Workload

The aviation safety program may be quantified as follows:

<u>Workload Function</u>	<u>Work Units</u>		
	<u>FY 75</u>	<u>FY 76</u>	<u>FY 77</u>
Major Accident Investigations	17	21	20
Regular Investigations	799	892	900
Review of FAA-Delegated Investigations	3,601	3,600	3,600
Analytical Tests and Studies	332	465	465
Public Hearings	5	5	5
Depositions	5	5	5
Report Analyses	4,200	4,400	4,500
Accident Reports:			
Major	17	21	20
Briefs	4,543	4,400	4,500
Preliminary	868	800	800
Special Studies and Investigations	8	10	10
Recommendations	106	88	90
Statistical Studies	1,684	1,588	1,600
Comments on Rulemakings	27	20	20
Safety Inquiries	2,951	2,638	2,600
Meetings and Presentations	154	124	126

II. SURFACE ACCIDENT AND SAFETY INVESTIGATION

A. Responsibilities

The surface accident and safety investigation program encompasses the following areas of transportation activity -- cross-modal, highway, marine, railroad, pipeline, and hazardous materials. This program includes maintaining a broad oversight of five rulemaking Administrations in the Department of Transportation (DOT), and two rulemaking organizations within the Office of the Secretary, DOT, which exercise regulatory functions in each of the surface modes of transportation. Problems are identified through accident investigations, and special studies and investigations, which form the basis for recommendations made to the DOT rulemaking agencies and applicable segments of the transportation industry to prevent surface transportation accidents and promote transportation safety. The Safety Board's oversight work has been enlarged by transportation legislation such as the Highway Safety Act, the Federal Railroad Safety Act, the Federal Boat Safety Act, the Natural Gas Pipeline Safety Act, and most recently by the Independent Safety Board Act of 1974. These statutes have opened the opportunity for Federal leadership in those areas of each transportation mode where substantial accidents, fatalities, injuries, and property losses have been occurring.

1. Cross-Modal

The functions of the cross-modal activity include planning, development, and administration of the surface safety program; evaluation of program effort and output; development of surface transportation safety priorities; liaison with the DOT, other government agencies, and the transportation industry; and keeping the Board abreast of surface safety matters. The cross-modal activity functions across modal lines to analyze the specific effect of safety problems and recommendations on all of the modes and on their interaction. Assistance is provided to each modal activity in areas of systems safety, human factors, and statistics. Through this activity specialized talent is available to the modal activities to increase their capability of exploring accident causal factors and to promote their output of relevant and viable recommendations. In addition, this activity supports the surface safety program through utilization of a computerized data bank of accident data.

2. Highway

The Independent Safety Board Act of 1974 charged the Safety Board with the primary responsibility for investigating highway and railroad grade crossing accidents selected in cooperation with the States, and other highway accidents which are considered by the Board to be catastrophic or involve problems of a recurring character.

In discharging this responsibility, the Safety Board will investigate accidents involving automobiles, pedestrians, motor carriers, school buses, hazardous materials, and safety problems found in previous accidents which should be further analyzed. The majority of highway accidents will be investigated in cooperation with local law enforcement agencies.

The Safety Board will also undertake special studies and investigations of broad highway problems, maintain liaison with other government agencies in order to study and assess their effectiveness in transportation safety consciousness and efficacy in preventing accidents, and publish the Board's findings and recommendations in all these matters.

3. Marine

In accordance with the Independent Safety Board Act of 1974, the Safety Board has developed an agreement jointly with the Coast Guard which (1) provides that the Safety Board will investigate accidents involving a public vessel and a private vessel, and accidents where there is a clear need for an independent investigation because the Coast Guard is directly involved through its operational function, and (2) defines a major marine casualty and provides that the Safety Board will analyze the facts, determine the cause or probable cause, and issue a public report on major marine casualties in addition to the accidents investigated by the Safety Board.

The Safety Board also reviews other accident investigation data and the effectiveness and safety consciousness of other government agencies involved in marine transportation to effect a safer marine transportation system through a reduction in the number of accidents and in the likelihood and severity of injuries in those accidents that do occur.

4. Railroad

The Independent Safety Board Act of 1974 charged the Safety Board to investigate (1) all fatal train accidents; (2) all nonfatal train accidents involving substantial property damage (\$500,000 or more); (3) all passenger train accidents; and (4) all fatal train service accidents.

The fulfillment of these new responsibilities includes: investigating the assigned accidents; conducting public hearings to develop testimony on the issues; analyzing the facts and circumstances; determining the causal factors; and publishing reports. The analysis of railroad accidents and safety information, the development of special studies on broad railroad safety problems; and other related analysis and oversight of the railroad safety work of others leads to recommendations which translate findings concerning railroad accident causes into means of accident prevention.

5. Pipeline

The Safety Board is responsible for investigating and reporting on all pipeline accidents involving fatalities and all pipeline accidents

involving \$100,000 or more of property damage, as provided by the Independent Safety Board Act of 1974.

This includes: investigation, determination of probable cause, and issuance of reports on major pipeline accidents; analysis of investigative reports and studies performed by other agencies; development of special studies concerning safety problems; surveillance of the safety work of the Office of Pipeline Safety Operations; and development of safety recommendations in connection with all these activities.

6. Hazardous Materials

The hazardous materials function assists both air and surface transportation modes in fulfilling the mandate of the Independent Safety Board Act of 1974, which charges the Safety Board to establish an activity to investigate and report on the safe transportation of hazardous materials, and to evaluate both the adequacy of safeguards and procedures concerning the transportation of hazardous materials and the performance of other government agencies in assuring the safe transportation of such materials.

To fulfill its responsibilities, the Safety Board utilizes both pre-accident and post-accident review of the hazardous materials safety efforts of the principal elements in the transportation community. Pre-accident reviews focus on the safety objectives, plans, organization, and operational approaches and methods of parties with a role in assuring safe hazardous materials transportation. Post-accident review includes an analysis of information derived from all fatal railroad hazardous materials accidents and from about 5 percent of the accidents and incidents in all other modes. Recommendations for correction of safety problems result from all aspects of this program.

B. Financial Requirements

	<u>FY 1975</u> <u>Actual</u>	<u>FY 1976</u> <u>Program</u>	<u>Transition</u> <u>Quarter</u>	<u>FY 1977</u> <u>Estimate</u>	<u>Difference</u> <u>FY 76 & FY 77</u>
Permanent Positions	34	108	108	108	-0-
Permanent Man-Years	30.3	41.7	15.8	63.4	21.7
Temporary Man-Years	0.5	0.5	0.1	0.5	-0-
End-of-Year Employment	29	64	64	64	-0-
Obligations	\$1,083,000	\$1,898,000	\$581,000	\$2,411,000	+\$513,000

C. Workload

The surface safety program may be quantified as follows:

<u>Workload Function</u>	<u>Work Units</u>		
	<u>FY 75</u>	<u>FY 76</u>	<u>FY 77</u>
Major Investigations	21	34	44
Short Form Investigations and Reports	0	141	752
Accident Observations	25	39	63
Hearings	3	5	7
Major Reports	29	39	50
Special Studies	1	7	12
Assessment of Procedures	2	5	6
Evaluation of Effectiveness	3	6	6
Symposia	0	2	3
Liaison and Conferences	195	549	770
Inquiries	1,075	1,388	1,660
Recommendations	181	244	407

III. CERTIFICATE OR LICENSE APPEAL

A. Responsibilities

The certificate or license appeal activity consists of reviewing on appeal the suspension, amendment, modification, revocation, or denial of any certificate or license issued by the Administrator of the FAA.

These appeals include petitions, by airmen, for review of the denial of their request for an airman certificate by the Administrator of the FAA and appeals by airmen from orders of the Administrator of the FAA suspending or revoking their certificates for alleged violations of the safety standards or for lack of qualifications to hold such certificates.

The primary objective of the Certificate or License Appeal activity is to assure safety in air transportation through adherence to Federal Aviation Regulations, while providing every airman who appeals to the Safety Board due process in the prompt handling and completion of any appeal. In about 65 percent of all cases filed with the Safety Board, the filing of the appeal stays the effectiveness of the order issued by the FAA Administrator against the airman's certificate. This permits the airman to continue to operate in the air system during the appeal process. Since about 50 percent of the final determinations made by the Safety Board under the appeal process uphold the FAA actions taken against the airmen, the longer this appeal procedure takes, the longer airmen posing a hazard to the safety of lives and property continue to operate in the aviation system.

B. Financial Requirements

	<u>FY 1975</u> <u>Actual</u>	<u>FY 1976</u> <u>Program</u>	<u>Transition</u> <u>Quarter</u>	<u>FY 1977</u> <u>Estimate</u>	<u>Difference</u> <u>FY 76 & FY 77</u>
Permanent Positions	15	15	15	15	-0-
Permanent Man-Years	12.0	11.9	3.0	11.9	-0-
Temporary Man-Years	1.1	1.1	.3	1.1	-0-
End-of-Year Employment	12	12	12	12	-0-
Obligations	\$610,000	\$597,000	\$151,000	\$613,000	+\$16,000

C. Workload

The appeals program may be quantified as follows:

<u>Workload Function</u>	<u>Work Units</u>		
	<u>FY 75</u>	<u>FY 76</u>	<u>FY 77</u>
New Case Processing	578	625	630
Case Maintenance	735	800	800
Preliminary Rulings	152	160	160
Prehearing Conferences	25	18	18
Cases Disposed of by:			
Written Decisions	53	55	62
Oral Decisions	306	219	215
Termination Orders	306	329	330
Prehearing Conferences	19	18	18

IV. POLICY AND SUPPORT

A. Responsibilities

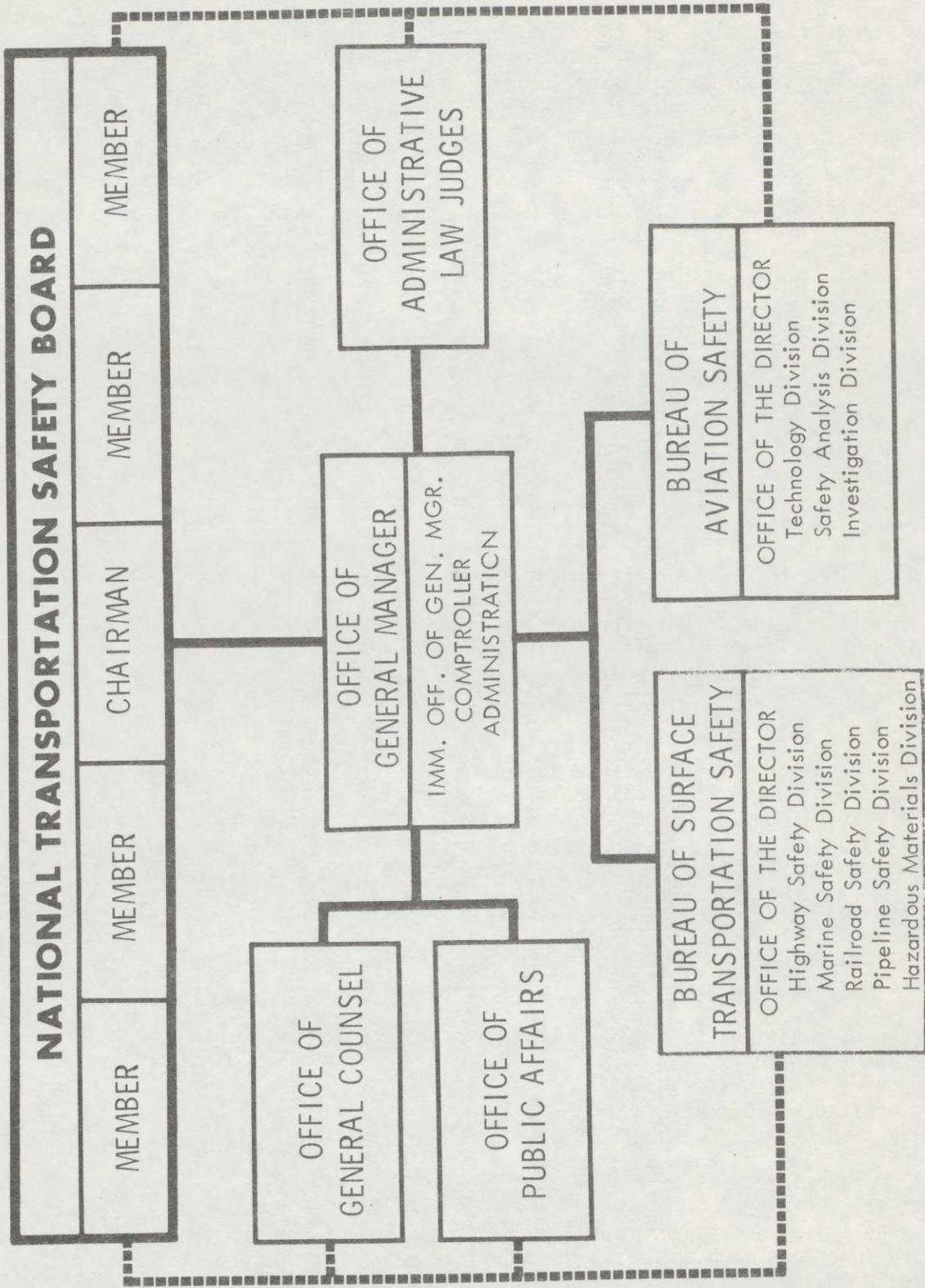
The objective of the policy and support activity is to provide guidance and support to the three primary activities of the Safety Board. This includes the formulation and direction of Safety Board policies and programs, including the determination of accident causes, review of airmen's and seamen's appeals, and approval of all Safety Board reports, studies, and recommendations by the Members of the Board; the overall management, control, execution, and day-to-day operation of Board-wide programs by the General Manager; the provision of legal advice and assistance on accident investigations and other Safety Board matters, preparing appeal opinions for the full Board, and representing the Safety Board in the courts by the General Counsel; and the provision of information services to the public, industry, and press at investigations, hearings, and meetings, and through press releases by the Public Affairs office.

B. Financial Requirements

	<u>FY 1975</u> <u>Actual</u>	<u>FY 1976</u> <u>Program</u>	<u>Transition</u> <u>Quarter</u>	<u>FY 1977</u> <u>Estimate</u>	<u>Difference</u> <u>FY 76 & FY 77</u>
Permanent Positions	69	80	80	80	-0-
Permanent Man-Years	65.9	70.0	18.3	73.3	+3.3
Temporary Man-Years	7.4	7.4	1.9	7.4	-0-
End-of-Year Employment	68	74	74	74	-0-
Obligations	\$2,211,000	\$2,534,000	\$747,000	\$2,493,000	+\$159,000

C. Workload

The policy and support function provides support for the three primary Board functions, and therefore the workload output is included in the three primary functions.



— MANAGEMENT DIRECTION
 - - - TECHNICAL COMMUNICATION

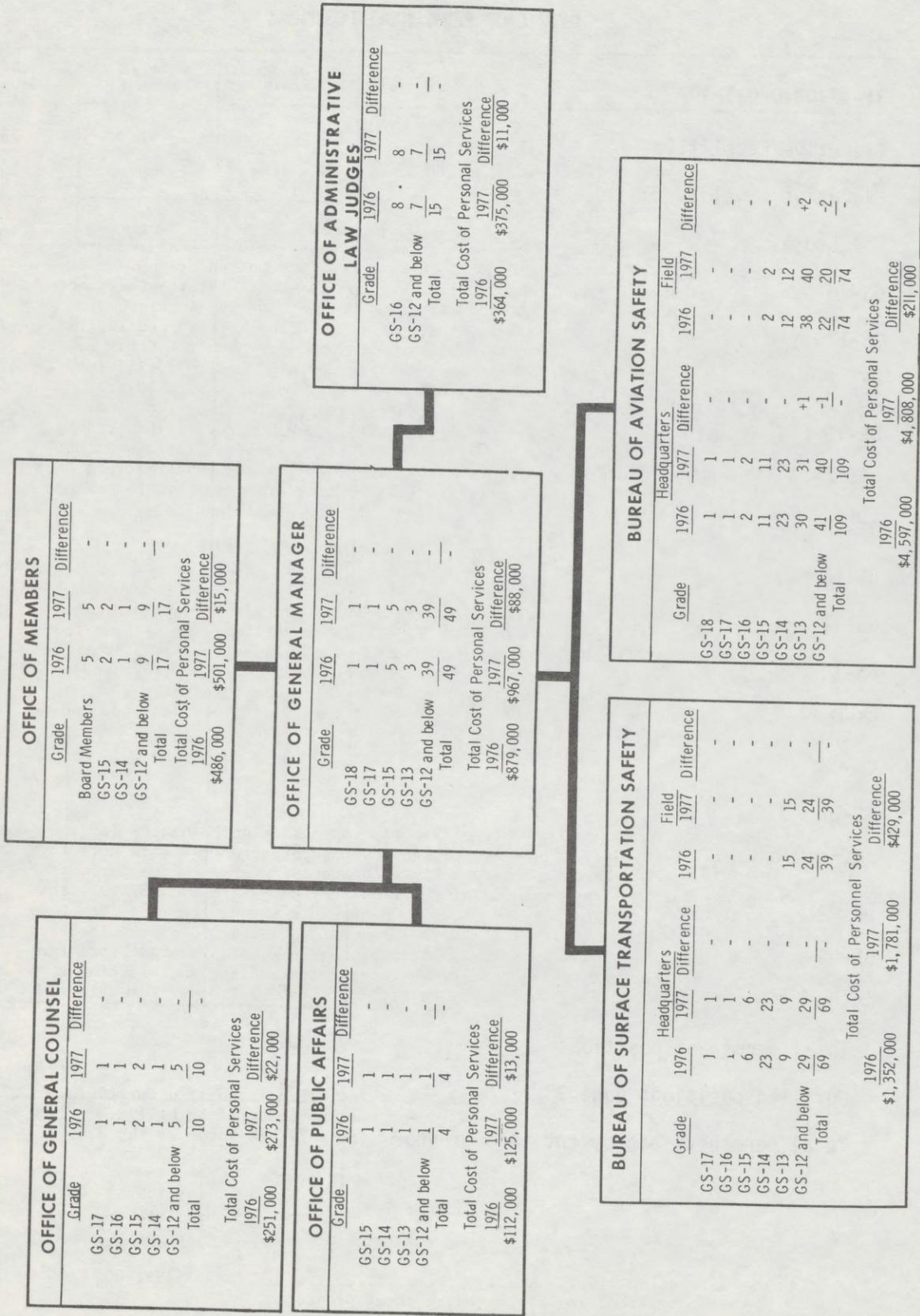
Summary of Program Requirements by Activity

	FY 1975 ACTUAL			FY 1976 PROGRAM			T. Q. PROGRAM			FY 1977 ESTIMATE			DIFFERENCE FY 76 & FY 77					
	Perm Pos.	Man-Years	EOY Emp.	Perm Pos.	Man-Years	EOY Emp.	Perm Pos.	Man-Years	EOY Emp.	Perm Pos.	Man-Years	EOY Emp.	Perm Pos.	Man-Years	EOY Emp.			
Aviation Accident and Safety Investigation	183	170.0	161	183	167.2	161	183	41.9	161	1,616	183	167.2	161	6,483	0	0	0	+ 252
Surface Accident and Safety Investigation	34	30.8	29	108	42.2	64	108	15.9	64	581	108	63.9	64	2,411	0	+21.7	0	+ 513
Certificate or License Appeal	15	13.1	12	15	13.0	12	15	3.3	12	151	15	13.0	12	613	0	0	0	+ 16
Policy & Support	69	73.3	68	80	78.4	76	80	20.7	76	747	80	82.7	76	2,493	0	+ 4.3	0	- 41
TOTAL	301	287.2	270	386	300.8	313	386	81.8	313	3,095	386	326.8	313	12,000	0	+26.0	0	+ 740

DETAIL OF PERMANENT POSITIONS

	19 75 actual	19 76 estimate	1977 estimate
31-47-0310-0-1-407			
Executive Level III	1	1	1
Executive Level IV	4	4	4
Subtotal	5	5	5
GS-18	2	2	2
GS-17	4	4	4
GS-16	12	12	12
GS-15	28	29	29
GS-14	51	61	61
GS-13	73	96	99
GS-12	16	32	31
GS-11	12	23	22
GS-10	4	4	4
GS-09	6	9	9
GS-08	5	5	5
GS-07	15	20	19
GS-06	30	31	31
GS-05	22	39	41
GS-04	10	10	8
GS-03	6	4	4
Total permanent positions	301	386	386
Unfilled positions June 30	-31	-73	-73
Total permanent employment, end-of-year	270	313	313

**SCHEDULE OF PERMANENT POSITIONS BY ORGANIZATION
FISCAL YEAR 1977**



OFFICE OF GENERAL COUNSEL			
Grade	1976	1977	Difference
GS-17	1	1	-
GS-16	1	1	-
GS-15	2	2	-
GS-14	1	1	-
GS-12 and below	5	5	-
Total	10	10	-
Total Cost of Personal Services		1976	1977
		\$251,000	\$22,000

OFFICE OF MEMBERS			
Grade	1976	1977	Difference
Board Members	5	5	-
GS-15	2	2	-
GS-14	1	1	-
GS-12 and below	9	9	-
Total	17	17	-
Total Cost of Personal Services		1976	1977
		\$486,000	\$501,000
			\$15,000

OFFICE OF PUBLIC AFFAIRS			
Grade	1976	1977	Difference
GS-15	1	1	-
GS-14	1	1	-
GS-13	1	1	-
GS-12 and below	1	1	-
Total	4	4	-
Total Cost of Personal Services		1976	1977
		\$112,000	\$13,000

OFFICE OF GENERAL MANAGER			
Grade	1976	1977	Difference
GS-18	1	1	-
GS-17	1	1	-
GS-15	5	5	-
GS-13	3	3	-
GS-12 and below	39	39	-
Total	49	49	-
Total Cost of Personal Services		1976	1977
		\$879,000	\$967,000
			\$88,000

OFFICE OF ADMINISTRATIVE LAW JUDGES			
Grade	1976	1977	Difference
GS-16	8	8	-
GS-12 and below	7	7	-
Total	15	15	-
Total Cost of Personal Services		1976	1977
		\$364,000	\$375,000
			\$11,000

BUREAU OF SURFACE TRANSPORTATION SAFETY			
Grade	Headquarters		Field
	1976	1977	
GS-17	1	1	-
GS-16	1	1	-
GS-15	6	6	-
GS-14	23	23	-
GS-13	9	9	-
GS-12 and below	29	29	-
Total	69	69	-
Total Cost of Personnel Services		1976	1977
		\$1,352,000	\$1,781,000
			\$429,000

BUREAU OF AVIATION SAFETY			
Grade	Headquarters		Field
	1976	1977	
GS-18	1	1	-
GS-17	1	1	-
GS-16	2	2	-
GS-15	11	11	-
GS-14	23	23	-
GS-13	30	31	+1
GS-12 and below	41	40	-1
Total	109	109	-
Total Cost of Personal Services		1976	1977
		\$4,597,000	\$4,808,000
			\$211,000

THE PANAMA CANAL
CANAL ZONE GOVERNMENT
PANAMA CANAL COMPANY

SUMMARY STATEMENT

Introduction

The civil government, health and sanitation functions in the Canal Zone are administered by the Canal Zone Government, an agency of the United States. The Panama Canal Company is a corporation wholly owned by the United States Government, chartered for the primary purpose of operating and maintaining the interoceanic canal across the Isthmus of Panama. As a part of its mission, and in consideration of the provisions of the international agreements under which the Canal enterprise is operated, the Company provides necessary supporting service facilities. The Canal Zone Government and the Company are completely integrated in their administration. The Governor of the Canal Zone is also President of the Panama Canal Company and a member of its Board of Directors. The Company is required by law to reimburse the U.S. Treasury annually for the net cost of operations of the Canal Zone Government, interest on the United States' net direct investment in the Company, and \$519 thousand of the payment to the Republic of Panama, to the extent earned, as prescribed by Section 62(g) of Title 2 of the Canal Zone Code.

CANAL ZONE GOVERNMENT

The Canal Zone Government performs those functions in the Canal Zone which, in the United States, would be performed by state and local governments and civilian departments of the Federal Government. It also operates two general hospitals, a mental health center, a leprosarium, and associated clinics. Appropriations for the operating expenses and capital outlay of the Canal Zone Government are requested for each fiscal year. The amounts appropriated are returned to the U.S. Treasury from charges to individuals and agencies for services rendered, and the remaining unrecovered costs are paid to the Treasury each year by the Panama Canal Company to the extent earned.

Operating Expenses:

The Canal Zone Government Operating Expenses appropriation requested for Fiscal Year 1977 is \$66,047,000 and anticipates the use of reimbursements totaling \$11,800,000 from other Federal agencies to fund expenses incurred in the performance of services for those agencies. The total obligations estimated for 1977 thus amount to \$77,847,000, an increase of \$6,264,000 over the amount required for Fiscal year 1976. Wage and cost escalations account for \$5,064,000 of the increase in Fiscal Year 1977. Included in the remainder of the increase are provisions for accomplishing essential maintenance of streets and sewers and for implementing a security guard service at the two general hospitals. These and other variations are summarized by item and activity under Tab 1.a of this book.

Capital Outlay:

The Canal Zone Government capital outlay appropriation requested for 1977 amounts to \$3,647,000. The total requested for this period will be utilized entirely for recurring projects. Details of the projects are shown at Tab 1.b.

Principal areas in which projects are programmed are:

	FY 1977 Appropriation Request
1. Civil Functions.....	\$ 1,557,000
The obligations in this category cover projects within the educational system, public areas and facilities, and municipal systems, including improvements to roads and streets, and other civil activities.	

	FY 1977 Appropriation <u>Request</u>
2. Health and Sanitation.....	1,545,000
Included are projects for improve- ments and rehabilitations of hospi- tals and clinics and other health facilities, and the replacement and addition of medical equipment.	
3. General Government.....	545,000
Included are replacements and improve- ments to government buildings, advance planning, and minor items of capital additions and replacements.	

PANAMA CANAL COMPANY

The Panama Canal Company, a wholly-owned Government corporation, operates and maintains the interoceanic canal across the Isthmus of Panama, together with necessary supporting operations. Panama Canal Company programs through 1977 will be fully funded from resources available to the Company during this period.

Operations:

The net operating results are estimated at \$80 thousand net income for 1976, \$1,325 thousand net income for the Transitional Quarter, and a break-even situation for 1977. The results for the estimated years are premised on a change in the admeasurement rules for assessing tolls and a toll rate increase to be effective February 1, 1976 and July 1, 1976, respectively. Transits of ocean-going vessels are estimated at 12,675 in 1977 reflecting a decline over the 13,875 estimate for 1976. This decline is due for the most part to the reopening of the Suez Canal and the worldwide economic recession.

The Limitation on General and Administrative Expenses for 1977 is estimated at \$26,585,000, an increase of \$2,214,000 over the limitation enacted for 1976. The increase is almost wholly attributable to wage and cost escalation and other administratively uncontrollable employment cost. A summarization of variations in the General and Administration Expenses subject to statutory limitation is shown under Tab 2a.

Capital Outlay:

Capital program obligations for the Panama Canal Company are budgeted at \$20,000,000 for 1977. Details of the Panama Canal Company's capital program are shown under Tab 2c. The more significant projects budgeted for obligations in 1977 are shown in the tabulation below:

	1977 <u>Obligations</u> (In thousands)
1. Channel improvements	\$ 5,900
2. Procure additional towing locomotive and spare components	5,000
3. Replace employee quarters	1,550
4. Repowering of Dredge MINDI	1,250
5. Replace motor vehicles	1,057
6. Improvements to oil handling facilities	950

OPERATING EXPENSES

Program and Financing
(In thousands of dollars)

	Actual 1975	Estimate 1976	Estimate 1970	Estimate 1977
<u>Program by activities:</u>				
1. Civil functions:				
(a) Customs and immigration	1,302	1,389	362	1,394
(b) Postal services	2,209	2,551	652	2,670
(c) Police protection	7,175	7,810	2,154	8,360
(d) Fire protection	2,804	3,363	895	3,722
(e) Judicial system	235	244	63	253
(f) Education	20,742	21,630	4,808	23,753
(g) Public areas and facilities .	3,036	3,885	1,003	4,693
(h) Internal security	325	343	93	354
(i) Other civil affairs	742	811	218	849
2. Health and sanitation:				
(a) Hospitals and clinics	20,824	23,395	5,917	24,813
(b) Other public health services.	3,595	3,993	1,018	4,248
3. General Government expenses:				
(a) Office of the Governor	300	357	95	377
(b) Other general government expenses	<u>4,609</u>	<u>5,145</u>	<u>1,383</u>	<u>5,547</u>
Total program costs	67,898	74,916	18,661	81,033
Unfunded adjustments to total program costs:				
Depreciation included above	<u>-3,357</u>	<u>-3,183</u> ¹⁵⁵	<u>-798</u>	<u>-3,086</u>
Total program costs, funded	64,541	71,733	17,863	77,947
Change in selected resources <u>1/</u>	<u>-1,397</u>	<u>-150</u>	<u>-120</u>	<u>-100</u>
Total obligations	<u>63,144</u>	<u>71,583</u>	<u>17,743</u>	<u>77,847</u>
<u>Financing:</u>				
Receipts and reimbursements from federal funds used to finance operating expenses .....	...	11,291	1,486	11,800
Appropriation in annual act	63,641	59,800	15,900	66,047
Proposed supplemental for civilian pay raises .....	...	492	357	...
Unobligated balance lapsing	<u>-497</u>	<u>...</u>	<u>...</u>	<u>...</u>
Total financing	<u>63,144</u>	<u>71,583</u>	<u>17,743</u>	<u>77,847</u>

CANAL ZONE GOVERNMENT
OPERATING EXPENSESSummary of Agency Variations - FY 1976 to 1977
(Dollars in thousands)

	Obligations (funded)
1976 appropriation in annual act (budget authority)..	\$ 59,800
Proposed supplemental for civilian pay increases, etc	<u>492</u>
Total 1976 budget authority	60,292
Change in selected resources	150
Financing from use of reimbursements from other Federal Agencies for services performed	<u>11,291</u>
Total 1976 operating costs, funded	<u>71,733</u>

Cross Reference
to Exhibit IIIFunded Cost Variations

1. Wage increases and other cost escalations:	
a. Increased cost of services performed for Canal Zone Government activities by the Panama Canal Company	\$ 1,028
b. Additional cost of statutory employee benefits including FICA, FEGLI, FEHBA, death and disability compensation, re- cruitment, repatriation, employees' States travel and transportation of employee vehicles	497
c. Provision for pay increases due to Canal Zone policemen, firemen, and teachers	1,745
d. Provision for net additional cost of within-grade and other promotions, not offset by turnover	348
e. Difference between full-year 1977 and part-year 1976 cost of 5% pay increase effective October 1975 for classified and related employees and for military personnel occupying civilian positions.	426
f. Increased cost of supplies and materials resulting from price escalation.....	434
g. Cost of minimum wage increases resulting from Fair Labor Standards Amendment, 1974, effective Jan. 1976, \$92 and Jan. 1977, \$99 (direct costs only; indirect costs included in item 1.a above).....	191
h. Provision for Canal Zone postal employees pay increases	96
i. Cost of wageboard-type pay increases ..	223
j. Other variations as a result of cost escalations	76
Total wage increases and other cost escalations	5,064

EXHIBIT ISummary of Agency Variations - FY 1976 to 1977
(Dollars in thousands)Cross Reference
to Exhibit IIIObligations
(funded)

2.

Workload increases:

a.	Provisions for added personnel.....	35
	(1) 3 positions to staff a Police Records Branch which will auto- mate statistics and centralize police records.....	19
	(2) 1 assistant poundmaster to enforce the amended leash law and maintain stricter control over animals that are a public nuisance and those running at large.....	9
	(3) Difference between full-year 1977 and part-year 1976 cost for personnel added in 1976.....	7
b.	Reduced personnel and other costs re- lated to lower enrollments in schools	-111
	Total workload changes.....	-76
3.	Varying requirements for recurring mainten- ance including partial restoration of de- ferred maintenance programs from 1976.....	976
4.	Restoration of 1976 program reductions; educational supply purchases deferred in 1976.....	114
5.	a. Implementation of Security Guard Service, general hospitals.....	209
	b. Full-year 1977 versus part-year savings resulting from closing of Corozal immigration station, effective 1/1/76	-29
	c. Difference between full-year 1977 and part-year 1976 savings resulting from closing of Curundu and Quarry Heights post offices in FY 1976.....	-12
	d. All other program changes, net.....	-32
	Total program improvements.....	<u>136</u>
	Increase in funded costs.....	6,214
	Change in selected resources.....	<u>-100</u>
	Total estimated obligations, 1977	77,847
	Less financing from use of reimburse- ments from other Federal agencies for services performed.....	<u>11,800</u>
	1977 appropriation request (budget authority).....	<u>66,047</u>

EXHIBIT II

Summary of Accrued Costs and Variations by Activity
(Dollars in thousands)

	<u>1976</u> Estimate Accrued Costs	<u>1977</u> Estimate Accrued Costs	Increase or Decrease (-) Over 1976 <u>Estimate</u>	Cross Reference To Exhibit <u>III</u>
<u>Civil Functions:</u>				
Customs and immigration....	1,389	1,394	5	(1)
Postal service.....	2,551	2,670	119	(2)
Police protection.....	7,810	8,360	550	(3)
Fire protection.....	3,363	3,722	359	(4)
Judicial system.....	244	253	9	(5)
Education.....	21,630	23,753	2,123	(6)
Public areas and facilities	3,885	4,693	808	(7)
Internal security.....	343	354	11	(8)
Other civil affairs.....	<u>811</u>	<u>849</u>	<u>38</u>	(9)
Total civil functions.....	<u>42,026</u>	<u>46,048</u>	<u>4,022</u>	
<u>Health and Sanitation:</u>				
Hospitals and clinics.....	23,395	24,813	1,418	(10)
Other public health services.....	<u>3,993</u>	<u>4,248</u>	<u>255</u>	(11)
Total health and sanitation.....	<u>27,388</u>	<u>29,061</u>	<u>1,673</u>	
<u>General Government Expense:</u>				
Office of the Governor.....	357	377	20	(12)
Other general government expenses.....	<u>5,145</u>	<u>5,547</u>	<u>402</u>	(13)
Total general government expenses.....	<u>5,502</u>	<u>5,924</u>	<u>422</u>	
Total accrued operating costs.....	<u>74,916</u>	<u>81,033</u>	<u>6,117</u>	
Less Depreciation, included above.....	<u>-3,183</u>	<u>-3,086</u>	<u>+97</u>	
Total operating costs funded.....	<u>71,733</u>	<u>77,947</u>	<u>6,214</u>	

EXHIBIT III

<u>Detail of Variations by Activity 1976 - 1977</u> (Dollars in thousands)			Reference	Accrued
Ref.	Description	Exhibit I		Costs
<u>Exhibit II</u>				
(1)	The increased cost of <u>\$5 thousand</u> in <u>Customs and Immigration</u> includes:			
	Wage increases and other cost escalations.....	1.	\$	49
	Program changes.....	5.		-29
	Savings resulting from closing of Corozal immigration station effective 1/1/76 (difference between full-year 1977 and part-year 1976).....			<u>-29</u>
	Varying requirements for maintenance of customs facilities.....	3.		<u>-15</u>
	Increase in funded and accrued costs			<u>5</u>
(2)	The increased cost of <u>\$119 thousand</u> in <u>Postal service</u> includes:			
	Wage increases and other cost escalations...	1.		168
	Program changes.....	5.		<u>-49</u>
	Savings resulting from closing of Curundu and Quarry Hts. post offices in FY 1976 (difference between full-year 1977 and part-year 1976).....			-12
	Nonrecurring cost of new sheet stamps, stamp booklets & envelopes purchased in 1976 (-\$81); offset in part by sheet stamps & postcards required by rate change in 1977 (\$45).....			<u>-37</u>
	Increase in funded accrued costs....			<u>119</u>
(3)	The increased cost of \$550 thousand in <u>Police Protection</u> includes:			
	Wage increases and other cost escalations...	1.		496
	Workload increases.....	2.		28
	a. Provision for <u>3</u> positions to staff a police records branch which will automate statistics and centralize police records.....			19
	b. Provision for adding <u>1</u> assistant pound-master to enforce the amended leash law and maintain stricter control over animals that are a public nuisance and running at large.....			<u>9</u>
	Varying requirements for maintenance.....	3.		<u>21</u>
	Increase in funded costs.....			545
	Additional depreciation.....			<u>5</u>
	Increase in accrued costs.....			<u>550</u>

EXHIBIT III

Detail of Variations by Activity 1976 - 1977
(Dollars in thousands)

Ref. Exhibit II	Description	Reference Exhibit I	Accrued Costs
(4)	The increased costs of \$359 thousand in <u>Fire Protection</u> includes:		
	Wage increases and other cost escalations...	1.	<u>359</u>
	Increase in funded and accrued costs...		<u>359</u>
(5)	The increased cost of \$9 thousand in <u>Judicial System</u> includes:		
	Wage increases and other cost escalations...	1.	7
	Program changes, net.....	5.	2
	a. Purchase of minor items of equipment costing less than \$1,000 each.....	\$2	<u> </u>
	Increase in funded and accrued costs...		<u>9</u>
(6)	The increased cost of \$2,123 thousand in <u>Education</u> includes:		
	Wage increases and other cost escalations....	1.	1,721
	Workload changes.....	2.	-111
	a. Reductions in personnel and other costs related to lower enrollments in schools	<u>-111</u>	
	Varying requirements for maintenance of equipment and facilities including partial restoration of programs reduced in 1976.....	3.	361
	Program Restoration.....	4.	<u>114</u>
	a. Restoration of 1976 program reduction: educational supplies purchases deferred in 1976.....	<u>114</u>	
	Increase in funded costs.....		2,085
	Additional depreciation.....		38
	Increase in accrued costs.....		<u>2,123</u>
(7)	The increased cost of \$808 thousand in <u>Public Areas and Facilities</u> includes:		
	Wage increases and other cost escalations..	1.	298
	Varying requirements for maintenance including restoration of programs reduced in 1976...	3.	475
	Program changes, net.....	5.	5
	a. Purchase of minor items of equipment costing less than \$1,000 each.....	<u>5</u>	
	Increase in funded costs.....		778
	Additional depreciation.....		30
	Increase in accrued costs.....		<u>808</u>

EXHIBIT III

		<u>Detail of Variations by Activity 1976 - 1977</u> (Dollars in thousands)	
Ref. Exhibit II	Description	Reference Exhibit I	Accrued Costs
(8)	The increased cost of <u>\$11 thousand</u> in <u>Internal Security</u> includes:		
	Wage increases and other cost escalations.....	1.	10
	Workload Increases.....	2.	1
	a. Provision for full year occupancy of Deputy Internal Security Chief position.....	<u>\$ 1</u>	—
	Increase in funded and accrued costs...		<u>11</u>
(9)	The increased cost of <u>\$38 thousand</u> in <u>Other Civil Affairs</u> includes:		
	Wage increases and other cost escalations...	1.	33
	Program changes, net.....	5.	3
	a. Purchase of minor items of equipment costing less than \$1,000 each.....	<u>\$ 3</u>	—
	Increase in funded costs.....		36
	Increased depreciation.....		<u>2</u>
	Increase in accrued costs.....		<u>38</u>
(10)	The increased cost of <u>\$1,418 thousand</u> in <u>Hospital and Clinics</u> includes:		
	Wage increases and other cost escalations...	1.	1,075
	Varying requirements for maintenance.....	3.	107
	Program changes.....	5.	209
	a. Implementation of security guard service, general hospitals.....	<u>\$209</u>	—
	Increase in funded costs		1,391
	Additional depreciation.....		<u>27</u>
	Increase in accrued costs.....		<u>1,418</u>
(11)	The increased cost of <u>\$255 thousand</u> in <u>Other Public Health Services</u> includes:		
	Wage increases and other cost escalations...	1.	246
	Varying requirements for recurring maintenance.....	3.	<u>10</u>
	Increase in funded costs.....		256
	Reduced depreciation.....		<u>-1</u>
	Increase in accrued costs.....		<u>255</u>
(12)	The increased cost of <u>\$20 thousand</u> in the <u>Office of the Governor</u> includes:		
	Wage increases and other cost escalations...	1.	14

		<u>EXHIBIT III</u>	
<u>Detail of Variations by Activity 1976 - 1977</u>			
(Dollars in thousands)			
Ref. <u>Exhibit II</u>	<u>Description</u>	<u>Reference Exhibit I</u>	<u>Accrued Costs</u>
	Workload increases.....	2..	6
	a. Provision for full-year occupancy of position of military aide to the Governor, occupied part-year 1976.....		<u>\$ 6</u>
	Increase in funded and accrued costs....		<u>\$ 20</u>
(13)	<u>The increased cost of \$402 thousand in Other General Government Expense includes:</u>		
	Wage increases and other cost escalations....	1.	588
	Varying requirements for maintenance.....	3.	17
	Program changes, net.....	5.	-5
	a. Reduction in alien cash relief payments due to attrition.....		<u>-5</u>
	Increase in funded costs.....		600
	Reduced depreciation.....		<u>-198</u>
	Increase in accrued costs.....		<u>402</u>

Detail of Accrued Costs by Activity

	1975 <u>Actual</u>	1976 <u>Estimate</u>	197Q <u>Estimate</u>	1977 <u>Estimate</u>
	(Dollars in thousands)			
CIVIL FUNCTIONS				
<u>Customs and immigration:</u> This provides for the activities usually incident to such functions (except that no collection of customs duties is involved) and in addition includes special activities relating to transiting vessels and the execution of certain treaty obligations to the Republic of Panama:				
Office of the Chief, customs and immigration.....	\$ 72	\$ 76	\$ 20	\$ 80
Balboa customs office.....	684	760	213	791
Cristobal customs office.....	464	506	126	515
Immigration and detention.....	<u>78</u>	<u>44</u>	<u>2</u>	<u>5</u>
Total funded costs.....	1,298	1,386	361	1,391
Depreciation.....	<u>4</u>	<u>3</u>	<u>1</u>	<u>3</u>
Total accrued costs.....	1,302	1,389	362	1,394
Recoveries.....	<u>-26</u>	<u>-23</u>	<u>-</u>	<u>-</u>
Net cost, customs and immigration.	<u>1,276</u>	<u>1,366</u>	<u>362</u>	<u>1,394</u>
<u>Postal service:</u> The postal system serves the entire Canal Zone and operates under policies and regulations generally similar to those of the United States Postal Service:				
Operation and maintenance, postal system.....	2,003	2,323	595	2,420
Transportation of mail.....	174	200	52	222
Interest expense on postal savings..	<u>8</u>	<u>7</u>	<u>1</u>	<u>7</u>
Total funded costs.....	2,185	2,530	648	2,649
Depreciation.....	<u>24</u>	<u>21</u>	<u>4</u>	<u>21</u>
Total accrued costs.....	2,209	2,551	652	2,670
Recoveries.....	<u>-1,737</u>	<u>-1,809</u>	<u>-431</u>	<u>-1,902</u>
Net cost, postal service.....	<u>472</u>	<u>742</u>	<u>221</u>	<u>768</u>
<u>Police protection:</u> This includes the usual police functions of preservation of the peace and enforcement of the law in the Canal Zone (not including military reservations), operation of prisons, and police guards for certain facilities:				
Supervision and general operations..	355	360	94	386
General police protection.....	5,601	6,087	1,686	6,512
Penitentiary operation & maintenance	958	1,099	303	1,178
Maintenance and rental of equipment.	<u>166</u>	<u>189</u>	<u>52</u>	<u>204</u>

Detail of Accrued Costs by Activity

	1975 <u>Actual</u>	1976 <u>Estimate</u>	197Q <u>Estimate</u>	1977 <u>Estimate</u>
	(Dollars in thousands)			
CIVIL FUNCTIONS				
Total funded costs.....	\$ 7,080	\$ 7,735	\$ 2,135	\$ 8,280
Depreciation.....	<u>95</u>	<u>75</u>	<u>19</u>	<u>80</u>
Total accrued costs.....	7,175	7,810	2,154	8,360
Recoveries.....	<u>-39</u>	<u>-43</u>	<u>-11</u>	<u>-47</u>
Net cost, police protection.....	<u>7,136</u>	<u>7,767</u>	<u>2,143</u>	<u>8,313</u>
<u>Fire protection:</u> All firefighting facilities in the Canal Zone, except for certain aircraft crash fires, are consolidated under the Canal Zone Government:				
Fire station operations.....	2,536	3,049	801	3,407
Fire prevention units.....	80	81	26	83
Fire hydrant maintenance.....	9	19	5	20
Fire chief's office.....	<u>124</u>	<u>159</u>	<u>49</u>	<u>157</u>
Total funded costs.....	2,749	3,308	881	3,667
Depreciation.....	<u>55</u>	<u>55</u>	<u>14</u>	<u>55</u>
Total accrued costs.....	2,804	3,363	895	3,722
Recoveries.....	<u>-3,139</u>	<u>-3,751</u>	<u>-995</u>	<u>-4,160</u>
Net income, fire protection.....	<u>335</u>	<u>388</u>	<u>100</u>	<u>438</u>
<u>Judicial system:</u> This includes the operation of two magistrate courts and the expense of the district court (exclusive of salaries) which serves as both a State and Federal Court:				
Magistrates' courts.....	172	183	47	187
Public defender.....	15	19	5	19
Logistical support of District court	<u>48</u>	<u>42</u>	<u>11</u>	<u>47</u>
Total accrued costs (funded).....	235	244	63	253
Recoveries.....	<u>-169</u>	<u>-175</u>	<u>-45</u>	<u>-180</u>
Net cost, judicial system.....	<u>66</u>	<u>69</u>	<u>18</u>	<u>73</u>
<u>Education:</u> This provides for the operation of schools, kindergarten through college, and in certain areas payment for educational benefits for the dependents of Canal Zone residents, the dependents of U.S.-citizen Government employees residing in the Republic of Panama, and, on a space-available basis, certain other residents of the Republic of Panama. There presently are two				

Detail of Accrued Costs by Activity

	1975 <u>Actual</u>	1976 <u>Estimate</u>	197Q <u>Estimate</u>	1977 <u>Estimate</u>
	(Dollars in thousands)			
CIVIL FUNCTIONS				
school systems; one for U.S. citizens, the other, which is conducted in the Spanish language, for Panamanians and other non-U.S. citizens. There also are specialized programs for the handicapped. Also included is the operation of public libraries.				
Higher education.....	\$ 1,380	\$ 1,451	\$ 366	\$ 1,611
U.S. secondary education.....	6,929	7,283	1,397	8,016
U.S. elementary education.....	6,891	7,241	1,404	7,972
Latin American secondary education..	1,423	1,495	519	1,640
Latin American elementary education.	665	698	256	754
Community libraries.....	452	455	119	468
Swimming pools.....	747	785	238	861
Administrative & general expense....	<u>1,479</u>	<u>1,554</u>	<u>342</u>	<u>1,725</u>
Total funded costs.....	19,966	20,962	4,641	23,047
Depreciation.....	<u>776</u>	<u>668</u>	<u>167</u>	<u>706</u>
Total accrued costs.....	20,742	21,630	4,808	23,753
Recoveries.....	<u>-20,388</u>	<u>-21,837</u>	<u>-3,011</u>	<u>-23,791</u>
Net income (-) or cost, education.	<u>354</u>	<u>-207</u>	<u>1,797</u>	<u>-38</u>
<u>Public areas and facilities:</u> This includes the cleaning, lighting, and maintenance of streets and highways; maintenance of sewers, and care of public areas within the Canal Zone, not including military reservations. Also included are the operation and maintenance of recreational facilities:				
Maintenance of streets and sewers	1,053	1,650	413	2,243
Care of grounds.....	677	730	203	812
Recreational facilities program....	162	203	61	253
Street lighting.....	173	276	68	311
Street cleaning.....	96	115	32	128
Traffic Management.....	65	-77	17	82
Water quality control.....	<u>34</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total funded costs.....	2,260	3,051	794	3,829
Depreciation.....	<u>776</u>	<u>834</u>	<u>209</u>	<u>864</u>
Total accrued and net costs, public areas and facilities.....	<u>3,036</u>	<u>3,885</u>	<u>1,003</u>	<u>4,693</u>
<u>Internal Security:</u> This provides for loyalty investigations and related intelligence services for the Government and the Company				
	<u>325</u>	<u>343</u>	<u>93</u>	<u>354</u>

Detail of Accrued Costs by Activity

	1975 <u>Actual</u>	1976 <u>Estimate</u>	197Q <u>Estimate</u>	1977 <u>Estimate</u>
	(Dollars in thousands)			
CIVIL FUNCTIONS				
<u>Other Civil affairs:</u> This includes the licensing, civil defense activities, a youth activities program and supervision of the civil functions program:				
Civil affairs director's office....	\$ 342	\$ 369	\$ 96	\$ 381
License functions.....	224	243	64	249
Civil defense.....	56	63	18	69
Youth activities program.....	<u>104</u>	<u>124</u>	<u>37</u>	<u>136</u>
Total funded costs.....	726	799	215	835
Depreciation.....	<u>16</u>	<u>12</u>	<u>3</u>	<u>14</u>
Total accrued costs.....	742	811	218	849
Recoveries.....	<u>-713</u>	<u>-766</u>	<u>-232</u>	<u>-766</u>
Net cost or income (-), other civil affairs.....	<u>29</u>	<u>45</u>	<u>-14</u>	<u>83</u>
HEALTH AND SANITATION				
<u>Hospitals and clinics:</u> Two general medical and surgical hospitals with out-patient clinics are maintained and operated to furnish medical care to eligible civilian and military personnel. A mental health center and a leprosarium also are operated and maintained.				
<u>General hospitals:</u>				
Patient services.....	11,283	12,562	3,176	12,919
Dietetics.....	863	1,134	288	1,241
Logistical support.....	2,723	3,273	824	3,886
Education and training.....	826	894	227	922
Pharmacy & other non-hospital costs	392	420	108	433
Supervision and general expenses...	<u>1,403</u>	<u>1,503</u>	<u>380</u>	<u>1,548</u>
Total funded costs.....	17,490	19,786	5,003	20,949
Depreciation.....	<u>493</u>	<u>443</u>	<u>111</u>	<u>468</u>
Total accrued costs.....	17,983	20,229	5,114	21,417
Recoveries.....	<u>-17,907</u>	<u>-21,189</u>	<u>-5,275</u>	<u>-22,142</u>
Net cost or income (-), general hospitals.....	<u>76</u>	<u>-960</u>	<u>-161</u>	<u>-725</u>
<u>Canal Zone Mental Health Center:</u>				
Patient services.....	1,678	1,880	479	2,004
Dietetics.....	258	300	76	326
Logistical support.....	274	303	76	317
Supervision and general expense....	<u>174</u>	<u>196</u>	<u>50</u>	<u>210</u>
Total funded costs.....	2,384	2,679	681	2,857
Depreciation.....	53	24	6	25

Detail of Accrued Costs by Activity

	1975 <u>Actual</u>	1976 <u>Estimate</u>	1976 <u>Estimate</u>	1977 <u>Estimate</u>
	(Dollars in thousands)			
HEALTH AND SANITATION				
Total accrued costs.....	\$ 2,437	\$ 2,703	\$ 687	\$ 2,882
Recoveries.....	<u>-2,341</u>	<u>-3,048</u>	<u>-763</u>	<u>-3,340</u>
Net cost or income (-), C.Z. Mental Health Center.....	<u>96</u>	<u>-345</u>	<u>-76</u>	<u>-458</u>
<u>Palo Seco Hospital:</u>				
Patient services.....	169	194	49	206
Dietetics.....	101	114	30	120
Logistical support.....	89	108	26	139
Supervision and general expenses....	<u>40</u>	<u>42</u>	<u>10</u>	<u>43</u>
Total funded costs.....	399	458	115	508
Depreciation	<u>5</u>	<u>5</u>	<u>1</u>	<u>6</u>
Total accrued costs.....	404	463	116	514
Recoveries.....	<u>-389</u>	<u>-428</u>	<u>-107</u>	<u>-481</u>
Net cost, Palo Seco Hospital.....	<u>15</u>	<u>35</u>	<u>9</u>	<u>33</u>
<u>Hospital and clinics summary:</u>				
Funded costs.....	20,273	22,923	5,799	24,314
Depreciation.....	<u>551</u>	<u>472</u>	<u>118</u>	<u>499</u>
Total accrued costs.....	20,824	23,395	5,917	24,813
Recoveries.....	<u>-20,637</u>	<u>-24,665</u>	<u>-6,145</u>	<u>-25,963</u>
Net cost or income (-), hospitals and clinics.....	<u>187</u>	<u>-1,270</u>	<u>-228</u>	<u>-1,150</u>
<u>Other public health services:</u> This provides for community-wide public health services, a social work program, and sanitation and quarantine work in the Canal Zone and for ships calling at its ports and transiting the Canal, inspection of food processing establishments, and facilities for animal care and quarantine:				
Health director's office.....	335	400	101	406
Sanitation.....	876	991	249	1,118
Preventive medicine and community health service.....	1,292	1,436	363	1,481
Veterinary services.....	495	546	140	585
Garbage collection.....	294	301	79	315
Cemeteries and mortuary services....	<u>274</u>	<u>301</u>	<u>81</u>	<u>326</u>
Total funded costs.....	3,566	3,975	1,013	4,231
Depreciation.....	<u>29</u>	<u>18</u>	<u>5</u>	<u>17</u>
Total accrued costs.....	3,595	3,993	1,018	4,248
Recoveries.....	<u>-619</u>	<u>-674</u>	<u>-170</u>	<u>-701</u>
Net cost, other public health services.....	<u>2,976</u>	<u>3,319</u>	<u>848</u>	<u>3,547</u>

Detail of Accrued Costs by Activity

	1975 <u>Actual</u>	1976 <u>Estimate</u>	197Q <u>Estimate</u>	1977 <u>Estimate</u>
	(Dollars in thousands)			
GENERAL GOVERNMENT EXPENSES				
<u>Office of the Governor:</u> This provides for the executive direction of all Canal Zone Government activities and includes the expenses of the office of the Governor and his residence, the office of the Executive Secretary, and provision for certain contingencies:				
Governor's office.....	\$ 240	\$ 262	\$ 68	\$ 275
Contingencies of the Governor.....	2	30	8	30
Official residence operations and maintenance.....	58	58	19	65
Costs of conducting hearings on the Isthmus.....	<u>-</u>	<u>7</u>	<u>-</u>	<u>7</u>
Total accrued and net cost, Office of the Governor.....	<u>300</u>	<u>357</u>	<u>95</u>	<u>377</u>
<u>Other general government expenses:</u> This includes the expenses of recruitment and repatriation, employees' home leave travel costs, alien relief payments, and other general charges.				
<u>Employment costs:</u>				
Employees' states travel.....	521	600	102	711
Recruitment and repatriation.....	591	868	260	943
Transportation of employees' vehicles	87	130	53	148
Health benefits contribution.....	808	1,046	286	1,206
Employer's contribution to FEGLI..	170	234	68	269
Death and disability compensation.	169	275	90	350
FICA tax.....	129	162	51	188
Buildings and sites.....	446	650	167	735
Alien cash relief payments to former employees.....	82	88	24	97
Alien cash relief payments to widows of former employees.....	34	37	11	45
Repatriation variation.....	500	-	-	-
Miscellaneous expenses & credits, net	<u>41</u>	<u>30</u>	<u>13</u>	<u>28</u>
Total funded costs.....	3,578	4,120	1,125	4,720
Depreciation.....	<u>1,031</u>	<u>1,025</u>	<u>258</u>	<u>827</u>
Total accrued costs.....	4,609	5,145	1,383	5,547
Recoveries.....	<u>-3,084</u>	<u>-2,646</u>	<u>-477</u>	<u>-3,725</u>
Net cost other general government expenses.....	<u>7,693</u>	<u>7,791</u>	<u>1,860</u>	<u>9,272</u>
CANAL ZONE GOVERNMENT SUMMARY				
Funded costs.....	64,541	71,733	17,863	77,947
Depreciation and nonfund expenses	<u>3,357</u>	<u>3,183</u>	<u>798</u>	<u>3,086</u>
Total accrued costs.....	67,898	74,916	18,661	81,033
Recoveries.....	<u>44,383</u>	<u>51,097</u>	<u>10,563</u>	<u>53,785</u>
Net cost of Canal Zone Government	<u>23,515</u>	<u>23,819</u>	<u>8,098</u>	<u>27,248</u>

CANAL ZONE GOVERNMENT CAPITAL OUTLAY
SCHEDULE OF CAPITAL PROJECTS
(In thousands of dollars)

	Obligations					Subsequent years
	Project Total	Actual thru 1975	1976 Estimate	1977 197Q Estimate	1977 Estimate	
<u>CIVIL FUNCTIONS</u>						
Replace and add equipment..	1,580	744	400	75	361	...
Education:						
Improvements and replacements to educational facilities.....	2,701	1,558	655	85	353	50
Public Areas and Facilities:						
Additions and replacements to municipal systems....	1,242	426	425	103	288	...
Road and street replacements.....	4,950	4,143	632	25	150	...
Prior year projects.....	245	159	86	...	...	...
Other Civil Functions:						
Improvements and replacements to other civil functions.....	<u>1,170</u>	<u>258</u>	<u>415</u>	<u>72</u>	<u>360</u>	<u>65</u>
Total Civil Functions...	<u>11,888</u>	<u>7,288</u>	<u>2,613</u>	<u>360</u>	<u>1,512</u>	<u>115</u>
<u>HEALTH AND SANITATION</u>						
Replace and add equipment..	2,123	799	546	90	688	...
Hospitals and Clinics:						
Improvements and rehabilitations to health facilities.....	<u>6,598</u>	<u>4,099</u>	<u>1,522</u>	<u>90</u>	<u>642</u>	<u>245</u>
Total Health and Sanitation.....	<u>8,721</u>	<u>4,898</u>	<u>2,068</u>	<u>180</u>	<u>1,330</u>	<u>245</u>
<u>GENERAL GOVERNMENT</u>						
Other general government:						
Replacements & improvements to government bldgs.	167	25	87	10	45	...
Advance planning of future projects.....	1,030	323	377	20	310	...
Minor capital additions and replacements.....	431	158	143	30	100	...
Retirement & removal costs	142	9	28	5	100	...
Total General Government	<u>1,770</u>	<u>515</u>	<u>635</u>	<u>65</u>	<u>555</u>	<u>...</u>
Total Capital Outlay Obligations.....	<u>22,379</u>	<u>12,701</u>	<u>5,316</u>	<u>605</u>	<u>3,397</u>	<u>360</u>
Financing:						
Funds to complete projects underway at start of year	...	...	-3,231	-155	-110	-360
Funds committed to complete projects underway, end of year.....	...	...	155	110	360	...
BUDGET AUTHORITY (Appropriation).....	<u>...</u>	<u>...</u>	<u>2,240</u>	<u>560</u>	<u>3,647</u>	<u>...</u>

APPROPRIATION REQUIREMENTS

	1976 Appropriation Enacted	197Q Appropriation Enacted	1977 Appropriation Required
<u>Recurring Projects:</u>			
<u>Civil Functions:</u>			
Replace and add equipment.....	315	75	361
Education:			
Improvements and replacements to educational facilities.....	241	60	378
Public areas and facilities:			
Additions and replacements to municipal systems.....	207	100	278
Road and street replacements.....	130	35	140
Other civil functions:			
Improvements and replacements to other civil functions.....	<u>293</u>	<u>50</u>	<u>400</u>
Total Civil Functions.....	<u>1,186</u>	<u>320</u>	<u>1,557</u>
<u>Health and Sanitation:</u>			
Replace and add equipment.....	439	90	688
Hospitals and clinics:			
Improvements and rehabilitations to health facilities.....	<u>360</u>	<u>75</u>	<u>857</u>
Total Health and Sanitation.....	<u>799</u>	<u>165</u>	<u>1,545</u>
<u>General Government:</u>			
Other general government:			
Replacements and improvements to government buildings.....	35	10	45
Advance planning of future projects.....	120	30	300
Minor capital additions and replacements.....	80	30	100
Retirement and removal costs.....	<u>20</u>	<u>5</u>	<u>100</u>
Total General Government.....	<u>255</u>	<u>75</u>	<u>545</u>
Appropriation enacted and required.....	<u>2,240</u>	<u>560</u>	<u>3,647</u>

Recurring Project, Civil Functions

1. Replace and Add Equipment
(All dollars in thousands)

FY 1977 Appropriation Required \$361

This recurring project provides for the replacement and addition of equipment for civil functions of the Canal Zone Government. Items to be replaced will have reached the end of their useful and economic lives by 1977. Continuation of such items in service would increase maintenance and repair expenditures and would reduce the efficiency of operations. Additions to be obtained will improve operations or facilitate presentation of an effective curriculum.

a. Education \$111

This amount will provide for the replacement of small equipment such as athletic equipment, industrial arts equipment, music equipment, science equipment, and other items.

b. Police \$134

These funds provide for such items as the replacement of sixteen radio-equipped air-conditioned sedans, auto cartridge reloader, electric ovens and ranges, one polygraph, video tapes and other miscellaneous small equipment.

c. Firefighting \$ 73

This provides for the replacement of the Fire Chief's car, one fire truck, and other miscellaneous small equipment.

d. Postal, Library, Customs and Civil Defense \$ 43

These funds provide for the replacement of such items as cancelling machines, miscellaneous library equipment, narcotic detection instruments, two small customs boats, customs radios and Civil Defense sirens and radios.

The obligations and expenditures for this project are as follows:

	<u>Project Total</u>	<u>Through FY 1975 Actual</u>	<u>FY 1976 Estimate</u>	<u>1976 Estimate</u>	<u>FY 1977 Estimate</u>	<u>Subsequent Years</u>
Obligations	Recurring	\$744	\$400	\$75	\$361	-
Expenditures	Recurring	548	596	75	361	-

2. Improvements and Replacements to Educational Facilities
(All dollars in thousands)

FY 1977 Appropriation Required \$378

Funds for this project will correct deficiencies in and make needed improvements to school plant. Specific projects for FY 1977 are discussed below:

a. Rehabilitate Elementary School Facilities \$303

This project provides for various measures to rehabilitate Margarita, Diablo, Howard, and Gamboa Elementary Schools. These measures include renovations to provide improved lighting, toilet facilities, additional power outlets, acoustical ceiling tile, replacement of the intercom system, and replacement of the program clocks. This effort is necessary to eliminate badly deteriorated equipment and fixtures and to bring illumination up to acceptable standards.

b. Replacement and Improvements to School Structures \$ 75

This project provides funds for unforeseeable needs such as paving, roofing, ceilings, storage, flooring, lighting, and air-conditioning. The Canal Zone school system has more than 80 structures which require capital funds for minor alterations, replacements, and general improvements.

The obligations and expenditures for this project are as follows:

	<u>Project Total</u>	<u>Through FY 1975 Actual</u>	<u>FY 1976 Estimate</u>	<u>1976 Estimate</u>	<u>FY 1977 Estimate</u>	<u>Subsequent Years</u>
Obligations	Recurring	\$1,558	\$655	\$85	\$353	\$ 50
Expenditures	Recurring	1,335	608	80	478	200

Recurring Project, Civil Functions

3. Additions and Replacements to Municipal Systems
(All dollars in thousands)

FY 1977 Appropriation Required \$278

This recurring project provides for additions and replacements to improve municipal facilities and systems. The items scheduled for accomplishment in FY 1977 are shown below:

a. Miscellaneous Additions and Replacements to Municipal Systems \$150

This item provides for additions and replacements to miscellaneous municipal systems including: sidewalks, driveways, sewers, drains, public parking areas, fire hydrants, street lighting systems, and traffic control facilities. These improvements are required as a result of changes in streets, walks, parking regulations, the use of land and buildings, access to buildings and changes in vehicular and pedestrian traffic patterns that develop during the year.

b. Railroad Crossing Improvements \$128

This item continues a program initiated in FY 1970 to modernize existing railroad crossings at main line tracks through installation of new warning devices. The criteria for the gates and warning devices included under this item are based on railroad crossing traffic standards now being observed in the United States. In FY 1977, new signal systems will be installed at Bolivar Highway and Osborne Avenue, Mt. Hope.

The obligations and expenditures schedule for this recurring project is as follows:

	<u>Project Total</u>	<u>Through FY 1975 Actual</u>	<u>FY 1976 Estimate</u>	<u>1976 Estimate</u>	<u>FY 1977 Estimate</u>	<u>Subsequent Years</u>
Obligations	Recurring	\$426	\$425	\$103	\$288	-
Expenditures	Recurring	320	459	92	371	-

Recurring Projects, Civil Functions

4. Road and Street Replacements
(All dollars in thousands)

FY 1977 Appropriation Required \$140

This recurring project provides for replacements and additions to the Canal Zone Government road and street system. The item scheduled to be accomplished in FY 1977 is as follows:

Miscellaneous Improvements \$140

This item includes miscellaneous roads, street and highway improvements, such as passing lanes, minor pavement extensions, replacements and improvements, guardrail installations, drainage improvements, minor bridge improvements, speed notices, and directional and destination signs. These improvements will aid the movement of pedestrian and vehicular traffic throughout the Canal Zone.

The obligations and expenditures schedule for this recurring project is as follows:

	Project Total	Through FY 1975 Actual	FY 1976 Estimate	1976 Estimate	FY 1977 Estimate	Subsequent Years
Obligations	Recurring	\$4143	\$632	\$25	\$150	-
Expenditures	Recurring	3234	1341	85	290	-

Recurring Project, Civil Functions

5. Improvements and Replacements to Other Civil Functions
(All dollars in thousands)

FY 1977 Appropriation Required \$400

This recurring project provides for the improvement to and correction of deficiencies in the Police, Fire and Civil Defense areas. The items proposed for FY 1977 are discussed below:

a. Improvements to Fire Facilities \$150

Remodeling of Bathrooms in three Fire Stations:
Pedro Miguel, Gamboa and Gatun.

This project provides for the replacement of soil pipes, waste lines and fixtures; installation of tile in baths and showers as well as architectural changes to permit more efficient and sanitary use of the areas.

b. Improvements to Police Facilities. \$250

Jail Cell Additions and Miscellaneous Work,
Balboa Police Station

This project provides funds to increase the capacity of the Balboa Police Station Jail by 10 cells. This is necessary to eliminate overcrowding and the resultant undesirable transfer and confinement of adult male prisoners, juvenile prisoners, and women in the Cristobal Jail.

The obligations and expenditures schedule for this recurring project is as follows:

	Project Total	Through FY 1975 Actual	FY 1976 Estimate	1976 Estimate	FY 1977 Estimate	Subsequent Years
Obligations	Recurring	\$258	\$415	\$72	\$360	\$ 65
Expenditures	Recurring	240	206	70	394	260

Recurring Project, Health and Sanitation

6. Replace and Add Equipment
(All dollars in thousands)

FY 1977 Appropriation Requirement. \$688

This is a recurring program of replacement and addition of diagnostic, therapeutic and other medical equipment in units of the Health and Sanitation Program.

The FY 1977 requirements for this program are estimated as follows:

Gorgas Hospital	\$416
Coco Solo Hospital	246
C.Z. Mental Health	<u>26</u>
Total	688

Funds requested provide for normal replacements and additions of equipment such as X-ray equipment, an electrocardio display system, dental equipment, sterilizers, pacemakers, and other miscellaneous supporting equipment. One replacement ambulance is required in 1977 for Gorgas Hospital.

The obligations and expenditures schedule for this recurring project is as follows:

	<u>Project Total</u>	<u>Through FY 1975 Actual</u>	<u>FY 1976 Estimate</u>	<u>1976 Estimate</u>	<u>FY 1977 Estimate</u>	<u>Subsequent Years</u>
Obligations	Recurring	\$799	\$546	\$90	\$688	-
Expenditures	Recurring	572	773	90	688	-

Recurring Project, Health and Sanitation

7. Improvements and Rehabilitations to Health Facilities
(All dollars in thousands)

FY 1977 Appropriation Required \$857

This is a recurring project to provide improvements to existing health facilities. The items proposed for FY 1977 are discussed below:

- a. Renovation of Building #351, Ancon, and New Parking Area \$541

This project will permit the relocation of the Public Health Office, the Management Operations Office, and the Ancon Dental Clinic to more adequate office facilities within Building 351 or a comparable alternative building.

The benefits of this project include centralization of functions for more effective management, relief of parking congestion, and improved facilities to better serve the public.

- b. Renovation of Third Floor, Coco Solo Hospital \$160

This is a project to renovate the administrative facilities of Coco Solo Hospital. The proposed renovation involves installation of drop ceilings, improved lighting, appropriate floor covering, minor structural modifications, and centralized air-conditioning.

- c. Modernization of Pharmacy and Medical Records Facilities, Gorgas Hospital \$ 75

The Gorgas Hospital Pharmacy, at its present location on the first floor of the Main Building, is convenient for out-patients and close to the major clinics. Expansion and minor relocation on the first floor is required because the present facility has cramped working quarters, insufficient storage area, and creates congestion in the main hallway during peak workload periods. This project will provide for: (1) elimination of overcrowded working and storage areas, (2) relocation of the pharmacy dispensing counter, and (3) increased patient waiting area.

- d. Install Laminar Flow System, Building 254.
Gorgas Hospital \$ 63

This provides for a system of filtered air that is engineered to remove submicron particles from one operating room of the Surgical Suite of Gorgas Hospital.

- e. Improvements to Emergency Power System at
Coco Solo Hospital \$ 18

This item is designed to provide additional protection to the emergency generator system at Coco Solo Hospital. It entails the installation of additional protective devices added to feeder and transfer switches. It will also provide a greater capability on alarm sensing equipment and responses to malfunctions, thereby alerting duty personnel to the trouble.

The obligations and expenditures schedule for this project is as follows:

	<u>Project</u> <u>Total</u>	<u>Through</u> <u>1975</u>	<u>FY</u> <u>Actual</u>	<u>FY 1976</u> <u>Estimate</u>	<u>1976</u> <u>19TQ</u> <u>Estimate</u>	<u>FY 1977</u> <u>Estimate</u>	<u>Subsequent</u> <u>Years</u>
Obligations	Recurring		\$4099	\$1522	\$ 90	\$ 642	\$245
Expenditures	Recurring		1118	2886	597	1303	694

Recurring Project, General Government

- 8. Replacements and Improvements to Government Buildings
 (All dollars in thousands)

FY 1977 Appropriation Required \$45

This continuing program provides for miscellaneous expenditures in various Government buildings. Included are alterations, renovations, improvements and replacements which are of such nature and frequency that they cannot always be anticipated far enough in advance to include them as separate line items in the capital program or they are minor enough to include under a miscellaneous grouping.

The obligations and expenditures schedule for this recurring project is as follows:

	<u>Project</u> <u>Total</u>	<u>Through</u> <u>1975</u>	<u>FY</u> <u>Actual</u>	<u>FY 1976</u> <u>Estimate</u>	<u>1976</u> <u>19TQ</u> <u>Estimate</u>	<u>FY 1977</u> <u>Estimate</u>	<u>Subsequent</u> <u>Years</u>
Obligations	Recurring		\$25	\$87	\$10	\$45	-
Expenditures	Recurring		25	87	10	45	-

Recurring Project, General Government

- 9. Advance Engineering, Planning and Design.
 (All dollars in thousands)

FY 1977 Appropriation Required \$300

The purpose of this recurring item is to make an authorization available to be used for early engineering and planning work on projects included, or to be included, in the Canal Zone Government capital programs and budgetary submissions. The advance effort is necessary to obtain sufficient data to establish budgeting estimates and to permit detailed design effort on projects selected for accomplishment.

The obligations and expenditures schedule for this recurring project is as follows:

	<u>Project</u> <u>Total</u>	<u>Through</u> <u>1975</u>	<u>FY</u> <u>Actual</u>	<u>FY 1976</u> <u>Estimate</u>	<u>1976</u> <u>19TQ</u> <u>Estimate</u>	<u>FY 1977</u> <u>Estimate</u>	<u>Subsequent</u> <u>Years</u>
Obligations	Recurring		\$323	\$377	\$20	\$310	-
Expenditures	Recurring		304	296	20	410	-

	<u>Project Total</u>	<u>Through 1975 Actual</u>	<u>FY 1976 Estimate</u>	<u>1976 Estimate</u>	<u>FY 1977 Estimate</u>	<u>Subsequent Years</u>
Obligations	Recurring	\$323	\$377	\$20	\$310	-
Expenditures	Recurring	304	296	20	410	-

Recurring Project, General Government

10. Minor Capital Additions and Replacements
(All dollars in thousands)

FY 1977 Appropriation Required \$100

This recurring project provides for the purchase of small items of equipment and minor structural improvements, the need for which develops during the budget year. In past years, funds have been used for such items as communications equipment, correction to drainage problems, and safety fencing.

The obligations and expenditures schedule for this recurring project is as follows:

	<u>Project Total</u>	<u>Through 1975 Actual</u>	<u>FY 1976 Estimate</u>	<u>1976 Estimate</u>	<u>FY 1977 Estimate</u>	<u>Subsequent Years</u>
Obligations	Recurring	\$158	\$143	\$30	\$100	-
Expenditures	Recurring	157	144	30	100	-

Recurring Project, General Government

11. Retirement and Removal Costs
(All dollars in thousands)

FY 1977 Appropriation Required \$100

This recurring item provides a capital fund to cover the cost of removal and/or retirement of Canal Zone Government capital items from plant. Such costs must be included in the capital program as an expenditure since funds are required to cover the charges.

The obligations and expenditures schedule for this recurring project is as follows:

	<u>Project Total</u>	<u>Through 1975 Actual</u>	<u>FY 1976 Estimate</u>	<u>1976 Estimate</u>	<u>FY 1977 Estimate</u>	<u>Subsequent Years</u>
Obligations	Recurring	\$9	\$28	\$5	\$100	-
Expenditures	Recurring	9	28	5	100	-

THE PANAMA CANAL
PANAMA CANAL COMPANY
LIMITATION ON GENERAL AND ADMINISTRATIVE EXPENSES

	Actual <u>1975</u>	Estimate <u>1976</u>	Estimate <u>197Q</u>	Estimate <u>1977</u>
	(In thousands of dollars)			
<u>Program by activities:</u>				
1. Executive direction	3,050	3,743	933	3,852
2. Operations direction	1,916	2,081	543	2,192
3. Financial management	7,386	8,077	2,054	8,210
4. Personnel administration	2,627	2,942	767	3,119
5. General services	2,585	2,748	751	2,940
6. Employment costs	<u>7,899</u>	<u>4,740</u>	<u>1,616</u>	<u>6,272</u>
Total program costs, funded ..	25,463	24,331	6,664	26,585
Change in selected resources	<u>14</u>	<u>40</u>	<u>-</u>	<u>-</u>
Total General and Administrative Obligations.....	<u>25,477</u>	<u>24,371</u>	<u>6,664</u>	<u>26,585</u>

EXHIBIT IV

THE PANAMA CANAL COMPANY
LIMITATION ON GENERAL AND ADMINISTRATIVE EXPENSES

Summary of Variations, 1976 - 1977
(In thousands of dollars)

		<u>Accrued Expense- Obligations</u>
1976 Authorization in annual act		\$ <u>24,371</u>
<u>Cross Reference to Exhibit VI</u>		
1. Wage increases and other cost escalations:		
a. Increased cost of statutory employee benefits, including FEGLI, FICA, recruitment and repatriation, employees' States leave and transportation of employees' vehicles	424	
b. Provision for net cost of within-grade and other promotions, not offset by turnover	286	
c. Increased cost of services performed by other Panama Canal Company organizations due to cost escalations	262	
d. Difference between full-year 1977 and part-year 1976 cost of 5% pay increase effective October 1975 for civilian, classified and related employees and for military personnel occupying civilian positions	220	
e. Provision for wageboard-type pay increases	101	
f. Increased cost of supplies and materials resulting from price escalations	48	
g. All other cost escalations	13	
h. Minimum wage increases resulting from FLSA amendment, 1974	<u>10</u>	
Total wage increases and other cost escalations		1,364

EXHIBIT IV

THE PANAMA CANAL COMPANY
LIMITATION ON GENERAL AND ADMINISTRATIVE EXPENSES

Summary of Variations, 1976 - 1977
(In thousands of dollars)

<u>Cross Reference to Exhibit VI</u>		<u>Accrued Expenses Obligations</u>
2.	Workload increases.....	176
3.	Additional number of travelers for recruitment, repatriation, employees' States travel, and transportation of employees' vehicles.....	653
4.	Additional craft apprentices and cooperative trainees and related costs.....	248
5.	All other changes.....	<u>-187</u>
	Increase in accrued expenses.....	2,254
	Change in selected resources.....	<u>-40</u>
	Total increase in obligations.....	<u>2,214</u>
	1977 Authorization request.....	<u>26,585</u>

Summary of Accrued Expenses and Variations
by Activity

EXHIBIT V

	1976 Estimate Accrued Expenses	1977 Estimate Accrued Expenses	Increase or (Decrease) Accrued Expenses	Cross Reference to Exhibit VI
	(In thousands of dollars)			
Executive direction.....	3,743	3,852	109	(1)
Operations direction.....	2,081	2,192	111	(2)
Financial management.....	8,077	8,210	133	(3)
Personnel administration.....	2,942	3,119	177	(4)
General services.....	2,748	2,940	192	(5)
Employment costs.....	<u>4,740</u>	<u>6,272</u>	<u>1,532</u>	(6)
Total program costs, funded	24,331	26,585	2,254	
Change in selected resources...	<u>40</u>	<u>-</u>	<u>-40</u>	
Total obligations, general and administrative expenses	<u>24,371</u>	<u>26,585</u>	<u>2,214</u>	

EXHIBIT VI

Detail of Variations by Activity
1976 - 1977
(In thousands of dollars)

<u>Reference</u> <u>Exhibit V</u>	<u>Description</u>	<u>Reference</u> <u>Exhibit IV</u>	<u>Accrued</u> <u>Expenses</u>
(1)	The increased cost of <u>\$109 thousand</u> in <u>Executive Direction</u> includes:		
	Wage and other cost escalations	1.	\$118
	Workload increases	2.	72
	a. Provision for 2 additional full-time permanent positions \$43 (general attorneys) and for reduced delays in filling of vacated continuing positions to accommodate increased workloads related to the legal staff, treaty matters, etc. \$29..... \$2		
	Reduced requirements for consultants and advisors	5.	-81
	Increase in accrued expenses		<u>109</u>
(2)	The increased cost of <u>\$111 thousand</u> in <u>Operations Direction</u> includes:		
	Wage and other cost escalations	1.	\$ 80
	Workload increases	2.	31
	a. Provision for 1 additional full-time permanent position (Budget Analyst), \$13, and reduction in delays in the filling of vacated continuing positions, \$9		\$22
	b. Provisions for additional travel, transportation, rents, communications, utilities, supplies, and other services	<u>9</u>	<u>9</u>
	Increase in accrued expenses		<u>111</u>

Detail of Variations by Activity
1976 - 1977
(In thousands of dollars)

<u>Reference</u> <u>Exhibit V</u>	<u>Description</u>	<u>Reference</u> <u>Exhibit IV</u>	<u>Accrued</u> <u>Expenses</u>
(3)	The increased cost of <u>\$133 thousand</u> in <u>Financial Management</u> includes:		
	Wage and other cost increases	1.	\$208
	Workload increases	2.	13
	a. Provision for upgrading computer system, including full year cost of equipment added in 1976 and additional supply requirements		\$91
	b. Savings from consolidation of computer system during 1976		<u>-78</u>
	Savings from the reduction of 7 full-time permanent positions due to reassignment of duties and consolidations	5.	<u>-88</u>
	Increases in accrued expenses		<u>133</u>
(4)	The increased cost of <u>\$177 thousand</u> in <u>Personnel Administration</u> includes:		
	Wage and other cost escalation	1.	117
	Workload increases	2.	60
	a. Provision for 3 full-time permanent positions for expanded personnel programs \$46, and increased level of employment in existing positions \$37		83
	b. Decrease in costs due to nonrecurring costs in 1976 of Civil Service Commission services and employee training book purchases		-23
	Increases in accrued expenses		<u>177</u>

Detail of Variations by Activity 1976 - 1977
(Dollars in thousands)

Ref. <u>Exhibit V</u>	<u>Description</u>	Reference <u>Exhibit IV</u>	<u>Accrued Expenses</u>
(5)	The increased cost of <u>\$192 thousand</u> in <u>General Services</u> includes:		
	Wage and other cost escalations.....	1.	\$210
	Reduction in one temporary position (Management Analyst) resulting from management improvements.....	5.	-13
	Nonrecurring costs of local Bicentennial celebration in 1976.....	5.	<u>-5</u>
	Increase in accrued expenses.....		<u>192</u>
(6)	The increased cost of <u>\$1,532 thousand</u> in <u>Employment Costs</u> includes:		
	Wage and other cost escalations.....	1.	631
	Provision for increased recruitment, repatriation, employee States leave, and transportation of employee vehicles due to increased number of travelers.....	3.	653
	Provision for a net input of 77 additional trainees in the apprentice program to provide for eventual replacements of craft employees nearing retirement and additional employment of cooperative trainees. There is also included the requirement for additional travel and per diem costs for this program.....	4.	<u>248</u>
	Increase in accrued expenses.....		<u>1,532</u>

Executive Direction

	1975 <u>Actual</u>	1976 <u>Estimate</u>	197Q <u>Estimate</u>	1977 <u>Estimate</u>
	(Dollars in thousands)			
Director's expense.....	67	60	15	65
President's office and staff.....	1,711	1,885	493	2,019
Secretary's office, Washington, D.C....	144	158	43	169
Panama Canal Information Office.....	469	524	125	547
Tour guide, launch, and reception service	255	260	63	277
Consultants and advisors.....	<u>404</u>	<u>856</u>	<u>194</u>	<u>775</u>
Total executive direction.....	<u>3,050</u>	<u>3,743</u>	<u>933</u>	<u>3,852</u>

This function encompasses the executive direction of the Panama Canal Company.

The Board of Directors, which is vested with the management of the Company, consists of from nine to thirteen members as determined by the Secretary of the Army who is the Stockholder of the corporation. Directors, while receiving no salary for their services on the Board, are paid per diem allowances, travel and other expenses in connection with attendance at meetings and time spent on special services of the Company.

Included in the Office of the President are an executive planning staff, a legal office, and a safety branch.

The Secretary of the Company, through the Company's office in Washington, is responsible for liaison with the Congress, the Stockholder, and Federal Government departments and agencies.

The Panama Canal Information Office is responsible for all public relation activities, including press and news releases, the publication of the Panama Canal Review and a weekly newspaper in English and Spanish, and related activities which insure the proper public and employee understanding of programs of the Company and Government.

The guide and reception service provides conducted tours for visitors in the Canal Zone. The multi-lingual guide service each year is host to over 200,000 visitors from numerous countries. The service extensively encourages visits by Panamanians and others and utilizes the tourist launch LAS CRUCES, together with photographic and visual aids, to carry the programs and objectives of the Panama Canal before a maximum audience.

The provision herein for consultants represents special studies, including canal improvements and organizational studies, performed for the Company by outside advisory specialists. The estimates reflect the varying needs for special studies.

Operations Direction

	Actual 1975	Estimate 1976	Estimate 1977	Estimate 1978
(In thousands of dollars)				
Marine director's office	294	323	86	335
Engineering and construction director's office	638	712	169	754
Supply and community service director's office	201	223	61	239
Transportation and terminals director's office	278	308	83	334
General and special engineering service ...	505	515	144	530
 Total operations direction	 1,916	 2,081	 543	 2,192

This function comprises the offices of bureau heads responsible for directing the non-administrative operations of the Company. Also included are varying needs for general and special engineering services, including preliminary designs and estimates required in connection with development of capital programs and special studies relating to use and alterations of existing facilities when functional changes are proposed.

Financial Management

	Actual 1975	Estimate 1976	Estimate 1977	Estimate 1978
	(In thousands of dollars)			
Financial Vice President's office and staff .	7,311	8,014	2,038	8,147
General Accounting Office audit	<u>75</u>	<u>63</u>	<u>16</u>	<u>63</u>
Total financial management	<u>7,386</u>	<u>8,077</u>	<u>2,054</u>	<u>8,210</u>

The Financial Management activity covers the Financial Vice President's office and staff, and the cost of the annual audit of the Company and Government by the General Accounting Office as follows:

Estimates for the Financial Vice President's office and staff cover the cost of development of accounting, financial, and rate-making policies; the issuance of accounting procedures; the maintenance of the general books of account; the preparation of payrolls and maintenance of records relating thereto; the preparation of the overall financial statements and reports; establishment of systems of internal control and conduct of comprehensive internal audits; audit and settlement of all claims and demands by or against the Company and Government; collection, custody, and disbursement of funds; budget programming, administration, supervision, and coordination; administration of the incentive awards program, and responsibility for manpower control and cost control.

This provides for the annual audit of the Company and Government by the General Accounting Office. Cost estimates are furnished by the General Accounting Office.

Personnel Administration

	Actual 1975	Estimate 1976	Estimate 1977	Estimate 1978
	(In thousands of dollars)			
Personnel bureau	2,316	2,579	664	2,745
Industrial training school	<u>311</u>	<u>363</u>	<u>103</u>	<u>374</u>
Total personnel administration	<u>2,627</u>	<u>2,942</u>	<u>767</u>	<u>3,119</u>

Included herein are costs of administering the personnel functions of the Panama Canal Company and Canal Zone Government, training and executive development programs conducted by the Personnel Bureau, and the operation of an industrial training school for apprentices and other employees who benefit from advanced technical training.

General Services

	Actual 1975	Estimate 1976	Estimate 1977	Estimate 1978
	(In thousands of dollars)			
Administrative services division	1,481	1,480	385	1,534
Public services	100	127	34	136
Company buildings	951	1,106	323	1,235
Contingencies of the President, Panama Canal Company	<u>53</u>	<u>35</u>	<u>9</u>	<u>35</u>
Total general services	<u>2,585</u>	<u>2,748</u>	<u>751</u>	<u>2,940</u>

Included in this function are general services performed for the Panama Canal such as records management and forms control; messenger service; the preparation of various permits, authorizations and other documents, including issuance of travel and transportation orders for official travel; operation and maintenance of office buildings photographic services; microfilming; certain duplicating work utilizing office-type duplicators, photocopying machines and related equipment; participation of the Panama Canal Information Office in public affairs observances and ceremonies in the Canal Zone and throughout the Republic of Panama; and a contingency provision for disbursements specifically approved by the President of the Company.

Employment Costs

	Actual <u>1975</u>	Estimate <u>1976</u>	Estimate <u>197Q</u>	Estimate <u>1977</u>
(In thousands of dollars)				
Employees' States travel	872	1,292	436	1,628
Recruitment and repatriation	941	1,380	549	1,980
Transportation of employees' motor vehicles .	153	211	82	252
Other employment costs:				
a. Cooperative education trainee program .	7	37	6	48
b. Apprentice training program	662	855	308	1,285
c. Health benefits contribution	3,584	-	-	-
d. Death and disability compensation	878	-	-	-
e. Employer's contribution to FEGLI	501	640	179	680
f. Incentive award payments	207	200	20	200
g. FICA	<u>94</u>	<u>125</u>	<u>36</u>	<u>199</u>
Total employment costs	<u>7,899</u>	<u>4,740</u>	<u>1,616</u>	<u>6,272</u>

Included in this activity are certain employment costs of the Company which are general in nature and not identifiable with other specific activities. The estimates include provision for recruitment and repatriation of the employees required to carry out the Company's budgeted programs, certain other statutory costs and an incentive awards program to stimulate employee contributions to more efficient and economical operating procedures. Costs of health benefits and death and disability compensation, after 1975, are shown in Other General Expenses not under Limitation.

This activity also covers a long-range training program designed to facilitate local recruitment for administrative, management and craft positions expected to be vacated through anticipated retirements, transfers, or resignations of U. S. citizen employees. The program is administered and supervised by the present personnel administration staff. Savings will be realized in terms of a reduction in housing requirements, recruitment costs, and salary additive costs.

PANAMA CANAL COMPANY FUNDProgram and Performance

The Panama Canal Company is a wholly owned Government corporation whose primary purpose is maintaining and operating the interoceanic canal at the Isthmus of Panama, together with its essential supporting operations.

The administration of the Company is integrated with that of the Canal Zone Government, an independent agency initially financed by appropriations. The Governor of the Canal Zone is ex officio president of the Company. The Company is expected to be self-sustaining and is required to reimburse the U. S. Treasury, to the extent earned, for the net cost of the Canal Zone Government, the cost of interest on the net direct investment of the United States in the Company, and for annuity payments made by the United States to the Republic of Panama pursuant to the treaty of 1903 as amended in 1936.

1. Transit operations. The services performed by this activity are:

	1975 <u>Actual</u>	1976 <u>Estimate</u>	197Q <u>Estimate</u>	1977 <u>Estimate</u>
	(Dollars in thousands)			
Maintenance of channels and harbors.....	\$19,248	\$18,797	\$4,486	\$22,795
Navigation service and control.....	31,056	34,255	8,411	38,675
Locks.....	18,995	24,291	5,197	27,326
General repair, storehouse, engineering and maintenance services.....	48,103	52,036	13,413	56,960
General canal expense.....	<u>10,739</u>	<u>11,817</u>	<u>2,390</u>	<u>11,051</u>
Total funded costs.....	128,141	141,196	33,897	156,807
Less intra-agency recoveries.....	<u>47,057</u>	<u>54,840</u>	<u>13,475</u>	<u>58,580</u>
Net funded costs.....	<u>81,084</u>	<u>86,356</u>	<u>20,422</u>	<u>98,227</u>

Commercial vessel traffic volume and other indices of workload are as follows:

	1975 <u>Actual</u>	1976 <u>Estimate</u>	197Q <u>Estimate</u>	1977 <u>Estimate</u>
Ship transits (over 300 net Panama Canal tons).....	13,786	13,875	3,280	12,675
Tolls and tolls credits.....	\$143,332	\$150,225	\$42,360	\$174,000

2. Supporting Activities.--The services performed by these auxiliary activities are:

	1975	1976	197Q	1977
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
	(In thousands of dollars)			
Marine terminals	18,589	20,744	5,447	22,422
Housing	3,872	4,304	1,209	4,660
Retail units	39,638	42,752	10,030	45,492
Food units	3,860	4,319	1,063	4,671
Theaters and bowling alleys	568	586	143	642
Railroad transportation	3,295	3,498	899	3,763
Motor transportation	6,750	7,073	1,771	7,611
Water transportation	7,263	8,059	2,273	8,998
Power system	19,018	17,053	4,277	20,237
Communications system	2,767	3,281	988	3,802
Water system	2,877	3,045	777	3,222
Central air conditioning service	515	579	149	631
Printing plant	996	1,100	300	1,200
Grounds maintenance	3,413	3,693	1,010	4,042
Community and custodial services	<u>2,083</u>	<u>2,261</u>	<u>616</u>	<u>2,462</u>
Total funded cost	115,504	122,347	30,952	133,855
Less intra-agency recoveries	<u>35,410</u>	<u>38,656</u>	<u>10,033</u>	<u>42,417</u>
Net funded cost	<u>80,094</u>	<u>83,691</u>	<u>20,919</u>	<u>91,438</u>

3. General corporate expense.--This includes payments to the Treasury for the net cost of Canal Zone Government and interest expense payable to U. S. Treasury, general and administrative expenses under statutory limitation, and certain other general corporate expenses.

4. Financing.--The Company is authorized to obtain appropriations for its capital needs and to cover losses sustained in the conduct of its activities. In addition, the Company has statutory authority to borrow from the Treasury, at interest, amounts not exceeding \$40 million outstanding at any time. While the latter authorization is utilized to backstop the Company's obligations, no cash withdrawals against it are planned during Fiscal Year 1976 and 1977. With the total borrowing authority utilized as a resource, the Company's unobligated balance at September 30, 1977, is estimated at \$22.4 million.

5. Operating results and financial condition.--The net operating results are estimated at \$80 thousand net income for 1976, \$1,325 thousand net income for the July-September 1976 transition quarter, and a break-even situation for 1977. The tolls estimates reflect the Company's projection of toll rate increases yielding an estimated \$7.1 million in the transition quarter and \$29.0 million in 1977. At June 30, 1976, the Treasury balance is estimated at \$39,583 thousand and at September 30, 1977, the estimate is \$42,415 thousand.

Revenue and Expense

	1975 Actual	1976 Estimate	197Q Estimate	1977 Estimate
	(In thousands of dollars)			
Transit operations:				
Revenue	\$169,265	\$180,122	\$ 49,759	\$206,410
Expense	<u>95,519</u>	<u>98,998</u>	<u>25,248</u>	<u>113,212</u>
Net operating income, transit operations	<u>73,746</u>	<u>81,124</u>	<u>24,511</u>	<u>93,198</u>
Supporting activities operations:				
Revenue	82,132	92,709	23,169	100,934
Expense	<u>85,170</u>	<u>88,525</u>	<u>22,136</u>	<u>96,492</u>
Net operating income or loss (-), supporting activities operations	<u>-3,038</u>	<u>4,184</u>	<u>1,033</u>	<u>4,442</u>
General corporate expense:				
Miscellaneous revenue	2,286	2,017	486	1,871
Net cost of Canal Zone Government .	23,515	23,819	8,098	27,248
Interest	14,820	16,578	4,368	17,474
Other	<u>41,066</u>	<u>46,848</u>	<u>12,239</u>	<u>54,789</u>
General corporate expense, net	<u>-77,115</u>	<u>-85,228</u>	<u>-24,219</u>	<u>-97,640</u>
Net operating income or loss (-) for the year	<u>-6,407</u>	<u>80</u>	<u>1,325</u>	<u>-</u>

THE PANAMA CANAL

PANAMA CANAL COMPANY FUND

Statement of Financial Condition
(In thousands of dollars)

	1975 Actual	1976 Estimate	197Q Estimate	1977 Estimate
<u>ASSETS</u>				
Fund balance with Treasury	\$ 42,136	\$ 39,583	\$ 39,603	\$ 42,415
Accounts receivable, net	9,216	9,791	9,985	9,907
Inventories	24,221	26,595	27,765	29,295
Prepayments	903	903	903	903
Properties, plant, and equipment, net .	500,522	510,062	511,296	514,930
Other assets	<u>15,792</u>	<u>13,319</u>	<u>13,853</u>	<u>11,274</u>
Total assets	<u>592,790</u>	<u>600,253</u>	<u>603,405</u>	<u>608,724</u>
<u>LIABILITIES, RESERVES, AND EQUITY</u>				
Liabilities:				
Accounts payable and accrued liabilities	39,632	41,719	41,276	45,594
Long-term liabilities (unfunded)	<u>28,354</u>	<u>34,534</u>	<u>35,454</u>	<u>34,909</u>
Total liabilities	<u>67,986</u>	<u>76,253</u>	<u>76,730</u>	<u>80,503</u>
Reserves	<u>10,698</u>	<u>9,814</u>	<u>11,164</u>	<u>12,710</u>
Equity:				
Net direct investment	318,867	318,867	318,867	318,867
Non-interest-bearing investment	18,052	18,052	18,052	18,052
Retained earnings	<u>177,187</u>	<u>177,267</u>	<u>178,592</u>	<u>178,592</u>
Total equity	<u>514,106</u>	<u>514,186</u>	<u>515,511</u>	<u>515,511</u>
Total Liabilities, Reserves and Equity	<u>592,790</u>	<u>600,253</u>	<u>603,405</u>	<u>608,724</u>

Statement of Equity of the United States Government
 June 30, 1975
 (In thousands of dollars)

CONTRIBUTED CAPITAL:

Interest-bearing:	
Capital stock in Panama Railroad Company	\$ 7,000
Net assets transferred from the Panama Canal (agency) to July 1, 1951	402,096
Net assets reactivated subsequent to July 1, 1951	<u>5,268</u>
Gross direct investment	<u>414,364</u>
Less dividends and other charges deductible from direct investment:	
Capital repayments to U. S. Treasury:	
Prior to July 1, 1951	23,995
Subsequent to June 30, 1951	40,000
Appraised value of properties conveyed to the Republic of Panama:	
December 16, 1943	11,760
Under 1955 treaty	19,468
Net capital losses resulting from 1955 treaty with Republic of Panama	345
Settlement of compensation claims against predecessor agency .	90
Property transfers, other U. S. Government agencies, net	-628
Funded maintenance costs, Thatcher Ferry Bridge	<u>467</u>
Total deductions	<u>95,497</u>
Total interest-bearing investment	<u>318,867</u>
Non-interest-bearing:	
Thatcher Ferry Bridge	<u>18,052</u>
Total contributed capital	<u>336,919</u>

EARNED CAPITAL REINVESTED:

Retained revenue at June 30, 1951	71,136
Net revenue subsequent to June 30, 1951	99,758
Extraordinary charges (-) and credits to retained revenue:	
Excess of market over book value of properties transferred to the Republic of Panama under 1955 treaty:	
Panama Canal Company properties	16,613
Canal Zone Government properties	1,549
Net gain on sale of SS PANAMA	4,272
Adjustment of inventory for power system parts previously expensed	791
Adjustment of overaccrual of prior years depreciation	707
Adjustment for overaccruals for locks overhauls	606
Reduction of amount due U. S. Treasury for the amount of the net book value of Cardenas townsite transferred from the Canal Zone Government to Federal Aviation Agency	504
Adjustment to provision for inventory losses	287
Provision for noncapital power conversion costs	-4,500
Agency contribution to U. S. Civil Service retirement fund for non-U. S. citizen employees	-4,738
Abandoned construction projects and other fixed assets written off	-1,648
Establishment of liability for employees' repatriation	-5,004
Provision for potential liability in back pay litigation	<u>-3,145</u>
Total earned capital reinvested	<u>177,187</u>
INVESTMENT OF UNITED STATES	<u>514,106</u>

PANAMA CANAL COMPANY

TOLLS STATISTICSFiscal Years Actual 1964 to 1975 - Estimated 1976, 1977 and 1978

Fiscal Year	Number of Transits			Tolls Revenue from Transits		
	Commer- cial Revenue Transits	U. S. Govern- ment Vessels	Total Revenue Transits	Tolls Commercial Vessels	Tolls U.S. Government Vessels	Total Tolls
1964	12,435	404	12,839	\$ 61,147	\$ 1,399	\$62,546
1965	12,411	394	12,805	65,503	1,652	67,155
1966	12,470	725	13,195	69,142	3,446	72,588
1967	12,982	980	13,962	76,804	5,493	82,297
1968	13,770	1,625	15,395	83,943	9,211	93,154
1969	13,733	1,495	15,228	87,492	8,422	95,914
1970	14,234	1,158	15,392	94,654	6,221	100,875
1971	14,601	626	15,227	97,419	3,148	100,567
1972	14,543	561	15,104	98,833	2,655	101,488
1973	14,563	491	15,054	111,091	2,290	113,381
1974	14,859	358	15,217	119,485	1,835	121,320
1975	14,413	280	14,693	141,937	1,395	143,332
1976 (Est.)	14,375	350	14,725	148,505	1,720	150,225
1977 (Est.)	3,405	70	3,475	41,928	432	42,360
1978 (Est.)	13,220	305	13,525	172,273	1,727	174,000

Monthly, Fiscal Year 1975

July, 1974	1,291	36	1,327	11,875	151	12,026
August	1,183	27	1,210	12,216	175	12,391
September	1,147	25	1,172	11,928	115	12,043
October	1,175	32	1,207	11,889	171	12,060
November	1,140	25	1,165	11,162	129	11,291
December	1,176	19	1,195	11,447	132	11,579
January, 1975 ...	1,206	24	1,230	12,114	104	12,218
February	1,117	19	1,136	10,655	81	10,736
March	1,306	22	1,328	12,629	109	12,738
April	1,211	14	1,225	11,770	58	11,828
May	1,301	17	1,318	12,968	63	13,031
June	1,160	20	1,180	11,284	107	11,391
Total FY 1975 .	<u>14,413</u>	<u>280</u>	<u>14,693</u>	<u>141,937</u>	<u>1,395</u>	<u>143,332</u>

Monthly, Fiscal Year 1976

July, 1975	1,152	30	1,182	11,734	134	11,868
August	1,085	31	1,116	11,466	132	11,598
September	1,011	22	1,033	10,604	21	10,625
October	1,078	24	1,102	11,131	129	11,260
November	1,045	16	1,061	10,847	85	10,932
December	1,049	17	1,066	10,680	34	10,714
Total year to date FY 1976	<u>6,420</u>	<u>140</u>	<u>6,560</u>	<u>66,462</u>	<u>535</u>	<u>66,997</u>

NOTE: Transits of and tolls from small vessels under 300 P.C. net tons measurement are included in above statistics.

1(a). Tolls

Tolls Income	1975	1976	197Q	1977
	Actual	Estimate	Estimate	Estimate
(Dollars in thousands)				
Commercial traffic:				
Ocean-going	141,884	148,455	41,913	172,214
Small craft	53	50	15	59
Total commercial tolls	<u>141,937</u>	<u>148,505</u>	<u>41,928</u>	<u>172,273</u>
U. S. Government traffic:				
Ocean-going	1,390	1,715	430	1,721
Small craft	5	5	2	6
Total U.S. Government tolls credits	<u>1,395</u>	<u>1,720</u>	<u>432</u>	<u>1,727</u>
Total tolls and tolls credits	<u>143,332</u>	<u>150,225</u>	<u>42,360</u>	<u>174,000</u>

Number of Transits	1973	1974	1975	1976	197Q	1977
	Actual	Actual	Actual	Estimate	Estimate	Estimate
Commercial traffic:						
Ocean-going	13,841	14,033	13,609	13,625	3,230	12,470
Small craft	722	826	804	750	175	750
Total commercial	<u>14,563</u>	<u>14,859</u>	<u>14,413</u>	<u>14,375</u>	<u>3,405</u>	<u>13,220</u>
United States Government traffic:						
Ocean-going	373	248	170	225	45	180
Small craft	118	110	110	125	25	125
Total U.S. Government ..	<u>491</u>	<u>358</u>	<u>280</u>	<u>350</u>	<u>70</u>	<u>305</u>
Total revenue transits	<u>15,054</u>	<u>15,217</u>	<u>14,693</u>	<u>14,725</u>	<u>3,475</u>	<u>13,525</u>
Free transits, not included:						
Ocean-going	24	23	7	25	5	25
Small craft	31	29	35	25	6	25
Total free transits	<u>55</u>	<u>52</u>	<u>42</u>	<u>50</u>	<u>11</u>	<u>50</u>
Total number of transits	<u>15,109</u>	<u>15,269</u>	<u>14,735</u>	<u>14,775</u>	<u>3,486</u>	<u>13,575</u>
<u>Other Data</u>						
Average number of ocean-going commercial vessels per day.	37.9	38.4	37.3	37.3	35.0	34.2
Total Panama Canal net tons transiting (in thousands) ..	<u>129,069</u>	<u>138,083</u>	<u>136,572</u>	<u>143,071</u>	<u>33,619</u>	<u>138,095</u>

CANAL TRAFFIC HIGHLIGHTS

Total tolls and tolls credits for fiscal year 1975 were \$143.3 million. Although canal traffic in 1975 was down from 1974 levels, tolls revenues were maintained at a relatively high level due to the increase in ship size registered during the year and the toll rate increase which went into effect in July, 1974. The traffic pattern that began developing in 1975 reflects some decline in commercial traffic in 1976 due for the most part to the reopening of the Suez Canal, the worldwide economic recession, and sharply increased fuel costs. This decline in commercial traffic is expected to continue through 1977. The tolls estimates reflect revenue increases from a change in the admeasurement rules for assessing tolls, to be effective February 1, 1976, and the Company's projection of a toll rate increase, to be effective July 1, 1976, yielding \$7.1 million in the transition quarter and \$29.0 million in 1977.

1(b). Maintenance of Channels and Harbors

	1975 <u>Actual</u>	1976 <u>Estimate</u>	197Q <u>Estimate</u>	1977 <u>Estimate</u>
	(Dollars in thousands)			
<u>Operating Expenses:</u>				
Suction and dipper dredging operations.....	2,858	3,092	753	3,262
Other floating equipment operations	2,389	2,625	674	2,987
Coredrill operations.....	590	1,260	330	1,739
Meteorology and hydrography.....	1,524	1,654	420	1,818
Maintenance repairs and overhaul services.....	2,715	2,926	530	4,013
Supervision and general operations.	1,365	1,527	380	1,682
Other.....	7,913	5,988	1,524	7,569
Depreciation and non fund expense..	8,161	8,161	2,041	8,245
Gross operating expenses.....	27,515	27,233	6,652	31,315
Interdivisional sales and services.	3,987	7,387	1,700	7,200
Net operating expenses.....	<u>23,528</u>	<u>19,846</u>	<u>4,952</u>	<u>24,115</u>
<u>Revenue: (Sales of services).....</u>	<u>196</u>	<u>193</u>	<u>48</u>	<u>195</u>

The basic purpose of this function is to maintain navigation depths in the channel and terminal ports through routing dredging operations, to keep the channel free of obstructions, and to monitor the water levels in the waterway. To accomplish the task, the Company owns and operates a suction dredge and a dipper dredge with the necessary dump scows and other attending craft; a drill-boat for drilling and core boring; and tugs, launches, barges, floating cranes and derricks as required. In addition, meteorological, hydrographic and seismologic conditions are observed and studied to control lake levels and assure adequate water supplies. This function also includes the operation and maintenance of a wide range of equipment and facilities such as lights, beacons, buoys and other navigation aids, and the dams and spillways, railroad beds and other structures adjacent to the waterway.

1(c). Navigation Service and Control

	1975 <u>Actual</u>	1976 <u>Estimate</u>	197Q <u>Estimate</u>	1977 <u>Estimate</u>
	(Dollars in thousands)			
<u>Operating expenses:</u>				
Transit and port pilotage	8,873	10,218	2,567	11,792
General port operations.....	955	1,127	258	1,241
Vessel control, admeasurement and dispatch.....	2,447	2,665	602	2,725
Handling ships' lines.....	5,936	6,853	1,719	7,622
Tug and launch operations.....	11,205	11,580	2,836	13,364
Supervision and general operations..	1,640	1,812	429	1,931
Depreciation and nonfund expense....	462	673	193	836
Gross operating expenses.....	31,518	34,928	8,604	39,511
Interdivisional sales and services..	237	207	31	124
Net operating expenses.....	<u>31,281</u>	<u>34,721</u>	<u>8,573</u>	<u>39,387</u>

1(c). Navigation Service and Control (Cont'd)

	1975	1976	1976	1977
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
	(Dollars in thousands)			
<u>Revenue:</u>				
Harbor pilotage	1,682	1,739	450	1,748
Handling ships' lines.....	7,499	8,915	2,229	9,864
Tug and launch services.....	11,305	13,210	3,305	14,594
Wharfage, moorings, and right of basin.....	<u>269</u>	<u>285</u>	<u>54</u>	<u>287</u>
Total revenue.....	<u>20,755</u>	<u>24,149</u>	<u>6,038</u>	<u>26,493</u>

The Navigation Division is responsible for the transiting of vessels through the canal, docking vessels, and providing related services such as tug and launch service, boarding and admeasure services, traffic control and linehandling services.

The estimates of canal transits and related pilot assignments are based on traffic projections and the size and type of vessels comprising the traffic estimates. The estimates of traffic reflect expected decreases in transits as a result of the reopening of the Suez Canal in combination with the general worldwide economic recession.

Workload Data

	1974	1975	1976	1976	1977
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
Canal transits:					
Over 300 PC net tons:					
Commercial.....	14,033	13,609	13,625	3,230	12,470
U.S. Government.....	248	170	225	45	180
Free.....	23	7	25	5	25
Small craft.....	965	949	900	206	900

1(d). Locks Operations

	1975	1976	1976	1977
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
	(Dollars in thousands)			
<u>Operating expenses:</u>				
Lockage operations.....	6,071	6,325	1,860	7,409
Locks maintenance and repair.....	9,450	11,841	2,814	13,863
Administration, supervision and general... operations.....	1,595	1,841	523	2,143
Accrual for locks overhauls, nonfund.....	2,526	2,975	744	2,979
Depreciation and nonfund expense.....	<u>1,865</u>	<u>1,807</u>	<u>452</u>	<u>1,778</u>
Gross operating expenses.....	21,507	24,789	6,393	28,172
Interdivisional sales and services.....	<u>572</u>	<u>1,907</u>	<u>-</u>	<u>1,498</u>
Net operating expenses.....	<u>20,935</u>	<u>22,882</u>	<u>6,393</u>	<u>26,674</u>

This activity is responsible for the direct supervision, operation and maintenance of the locks and appurtenances, including periodic major overhauls of the underwater portions of the locks.

1 (e). General Repair, Storehouse, Engineering
and Maintenance Services

	1975 <u>Actual</u>	1976 <u>Estimate</u>	197Q <u>Estimate</u>	1977 <u>Estimate</u>
	(Dollars in thousands)			
<u>Revenue:</u>				
Sales of commodities.....	2,550	2,373	634	2,535
Sales of services.....	<u>2,431</u>	<u>3,182</u>	<u>679</u>	<u>3,187</u>
Total revenue.....	<u>4,981</u>	<u>5,555</u>	<u>1,313</u>	<u>5,722</u>
<u>Operating Expenses:</u>				
General services.....	13,198	14,244	3,596	14,350
Vessel repair services.....	8,457	8,951	2,329	11,744
Electrical services.....	4,542	4,808	1,286	5,222
Engineering services.....	2,285	2,558	559	2,744
Contract and inspection services...	626	670	195	781
General laboratory services.....	277	375	97	406
Storehouse services.....	3,421	3,641	995	3,940
Cost of goods sold.....	2,029	1,880	501	2,000
Cost of goods transferred.....	13,219	14,861	3,843	15,725
Depreciation and other nonfund.....	719	534	137	555
Gross operating expenses.....	<u>48,773</u>	<u>52,522</u>	<u>13,538</u>	<u>57,467</u>
Interdivisional sales and services..	<u>41,507</u>	<u>44,488</u>	<u>11,488</u>	<u>48,564</u>
Net operating expenses.....	<u>7,266</u>	<u>8,034</u>	<u>2,050</u>	<u>8,903</u>
Operating margin or deficiency (-)	<u>-2,285</u>	<u>-2,479</u>	<u>-737</u>	<u>-3,181</u>

This activity provides the wide range of maintenance and repair work on structures, floating equipment, shop and construction equipment, necessary to the safe and efficient operation of the total canal enterprise. In addition to the direct maintenance and repair effort, the operations of the storehouse are included. The storehouse operation provides for purchasing, warehousing and issuing those supplies and materials required by Company and Government in their direct and supportive roles within the canal organization. Also included here are those related engineering services such as surveys, preparation of designs, cost estimates and specifications for work, and the general supervision and administration of construction and demolition work performed by private contracting firms.

Workload Data

	1975 <u>Actual</u>	1976 <u>Estimate</u>	197Q <u>Estimate</u>	1977 <u>Estimate</u>
	(Dollars in millions)			
Work for account of Panama Canal				
Company and other organizations:				
General services.....	\$13.3	\$14.4	\$3.6	\$14.6
Vessel repair services.....	\$ 9.5	\$ 9.8	\$ 2.5	\$12.2
Electrical services.....	\$ 4.6	\$ 4.8	\$ 1.3	\$ 5.2
Engineering services.....	\$ 2.2	\$ 2.3	\$ 0.5	\$ 2.5
Contract & inspection services..	\$.7	\$.7	\$.2	\$.7
General laboratory services.....	\$.2	\$.3	\$ -	\$.4
Storehouse services				
Receipts (line items).....	34,555	35,000	8,750	35,000
Issues (line items).....	308,788	310,000	77,500	310,000
Sales (line items).....	103,964	104,000	26,000	104,000
Tons of metal classified.....	3,560	2,755	561	2,245

1(f). General Canal Expenses

	1975	1976	197Q	1977
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
	(Dollars in thousands)			
National Policy Costs:				
Payment to Treasury for annuity to				
Republic of Panama.....	519	519	130	519
Unrecovered water processing costs	349	90	-	-
Canal Zone Government services.....	4,110	4,909	1,155	5,183
Thatcher Ferry Bridge operation				
and maintenance.....	486	400	100	500
Special canal studies, traffic and				
capacity studies.....	161	198	50	177
Canal Protection Division.....	2,193	2,685	696	3,356
Accrual for casualty losses and				
damages to vessels.....	2,195	2,200	550	2,200
Other miscellaneous canal expense.....	711	816	209	1,116
Depreciation and nonfund expense.....	2,539	2,549	646	2,276
Gross operating expense.....	<u>13,263</u>	<u>14,366</u>	<u>3,536</u>	<u>15,327</u>
Interdivisional sales and services.....	754	851	256	1,194
Net operating expense.....	<u>12,509</u>	<u>13,515</u>	<u>3,280</u>	<u>14,133</u>

This category of expenses comprises those costs which are general in nature and are relatable to the canal and ship transiting operations rather than the general administrative effort. Included here are the national policy costs of the annuity payment to Panama, the unrecovered water processing costs of water furnished Panama, and the cost of health and education services not fully recovered from annuitants and their dependents, retirees and dependents of other federal agencies, and residents of Panama. Also covered here is the expense for operation and maintenance of the Thatcher Ferry Bridge, a provision for casualty losses and damages to vessels, the canal security force which guards those vital canal installation such as the locks, dams and spillways and power plants, and other miscellaneous canal expenses.

2(a). Marine Terminal Operations

	1975	1976	197Q	1977
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
	(Dollars in thousands)			
Revenue: (Sales of services).....	<u>20,922</u>	<u>24,657</u>	<u>6,591</u>	<u>26,805</u>
<u>Operating expenses:</u>				
Marine bunkering.....	4,292	4,098	1,084	4,473
Wharfage.....	1,368	1,686	428	1,780
Stevedoring.....	2,814	3,178	864	3,486
Handling and transferring.....	9,176	10,616	2,762	11,429
Supervision and general operations...	939	1,166	309	1,254
Depreciation and nonfund expense.....	552	591	148	623
Gross operating expenses.....	<u>19,141</u>	<u>21,335</u>	<u>5,595</u>	<u>23,045</u>
Interdivisional sales and services...	<u>1,174</u>	<u>1,458</u>	<u>379</u>	<u>1,540</u>
Net operating expenses.....	<u>17,967</u>	<u>19,877</u>	<u>5,216</u>	<u>21,505</u>
Operating margin.....	<u>2,955</u>	<u>4,780</u>	<u>1,375</u>	<u>5,300</u>

The Marine Terminal Operations include handling, transferring and stevedoring of ships' cargoes and marine bunkering operations at the Canal Zone ports of Balboa and Cristobal which require use of wharves, piers, and usual port equipment. Cargoes are either for ultimate destination in the Canal Zone or Republic of Panama, or for transshipment to ports beyond. Two fuel-handling plants, one at each terminal of the Canal, pump petroleum products from tankers to privately-owned tankers, to storage tanks owned by the Armed Forces and the Panama Canal Company, and deliver bunkers from storage tanks to vessels at Canal Zone ports. Various petroleum products are provided consumers in the Canal Zone and Republic of Panama. This operation includes tanks and other facilities for storage of petroleum products within tank farm areas.

Workload Data

	<u>1975</u> <u>Actual</u>	1976 <u>Estimate</u>	1977 <u>Estimate</u>	1977 <u>Estimate</u>
		(In thousands)		
Tons of cargo handled and transferred...	1,524	1,570	404	1,615
Tons of cargo stevedored	1,101	1,130	293	1,170
Barrels of petroleum products handled...	59,177	58,500	14,750	59,000

2(b)1. Housing

	<u>1975</u> <u>Actual</u>	1976 <u>Estimate</u>	1977 <u>Estimate</u>	1977 <u>Estimate</u>
		(In thousands of dollars)		
<u>Revenue: (Rentals)</u>	<u>4,757</u>	<u>5,006</u>	<u>1,332</u>	<u>5,407</u>
<u>Operating expenses:</u>				
Quarters operation.....	644	784	221	827
Quarters maintenance.....	2,708	2,956	830	3,205
Supervision and general operations....	520	564	158	628
Depreciation and other nonfund expense	<u>812</u>	<u>822</u>	<u>206</u>	<u>881</u>
Gross operating expenses.....	4,684	5,126	1,415	5,541
Interdivisional sales and services....	97	107	29	114
Net operating expenses.....	<u>4,587</u>	<u>5,019</u>	<u>1,386</u>	<u>5,427</u>
Operating margin or deficiency (-)	<u>170</u>	<u>-13</u>	<u>-54</u>	<u>-20</u>

The revenue and expenses shown above represent the rental income and operation and maintenance costs associated with providing living quarters in the Canal Zone for employees of the Panama Canal Company and the Canal Zone Government, and to certain other individuals eligible for quarters as provided for in current regulations. Rental rates are established on a comparability basis as prescribed by law (PL 88-459). The number of occupancies by type of quarters is shown below:

Workload Data

	<u>1975</u> <u>Actual</u>	1976 <u>Estimate</u>	1977 <u>Estimate</u>	1977 <u>Estimate</u>
Occupied units at end of year:				
Family apartments.....	3,272	3,277	3,277	3,277
Bachelor apartments.....	711	711	711	711
Bachelor rooms.....	269	317	317	317

2(b)2. Retail Units

	1975	1976	1977	1977
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
	(Dollars in thousands)			
<u>Revenue:</u>				
Sales of commodities	32,087	35,115	8,085	37,127
Sales of services.....	<u>66</u>	<u>76</u>	<u>16</u>	<u>80</u>
Total revenue.....	<u>32,153</u>	<u>35,191</u>	<u>8,101</u>	<u>37,207</u>
<u>Operating expenses:</u>				
Cost of goods sold.....	23,408	25,480	5,881	26,941
Cost of goods issued.....	1,174	1,301	319	1,373
Retail merchandising operations.....	3,869	4,103	964	4,357
Packaging and processing operations....	3,208	3,327	828	3,555
Procurement.....	1,090	1,154	266	1,255
Ocean freights.....	2,792	2,971	670	3,318
Laundry operations.....	335	308	77	291
Gasoline service operations.....	315	333	78	353
Supervision and general operations.....	3,447	3,775	947	4,049
Depreciation and other nonfund.....	<u>357</u>	<u>225</u>	<u>57</u>	<u>244</u>
Gross operating expense.....	39,995	42,977	10,087	45,736
Interdivisional sales and services, including manufacturing and process- ing for merchandise inventories.....	<u>4,773</u>	<u>5,389</u>	<u>1,336</u>	<u>5,799</u>
Net operating expense.....	<u>35,222</u>	<u>37,588</u>	<u>8,751</u>	<u>39,937</u>
Operating margin or deficiency (-).....	<u>-3,069</u>	<u>-2,397</u>	<u>-650</u>	<u>-2,730</u>

The Retail Units comprise retail stores and their allied facilities, gasoline stations, a laundry, pastry operations, a prepack facility, and milk, ice cream and optical processing units. The retail stores and allied facilities provide food, clothing, and other essentials to U.S. Government employees and their families, to establishments of the U.S. Government located on the Isthmus, and to other authorized purchasers. This activity operates under restrictions imposed by the Treaty between the United States and the Republic of Panama as to the eligibility of persons to shop in the retail stores. This restriction on customer eligibility, the necessity to ship practically all resale merchandise from the United States, and the requirement to structure local wage scales on the Fair Labor Standards Act, impose costs and marketing constraints which would not otherwise prevail. The pricing policy of the Company is to effect an equitable recovery of expenses considering the aforementioned restraints with the under-recovery of costs considered a cost of employing workers.

Workload Data

	1975	1976	1977	1977
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
Number of units in operation at end of year:				
Retail stores.....	5	5	5	5
Limited merchandise sales sites.....	7	7	7	7
Gasoline stations.....	6	6	6	6
Manufacturing and processing plants..	4	4	4	4
Laundry.....	1	1	1	1

2(b)3. Food Units

	1975 <u>Actual</u>	1976 <u>Estimate</u>	197Q <u>Estimate</u>	1977 <u>Estimate</u>
	(Dollars in thousands)			
<u>Revenue:</u>				
Sales of commodities	2,881	3,427	843	3,701
Sales of services	<u>2</u>	<u>3</u>	<u>-</u>	<u>3</u>
Total revenue	<u>2,883</u>	<u>3,430</u>	<u>843</u>	<u>3,704</u>
<u>Operating expenses:</u>				
Cost of goods sold	1,579	1,882	462	2,033
Cost of goods issued	175	195	48	211
Cafeteria operations	946	984	244	1,068
Vending operations	686	740	180	799
Supervision and general operations	474	518	129	560
Depreciation and nonfund	<u>81</u>	<u>83</u>	<u>21</u>	<u>86</u>
Gross operating expenses	3,941	4,402	1,084	4,757
Interdivisional sales and services	<u>522</u>	<u>575</u>	<u>144</u>	<u>622</u>
Net operating expenses	<u>3,419</u>	<u>3,827</u>	<u>940</u>	<u>4,135</u>
Operating margin or deficiency (-)	<u>-536</u>	<u>-397</u>	<u>-97</u>	<u>-431</u>

The Food Units operation is comprised of cafeterias and vending sites to serve U.S. Government employees and their families, and other authorized patrons. There is also space provided on a reimbursable basis for concessionaires who operate barber shops, beauty parlors, shoe repair, tailor and dressmaker shops. This activity must operate within the employment practices set for the Fair Labor Standards Act which, among other things, prescribes rates of pay far above those rates prevailing in Panama. Volume restrictions, in the form of limited patron eligibility, are imposed by treaty. These constraints, along with the pricing policy of the Company, have their effect on the operating margin.

Workload Data

	1975 <u>Actual</u>	1976 <u>Estimate</u>	197Q <u>Estimate</u>	1977 <u>Estimate</u>
Number of units in operation at year-end:				
Cafeterias	4	4	4	4
Vending sites	27	26	26	26

2(b)4. Theaters and Bowling Alleys

	1975 <u>Actual</u>	1976 <u>Estimate</u>	197Q <u>Estimate</u>	1977 <u>Estimate</u>
	(Dollars in thousands)			
<u>Revenue:</u>				
Sales of Services	<u>401</u>	<u>455</u>	<u>112</u>	<u>483</u>
<u>Operating expenses:</u>				
Theater operations	352	353	86	389
Bowling alley operations	196	211	52	229
Management, supervision and gen. expense	20	22	5	24
Depreciation and other nonfund	<u>42</u>	<u>35</u>	<u>9</u>	<u>38</u>
Gross operating expenses	610	621	152	680
Interdivisional sales and services	<u>12</u>	<u>13</u>	<u>1</u>	<u>14</u>
Net operating expenses	<u>598</u>	<u>608</u>	<u>151</u>	<u>666</u>
Operating margin or deficiency (-)	<u>-197</u>	<u>-153</u>	<u>-39</u>	<u>-183</u>

This activity operates theaters and bowling alleys in the civilian communities of the Canal Zone. As is true with retail and food service activities, this operation is constrained in its performance through the limitations of patron eligibility and timely availability of current and top-rated films.

Workload Data

	1975 <u>Actual</u>	1976 <u>Estimate</u>	1977 <u>Estimate</u>	1977 <u>Estimate</u>
Number of units in operation at year end:				
Motion picture theaters.....	7	7	7	7
Bowling alleys.....	2	2	2	2

2(c)1. Railroad Operations

	1975 <u>Actual</u>	1976 <u>Estimate</u>	1977 <u>Estimate</u>	1977 <u>Estimate</u>
	(Dollars in thousands)			
<u>Revenue:</u> (Sales of services).....	<u>2,390</u>	<u>2,690</u>	<u>658</u>	<u>2,910</u>
<u>Operating expenses:</u>				
Road and yard operations.....	1,127	1,231	318	1,323
Maintenance of way, equipment and structures.....	1,605	1,685	427	1,801
Freight house operations.....	423	453	116	497
Supervision and general operations...	140	129	38	142
Depreciation and nonfund expense.....	152	148	37	148
Gross operating expenses.....	<u>3,447</u>	<u>3,646</u>	<u>936</u>	<u>3,911</u>
Interdivisional sales and services...	<u>1,065</u>	<u>1,156</u>	<u>290</u>	<u>1,201</u>
Net operating expense.....	<u>2,382</u>	<u>2,490</u>	<u>646</u>	<u>2,710</u>
Operating margin.....	<u>8</u>	<u>200</u>	<u>12</u>	<u>200</u>

The railroad's mission is to transport freight and passengers for U.S. Government organizations within the Canal Zone and commercial interests in both the Canal Zone and the Republic of Panama. It serves as a co-carrier for transshipment and through-billed cargoes requiring movement across the Isthmus. The railroad comprises 47 miles of single track, main line between the terminal cities of Ancon and Cristobal. In addition, there are auxiliary passing tracks and yards along with spurs to piers, warehouses and industrial areas. It also has the usual appurtenances such as freight and passenger stations, yard offices, roundhouses, and a car shop.

Workload Data

	1975 <u>Actual</u>	1976 <u>Estimate</u>	1977 <u>Estimate</u>	1977 <u>Estimate</u>
	(In thousands)			
Number of passengers:				
Panama Canal.....	70	75	19	75
Commercial and other US Govt. agencies	<u>710</u>	<u>725</u>	<u>181</u>	<u>740</u>
Total.....	<u>780</u>	<u>800</u>	<u>200</u>	<u>815</u>
Tons of freight:				
Panama Canal.....	70	71	18	71
Commercial and other U.S. Govt. agencies	<u>143</u>	<u>149</u>	<u>38</u>	<u>154</u>
Total.....	<u>213</u>	<u>220</u>	<u>56</u>	<u>225</u>

2(c)2. Motor Transportation

	1975 <u>Actual</u>	1976 <u>Estimate</u>	197Q <u>Estimate</u>	1977 <u>Estimate</u>
	(Dollars in thousands)			
<u>Revenue:</u> (Sales of services).....	<u>257</u>	<u>280</u>	<u>70</u>	<u>300</u>
<u>Operating expenses:</u>				
Motor vehicle operation.....	3,125	3,291	825	3,514
Repair shops.....	2,441	2,547	637	2,763
Administrative and general expense....	1,184	1,235	309	1,334
Depreciation and other non-fund expense	668	700	183	743
Gross operating expenses.....	7,418	7,773	1,954	8,354
Interdivisional sales and services....	<u>7,180</u>	<u>7,543</u>	<u>1,894</u>	<u>8,104</u>
Net operating expenses.....	<u>238</u>	<u>230</u>	<u>60</u>	<u>250</u>
Operating margin.....	<u>19</u>	<u>50</u>	<u>10</u>	<u>50</u>

This activity operates and maintains motor transportation facilities and repairs construction, materials handling, fire fighting, police and grounds maintenance vehicular equipment of the Panama Canal Company and the Canal Zone Government. In addition, the repair shops operated on both sides of the Isthmus provide miscellaneous repair services, including tire recapping, to other units of the Panama Canal Company and Canal Zone Government, to U.S. Government employees, to other agencies of the U.S. Government on the Isthmus, and to contractors and various other organizations authorized to utilize such services. The activity also performs annual inspections of commercial and privately owned motor vehicles as required by the Canal Zone Traffic Regulations. It also supervises the operation of privately owned buses operating on a franchise basis which provide public transportation in the Pacific area of the Canal Zone.

Workload Data

	1975 <u>Actual</u>	1976 <u>Estimate</u>	197Q <u>Estimate</u>	1977 <u>Estimate</u>
Number of passenger-carrying vehicles (net fleet at year-end).....	102	102	102	102
Number of trucks, trailers, and other vehicles.....	759	759	759	759
Mileage, all vehicles except trailers (in thousands).....	8,683	8,500	2,100	8,500

2(c)3. Water Transportation

	1975 <u>Actual</u>	1976 <u>Estimate</u>	197Q <u>Estimate</u>	1977 <u>Estimate</u>
	(Dollars in thousands)			
<u>Revenue:</u>				
Sales of services.....	<u>2,308</u>	<u>2,589</u>	<u>728</u>	<u>2,914</u>
<u>Operating expenses:</u>				
Funded costs.....	7,263	8,059	2,273	8,998
Depreciation.....	92	50	5	50
Gross operating expenses.....	7,355	8,109	2,278	9,048
Interdivisional sales and services....	<u>5,061</u>	<u>5,670</u>	<u>1,588</u>	<u>6,284</u>
Net operating expenses.....	<u>2,294</u>	<u>2,439</u>	<u>690</u>	<u>2,764</u>
Operating margin or deficiency (-).....	<u>14</u>	<u>150</u>	<u>38</u>	<u>150</u>

The Water Transportation activity operates the SS CRISTOBAL, a vessel of 10,000 gross tons, between New Orleans, Louisiana, and Cristobal, Canal Zone. In each of the Fiscal Years 1976 and 1977, it is planned that 25 round trip voyages will be made carrying approximately 530 passengers and some 183,000 tons of cargo, including 52,000 tons of Military Sealift Command cargo. The vessel is an essential adjunct to the operation and maintenance of the Panama Canal. It provides necessary cargo transportation service between the United States and the Isthmus for the Panama Canal Company and Canal Zone Government and its employees, as well as other U.S. agencies located in the Canal Zone.

	<u>Workload Data</u>			
	1975	1976	197Q	1977
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
Tons of cargo shipped (in thousands)....	188	183	45	183
Number of passengers transported.....	544	530	135	530

2(c)4. Power System

	1975	1976	197Q	1977
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
	(Dollars in thousands)			
<u>Revenue:</u>				
Sales of services.....	<u>11,808</u>	<u>13,458</u>	<u>3,446</u>	<u>15,715</u>
<u>Operating expenses:</u>				
Power generation.....	16,138	14,253	3,552	17,167
Power transmission and distribution...	1,713	1,700	425	1,870
Supervision and general operations....	1,167	1,100	300	1,200
Depreciation.....	<u>1,386</u>	<u>1,237</u>	<u>309</u>	<u>1,244</u>
Gross operating expenses.....	20,404	18,290	4,586	21,481
Interdivisional sales and services....	<u>6,241</u>	<u>6,276</u>	<u>1,499</u>	<u>7,275</u>
Net operating expenses.....	<u>14,163</u>	<u>12,014</u>	<u>3,087</u>	<u>14,206</u>
Operating margin or deficiency (-)....	<u>-2,355</u>	<u>1,444</u>	<u>359</u>	<u>1,509</u>

The Company-owned electric power generating facilities at June 30, 1975, consisted of hydroelectric, diesel, and gas/steam turbine plants having a total capacity of 133.5 megawatts. The power system operates and maintains generating stations, transmission lines, substations, and distribution systems to furnish electric power throughout the Canal Zone. Power is also purchased to augment the system's generating capacity. During periods when there is an adequate supply of water in Gatun and Madden Lakes, maximum possible power is supplied from Company hydroelectric and steam sources. Additional load variations up to peak demands are supplied from gas turbines and purchased power which also substitute for base load units requiring emergency or planned maintenance. During the dry season, Gatun hydroelectric generation is curtailed to conserve water for transits and the energy is supplied from the most economical available source.

	<u>Workload Data</u>			
	1975	1976	197Q	1977
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
Total power sold, including distribution to Panama Canal activities GWH (millions)	623	630	158	647
Canal Zone peak, MW.....	115	117	111	119
<u>Generating stations operated:</u>				
Hydroelectric.....	2	2	2	2
Gas turbine.....	1	1	1	1
Steam and gas turbine.....	1	1	1	1
Substations remote controlled.....	6	6	6	6
Miles of transmission lines.....	117.2	117.2	117.2	117.2

2(c)5. Communications System

	1975	1976	1977	1977
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
	(Dollars in thousands)			
Revenue: (Sales of services).....	<u>627</u>	<u>732</u>	<u>208</u>	<u>832</u>
<u>Operating Expenses:</u>				
Central office equipment.....	319	415	116	466
Telephone systems operations.....	704	868	242	974
Electronics operation.....	884	956	330	1,172
Microwave system.....	44	52	15	54
Supervision and general.....	816	990	285	1,136
Depreciation and nonfund.....	253	392	103	429
Gross operating expenses.....	3,020	3,673	1,091	4,231
Interdivisional sales and services.....	2,221	3,101	909	3,559
Net operating expenses.....	<u>799</u>	<u>572</u>	<u>182</u>	<u>672</u>
Operating margin or deficiency (-).....	<u>-172</u>	<u>160</u>	<u>26</u>	<u>160</u>

The Communications Branch provides full scope telecommunications and electronics services for the Panama Canal Company/Canal Zone Government, including engineering design and specifications of systems; procurement, installation and maintenance of facilities and equipment and, where appropriate, operation of systems, such as telephone, microwave, radio paging, data transmission and other communications systems throughout the civilian area of the Canal Zone. These communications services, as requested, also are provided to Company/Government employees, other federal agencies and shipping and allied interest in the Canal Zone. Expanded electronic maintenance is expected through the budget year particularly for the new Marine Traffic Control System and growth in microwave, radios, paging and other communications equipment.

Workload Data

	1975	1976	1977	1977
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
Telephone exchanges.....	5	5	5	5
Microwave channels.....	218	282	296	308
Trunk lines.....	90	95	95	100
Telephone instruments.....	11,609	11,640	11,645	11,800

2(c)6. Water System

	1975	1976	1977	1977
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
	(Dollars in thousands)			
Revenue: (Sales of services).....	<u>2,589</u>	<u>3,055</u>	<u>760</u>	<u>3,382</u>
<u>Operating Expenses:</u>				
Pumping operations.....	830	879	204	930
Filtering operations.....	1,046	1,107	327	1,171
Reservoir and water line maintenance..	506	535	124	567
Miscellaneous operations and maintenance	329	348	81	368
Supervision and general operations....	166	176	41	186
Depreciation.....	378	351	88	365
Gross operating expenses.....	3,255	3,396	865	3,587
Interdivisional sales and services....	771	543	115	472
Net operating expenses.....	<u>2,484</u>	<u>2,853</u>	<u>750</u>	<u>3,115</u>
Operating margin.....	<u>105</u>	<u>202</u>	<u>10</u>	<u>267</u>

The Water System consists of two principal units, one serving the Pacific side of the Isthmus, including Panama City, and the other serving the Atlantic side, including the city of Colon. The Pacific side unit takes its water supply primarily from the Canal cut at Paraiso but has supplementary facilities on the Chagres River near Gamboa. Raw water is pumped to a filtration plant at Miraflores where it is filtered and treated. Four pump stations then distribute the filtered water. The Atlantic side unit takes its water supply from Gatún Lake. Raw water flows by gravity to a filtration plant at Mount Hope where it is filtered, treated and pumped to reservoirs.

2(c)7. Central Air Conditioning Service

	<u>1975</u> <u>Actual</u>	<u>1976</u> <u>Estimate</u>	<u>197Q</u> <u>Estimate</u>	<u>1977</u> <u>Estimate</u>
	(Dollars in thousands)			
<u>Revenue:</u> (Sales of services).....	<u>51</u>	<u>52</u>	<u>14</u>	<u>56</u>
<u>Operating expenses:</u>				
Operation and maintenance.....	515	579	149	631
Depreciation.....	<u>88</u>	<u>89</u>	<u>22</u>	<u>89</u>
Gross operating expenses.....	603	668	171	720
Interdivisional sales and services.....	<u>557</u>	<u>626</u>	<u>160</u>	<u>676</u>
Net operating expenses.....	<u>47</u>	<u>42</u>	<u>11</u>	<u>44</u>
Operating margin or deficiency (-).....	<u>5</u>	<u>10</u>	<u>3</u>	<u>12</u>

This operation consists of a chilled water pumping and cooling plant in the Balboa area which chills and distributes water to users by means of insulated pipes. Two loops of insulated pipes are used, one carrying chilled water to the buildings in the Ancon area and the second serving the Balboa area. The buildings served provide the necessary air distribution systems, heat exchange equipment, and humidity controls.

Workload Data

	<u>1975</u> <u>Actual</u>	<u>1976</u> <u>Estimate</u>	<u>197Q</u> <u>Estimate</u>	<u>1977</u> <u>Estimate</u>
	(Tons of air conditioning)			
Connected tons at year-end.....	3,781	3,772	3,772	3,772

2(d)1. Printing Plant

	<u>1975</u> <u>Actual</u>	<u>1976</u> <u>Estimate</u>	<u>197Q</u> <u>Estimate</u>	<u>1977</u> <u>Estimate</u>
	(Dollars in thousands)			
<u>Revenue:</u> (Sales of services).....	<u>58</u>	<u>54</u>	<u>14</u>	<u>54</u>
<u>Operating Expenses:</u>				
Job order operations.....	849	934	295	1,013
Supervision and general operations....	148	166	5	187
Depreciation and other nonfund expense	<u>30</u>	<u>33</u>	<u>8</u>	<u>31</u>
Gross operating expenses.....	1,027	1,133	308	1,231
Interdivisional sales and services.....	<u>965</u>	<u>1,089</u>	<u>297</u>	<u>1,187</u>
Net operating expenses.....	<u>62</u>	<u>44</u>	<u>11</u>	<u>44</u>
Operating margin or deficiency (-).....	<u>-4</u>	<u>10</u>	<u>3</u>	<u>10</u>

The Printing Plant is a Government field printing plant authorized under regulations of the Joint Committee on Printing. It functions as a manufacturing unit to provide printing and related services including letterpress and offset printing, bookbinding and manufacturing of rubber stamps. Its principal customers are other activities of the Panama Canal. However, service also is provided other U.S. Government agencies, employees, and organizations located in the Canal Zone.

Workload Data

Production units, computed as authorized by the Joint Committee on Printing, are as follows:

	1975 <u>Actual</u>	1976 <u>Estimate</u>	197Q <u>Estimate</u>	1977 <u>Estimate</u>
Production units (in millions).....	84	84	21	84

2(d)2. Grounds Maintenance

	1975 <u>Actual</u>	1976 <u>Estimate</u>	197Q <u>Estimate</u>	1977 <u>Estimate</u>
	(Dollars in thousands)			
<u>Revenue:</u> (Sales of services).....	<u>790</u>	<u>932</u>	<u>259</u>	<u>1,034</u>
<u>Operating expenses:</u>				
Care of grounds.....	2,098	2,227	611	2,445
Garbage and trash collection and disposal	979	1,069	290	1,161
Other services.....	336	397	109	436
Depreciation and other nonfund expense.	112	72	20	80
Gross operating expenses.....	<u>3,525</u>	<u>3,765</u>	<u>1,030</u>	<u>4,122</u>
Interdivisional sales and services.....	<u>2,799</u>	<u>2,955</u>	<u>805</u>	<u>3,223</u>
Net operating expenses.....	<u>726</u>	<u>810</u>	<u>225</u>	<u>899</u>
Operating margin.....	<u>64</u>	<u>122</u>	<u>34</u>	<u>135</u>

This activity provides for the care of grounds, the collection and disposal of trash and garbage, the operation of a nursery and, on a transfer of cost basis, for the Canal Zone Government, street-cleaning and maintenance of cemeteries.

Workload Data

	1975 <u>Actual</u>	1976 <u>Estimate</u>	197Q <u>Estimate</u>	1977 <u>Estimate</u>
	(In thousands)			
Care of grounds (acreage maintained).....	5.4	5.2	5.2	5.2
Garbage handled (cubic yards).....	520.6	550.6	145.6	582.4
Trash handled (cubic yards).....	860.1	860.1	215.0	860.1
Nursery items sold.....	69.0	69.0	17.3	69.0

2(d)3. Community and Custodial Services

	1975 <u>Actual</u>	1976 <u>Estimate</u>	197Q <u>Estimate</u>	1977 <u>Estimate</u>
	(Dollars in thousands)			
<u>Revenue:</u> (Sales of services).....	<u>139</u>	<u>128</u>	<u>33</u>	<u>131</u>
<u>Operating expenses:</u>				
Custodial services.....	1,206	1,279	346	1,396
Supervision and general operations....	676	729	201	797
Other.....	201	253	69	269
Depreciation and other nonfund.....	<u>73</u>	<u>6</u>	<u>1</u>	<u>3</u>
Gross operating expenses.....	2,156	2,267	617	2,465
Interdivisional sales and services....	<u>1,972</u>	<u>2,155</u>	<u>587</u>	<u>2,347</u>
Net operating expenses.....	<u>184</u>	<u>112</u>	<u>30</u>	<u>118</u>
Operating margin or deficiency (-).....	<u>-45</u>	<u>16</u>	<u>3</u>	<u>13</u>

Custodial services are provided for the various buildings and offices of the Company/Government and certain other federal agencies in the Canal Zone. Additional services are also provided and include such items as operation, maintenance and rental of garage stalls; storage and issue of furniture items for bachelor quarters and for rental to limited categories of other quarters occupants; and pickup, delivery and moving van services.

3(a) General Corporate Revenue

	1975 <u>Actual</u>	1976 <u>Estimate</u>	197Q <u>Estimate</u>	1977 <u>Estimate</u>
Interest on Treasury balances.....	1,812	1,620	360	1,450
Miscellaneous.....	<u>474</u>	<u>397</u>	<u>126</u>	<u>421</u>
Total General Corporate revenue...	<u>2,286</u>	<u>2,017</u>	<u>486</u>	<u>1,871</u>

The interest income on Treasury balances represents a credit for interest earned on funds on deposit with the U.S. Treasury, as an offset against amounts due to the U.S. Treasury. Included in the miscellaneous amounts are income from other federal agencies for their share of the costs for the Joint Personnel Program in the Canal Zone, revenues from employee groups for use of the launch LAS CRUCES, rental of temporary storage space to commercial firms, and sale of informational materials through the Information Office.

3(b). Net Cost of Canal Zone Government

	1975 <u>Actual</u>	1976 <u>Estimate</u>	197Q <u>Estimate</u>	1977 <u>Estimate</u>
	(Dollars in thousands)			
<u>Accrued costs:</u>				
<u>Civil functions:</u>				
Customs and immigration.....	1,302	1,389	362	1,394
Postal service.....	2,209	2,551	652	2,670
Police protection.....	7,175	7,810	2,154	8,360
Fire protection.....	2,804	3,363	895	3,722
Judicial system.....	235	244	63	253
Education.....	20,742	21,630	4,808	23,753
Public areas and facilities.....	3,036	3,885	1,003	4,693
Internal security.....	325	343	93	354
Other civil affairs.....	742	811	218	849

	1975 <u>Actual</u>	1976 <u>Estimate</u>	1977 <u>Estimate</u>	1977 <u>Estimate</u>
	(Dollars in thousands)			
Health and sanitation:				
Hospitals and clinics.....	20,824	23,395	5,917	24,813
Other public health services.....	3,595	3,993	1,018	4,248
General government expenses:				
Office of the Governor.....	300	357	95	377
Other general government expenses...	<u>4,609</u>	<u>5,145</u>	<u>1,383</u>	<u>5,547</u>
Total accrued costs.....	<u>67,898</u>	<u>74,916</u>	<u>18,661</u>	<u>81,033</u>
<u>Recoveries:</u>	<u>44,383</u>	<u>51,097</u>	<u>10,563</u>	<u>53,785</u>
Net cost of Canal Zone Government.	<u>23,515</u>	<u>23,819</u>	<u>8,098</u>	<u>27,248</u>

3(c) Interest Payments to the United States Treasury

	1975 <u>Actual</u>	1976 <u>Estimate</u>	1977 <u>Estimate</u>	1977 <u>Estimate</u>
	(Dollars in thousands)			
Interest payments to the United States Treasury.....	<u>14,820</u>	<u>16,578</u>	<u>4,368</u>	<u>17,474</u>

The Panama Canal Company is required to reimburse the U.S. Treasury, as nearly as possible, for the interest cost of funds or other assets directly invested in the corporation. Title 2, Canal Zone Code, Section 62, provides that payments of the interest charges shall be made annually to the extent earned at rates to be determined by the Secretary of the Treasury.

The interest rate, as determined by the Secretary of the Treasury, for use in the current year, is the computed annual interest rate for marketable treasury bonds as of April 30 of the past year, as published in the Treasury Bulletin. The Secretary of the Treasury also provides an estimated interest rate for the budget year.

The year-end interest-bearing investment, the annual interest rate, and the interest paid are shown below:

<u>Year</u>	<u>Interest-bearing Investment (In millions)</u>	<u>Interest Rate (%)</u>	<u>(In thousands)</u>
1975	319	4.649	14,820
1976	319 (Est.)	5.199	16,578
1977	319 (Est.)	5.480 (Est.)	4,368
1978	319 (Est.)	5.480 (Est.)	17,474

3(d). Other General Expenses Not Under Limitation

	1975 <u>Actual</u>	1976 <u>Estimate</u>	197Q <u>Estimate</u>	1977 <u>Estimate</u>
(Dollars in thousands)				
<u>Operating Expenses:</u>				
Death and disability.....	-	1,150	325	1,275
Health benefits.....	-	4,619	1,333	5,333
Alien cash relief payments to former employees.....	949	944	243	953
Alien cash relief payments to widows of former employees.....	578	638	177	758
Annuitant welfare program.....	191	210	59	235
Joint personnel program.....	344	399	103	435
Extraordinary repairs to buildings and sites.....	256	298	75	293
Maintenance of food service facilities at job sites.....	171	183	46	199
Official moves within the Canal Zone..	46	102	24	107
Selective Service expense.....	24	24	6	24
Severance pay.....	-	35	10	35
Transportation of Canal Zone Government mail.....	28	32	9	35
Excess facility expense.....	123	145	41	167
Provision for classified pay increase.	-	-	-	3,311
All other funded costs, net.....	576	133	34	138
Sponsorship of fire protection, education and hospital services provided by Canal Zone Government.....	10,331	12,122	2,720	12,363
Provision for doubtful accounts (nonfund).....	1,403	1,512	379	1,261
Repatriation expense variation (nonfund)	629	-	-	1,330
Depreciation and nonfund expense.....	323	263	67	270
Gross operating expenses.....	<u>15,972</u>	<u>22,809</u>	<u>5,651</u>	<u>28,522</u>
Interdivisional sales and services....	<u>369</u>	<u>292</u>	<u>76</u>	<u>318</u>
Other general corporate expenses, net.....	<u>15,603</u>	<u>22,517</u>	<u>5,575</u>	<u>28,204</u>

This activity is charged with certain general expenses not assignable to other activities. Death and disability payments are shown here as are the Company's share of premium costs for employee health benefits insurance. Death and disability payments and the health benefits contributions for FY 1975 are shown in the general and administrative expense category under statutory limitation. Alien cash relief estimates reflect the effects of Public Law 91-335 which provides widows benefits and for periodic cost of living adjustments similar to those given Civil Service retirees. The annuitant welfare program comprises a small group of doctors and nurses who make home visits to aged former employees and their survivors having meager incomes. The Joint Personnel Program, which requires the direct employment of personnel, includes the functions of the Canal Zone Civilian Personnel Policy Board and the Central Employment Office, which operates under direction of the Policy Board. Costs of this program are fully recovered from participating agencies. The provision for classified employee pay raises represents the lump sum estimate of pay raise costs for the Canal. To achieve uniformity in accounting for education, hospital, and fire protection services rendered by the Canal Zone Government to all U.S. Government agencies and employees, the Panama Canal Company as a sponsoring agency directly reimburses the Canal Zone Government for such services. The provision for doubtful accounts provides recognition in the expenses for doubtful receivables including some receivables applicable to years prior to 1973.

PANAMA CANAL COMPANY CAPITAL OUTLAY
SCHEDULE OF CAPITAL PROJECTS
(In thousands of dollars)

	Project Total	O b l i g a t i o n s				Subse- quent Years
		Thru 1975 Actual	1976 Estimate	1977 Estimate	1978 Estimate	
<u>Transit Projects:</u>						
Procure additional towing locomotive and spare components	16,500	-	-	-	5,000	11,500
Replace and add equipment ..	5,966	1,907	1,809	350	1,900	-
Repowering of Dredge MINDI ..	2,500	-	1,000	250	1,250	-
Replace and add tugboats ...	11,960	2,115	2,435	10	200	7,200
Replace dump scows	4,700	-	1,090	-	10	3,600
Channel improvements	15,333	2,033	6,030	1,370	5,900	-
Replace dipper Dredge - U.S. PARAISO	9,000	40	8,620	340	-	-
Other transit operations projects:						
a. Replace locomotive turntables - all locks	5,475	12	516	47	850	4,050
b. Replace telemetering system	500	-	-	-	500	-
c. Replace launches and launch engines	1,663	788	325	150	400	-
d. Replace wing wall knuckle fender system - all locks	1,991	225	236	10	390	1,130
e. Replace chamber and culvert elevators	479	6	130	-	343	-
f. Replace locomotive cranes, Locks	850	-	-	-	285	565
g. Emergency power - Gatun and Pedro Miguel Locks ..	376	-	-	-	201	175
h. Canal lighting improvements	1,500	-	-	-	200	1,300
i. Improve employee facilities, Maint. Cristobal ..	160	-	-	-	160	-
j. Upgrade toilet facilities all locks	207	-	-	-	97	110
k. Emergency vehicle roadways - Miraflores and Pedro Miguel Locks	89	-	-	-	89	-
l. Modify locks machinery control system	5,400	-	-	-	70	5,330
Prior year projects	27,303	26,595	708	-	-	-
Total Transit Projects ..	<u>111,952</u>	<u>33,721</u>	<u>22,899</u>	<u>2,527</u>	<u>17,845</u>	<u>34,960</u>

Supporting Projects:Maritime:

Improvements to oil handling facilities	3,263	1,108	905	300	950	-
Replace and add equipment	3,395	898	1,387	250	860	-
Improve container storage facilities	1,177	511	109	-	200	357
Port security lighting - Balboa and Cristobal	175	-	-	-	175	-
Pave Cristobal mole area ..	110	-	-	-	110	-
Add fencing, Balboa docks	39	-	-	-	39	-
Prior year projects	2,089	2,024	65	-	-	-
Total Maritime Projects ..	<u>10,248</u>	<u>4,541</u>	<u>2,466</u>	<u>550</u>	<u>2,334</u>	<u>357</u>

PANAMA CANAL COMPANY CAPITAL OUTLAY
SCHEDULE OF CAPITAL PROJECTS
(In thousands of dollars)

	O b l i g a t i o n s					Subse- quent Years
	Project Total	Thru 1975 Actual	1976 Estimate	1977 197Q Estimate	1977 Estimate	
<u>Employee Services:</u>						
Replace employee quarters .	7,768	3,699	1,789	400	1,550	330
Reroof employee quarters ..	1,026	248	268	10	500	-
Replace and add equipment .	2,302	897	769	150	486	-
Modernize existing quarters	1,929	981	368	100	480	-
Minor improvements to quarters	786	377	189	10	210	-
Improvements and additions required by OSHA	173	-	34	10	35	94
Miscellaneous alterations and improvements, Retail facilities	25	-	-	-	25	-
Replace and add rental furniture	133	106	7	-	20	-
Prior year projects	<u>2,937</u>	<u>2,544</u>	<u>373</u>	<u>20</u>	<u>-</u>	<u>-</u>
Total Employee Services Projects	<u>17,079</u>	<u>8,852</u>	<u>3,797</u>	<u>700</u>	<u>3,306</u>	<u>424</u>
<u>Transportation and Utilities:</u>						
Replace motor vehicles	4,297	1,841	1,149	250	1,057	-
Replace and add equipment .	3,179	1,570	807	67	735	-
Water system improvements .	2,369	637	597	75	675	385
Acquisition of military power plant at Miraflores	8,000	-	300	-	300	7,400
Improve communications systems.....	150	-	-	-	150	-
High pressure feed water heater	200	-	77	-	123	-
Improvements to electrical power transmission system	768	300	308	50	110	-
Install 22 MW gas turbine generating unit	4,600	3,369	1,031	100	100	-
Improvements to electrical distribution system	528	197	181	50	100	-
Replace rolling stock, Panama railroad	217	108	9	-	100	-
Utility services to Canal Zone Government facilities	185	16	109	10	50	-
Construct additional end loading ramp, Balboa rail- road yard	42	-	-	-	42	-
Extend roof Bldg. 5063, Cristobal garage	20	-	-	-	20	-
Replace electrical distribu- tion system, Ancon garage	135	-	112	14	9	-
Improvements to communica- tions facilities, Phase II	3,450	446	104	50	-	2,850
Prior year projects	<u>5,499</u>	<u>5,302</u>	<u>197</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Transportation and Utilities Projects	<u>33,639</u>	<u>13,786</u>	<u>4,981</u>	<u>666</u>	<u>3,571</u>	<u>10,635</u>

PANAMA CANAL COMPANY CAPITAL OUTLAY
SCHEDULE OF CAPITAL PROJECTS
(In thousands of dollars)

	Project Total	O b l i g a t i o n s				Subse- quent Years
		Thru 1975 Actual	1976 Estimate	1977 Estimate	1978 Estimate	
<u>Other Supporting Projects:</u>						
Replace and add equipment ..	1,505	1,112	143	61	189	-
Concrete floor in Storehouse Building No. 4, Balboa						
Industrial Area	38	-	-	-	38	-
Prior year projects	<u>695</u>	<u>259</u>	<u>416</u>	<u>20</u>	<u>-</u>	<u>-</u>
Total Other Supporting Projects	<u>2,238</u>	<u>1,371</u>	<u>559</u>	<u>81</u>	<u>227</u>	<u>-</u>
Total Supporting Projects	<u>63,204</u>	<u>28,550</u>	<u>11,803</u>	<u>1,997</u>	<u>9,438</u>	<u>11,416</u>
<u>General Corporate Projects:</u>						
Advance engineering planning and design	1,360	133	587	40	600	-
Minor capital additions and replacements	911	495	216	50	150	-
Retirement and removal costs	491	200	171	20	100	-
Replacements and improvements to Company buildings	288	75	93	20	100	-
Miscellaneous capital improve- ments - financial management	514	329	65	20	100	-
Replace and add employee training equipment	284	197	42	15	30	-
Prior year projects	<u>544</u>	<u>535</u>	<u>9</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total General Corporate Projects	<u>4,392</u>	<u>1,964</u>	<u>1,183</u>	<u>165</u>	<u>1,080</u>	<u>-</u>
<u>Acquisition of Other Assets:</u>						
Dredge pipe	929	371	308	50	200	-
Prior year projects	<u>1,040</u>	<u>890</u>	<u>150</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Acquisition of Other Assets	<u>1,969</u>	<u>1,261</u>	<u>458</u>	<u>50</u>	<u>200</u>	<u>-</u>
Total Capital Program	181,517	65,496	36,343	4,739	28,563	46,376
Undistributed reduction based on anticipated delays	-	-	-11,443	-11,182	-19,745	-
Accomplishment of prior year slippage	-	-	-	<u>11,443</u>	<u>11,182</u>	<u>19,745</u>
GRAND TOTAL - PANAMA CANAL COMPANY CAPITAL PROJECTS	<u>181,517</u>	<u>65,496</u>	<u>24,900</u>	<u>5,000</u>	<u>20,000</u>	<u>66,121</u>

1. Procure Additional Towing Locomotives and Spare Components
(All dollars in thousands)

	<u>Project</u> <u>Total</u>	<u>Through</u> <u>1975</u>	<u>FY</u> <u>Actual</u>	<u>FY 1976</u> <u>Estimate</u>	<u>TQ</u> <u>Estimate</u>	<u>FY 1977</u> <u>Estimate</u>	<u>Subsequent</u> <u>Years</u>
Obligations	\$16,500	-	-	-	-	\$5,000	\$11,500
Expenditures	16,500	-	-	-	-	1,000	15,500

This nonrecurring project provides funds for procurement of additional towing locomotives and follow-on spare component assemblies. The primary purpose of this project is to increase the capacity of the locks to meet projected increases in the average size and number of ships being handled. A secondary benefit of this project is to provide a maintenance back-up capability for the current towing locomotive fleet.

It is planned to order approximately 10 towing locomotives in FY 1977 with an option to buy 12 additional units. Procurement timing of an additional eight locomotives will be determined when more definite projections of Canal traffic are available.

Towing locomotives are required to assist all vessels over 125 feet in length through the locks and to assist vessels to tie-up on the locks walls. Currently, there are 57 locomotives distributed among the Locks. This number of locomotives is not adequate to handle projected Canal traffic increases.

2. Replace and Add Equipment - Transit Projects
(All dollars in thousands)

	<u>Project</u> <u>Total</u>	<u>Through</u> <u>1975</u>	<u>FY</u> <u>Actual</u>	<u>FY 1976</u> <u>Estimate</u>	<u>TQ</u> <u>Estimate</u>	<u>FY 1977</u> <u>Estimate</u>	<u>Subsequent</u> <u>Years</u>
Obligations	Recurring	\$1,907	\$1,809	\$350	\$1,900	-	-
Expenditures	Recurring	1,538	2,156	340	1,932	-	-

This recurring project provides for the purchase and installation of miscellaneous tools and equipment required for efficient operation of the Canal.

Navigation service and locks requirements are estimated at \$500 to provide for such items as: 30 mobile radios (\$45); spare locomotive components (\$300); miscellaneous tools and equipment (\$95), and replacement security communications equipment (\$60).

Channel maintenance requirements are estimated at \$500 to provide for replacement of such items as: a light barge (\$175); a D-8 tractor bulldozer (\$160); a core drill rig (\$60); miscellaneous equipment for the Dredge MINDI (\$75) and miscellaneous tools and equipment (\$30).

Vessel repair requirements are estimated at \$350 and provide for replacement of such items as: a vertical turret lathe (\$240); a universal iron worker (\$40); an air compressor (\$34); a forklift truck (\$26), and miscellaneous equipment (\$10).

General maintenance and repair operations require \$325 and include replacement items such as: two sewer line cleaning trucks (\$105); a D-8 tractor bulldozer (\$160); an asphalt paver (\$40), and miscellaneous tools and equipment (\$20).

Engineering requirements total \$125 for replacement of items such as a work launch (\$29), a depth sounder (\$16), a borehole inclinometer (\$16), and miscellaneous tools and equipment (\$64).

Water and Laboratories Branch requirements total \$100 for such items as additions of a fluoride feeder at Miraflores (\$25), replacement of water meters (\$30), and miscellaneous equipment (\$45).

3. Repowering of Dredge MINDI
(All dollars in thousands)

	<u>Project</u>	<u>Through FY</u>	<u>FY 1976</u>	<u>TQ</u>	<u>FY 1977</u>	<u>Subsequent</u>
	<u>Total</u>	<u>1975 Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Years</u>
Obligations	\$2,500	-	\$1,000	\$250	\$1,250	-
Expenditures	2,500	-	90	200	2,210	-

This completes a FY 1976 project to repower the Dredge MINDI from steam to diesel electric and to add a ladder pump to increase effective dredging depths. The primary purpose of this project is to decrease operating costs with a secondary mission of increasing dredging output to lower cost per cubic yard of material dredged.

The MINDI is presently staffed by a crew of 121. The conversion from steam to diesel electric will lower this complement to 83. The crew reduction will save approximately \$359 thousand annually. The triennial overhaul and balancing of the MINDI turbines in the amount of \$75 will no longer be necessary. The installation of a diesel electric system will show a cost avoidance of boiler and steam piping maintenance and overhaul of an estimated yearly amount of as much as \$75. Consequently the payback period, based on saving in crew reductions and overhaul costs alone, should not exceed 5 years. The modernization of the dredge will result in an increase in production, particularly at 50' depths and over, from 1300 cubic yards per hour to 3300 cubic yards per hour. Cost benefits to the Company will result from accelerated channel deepening and an earlier increase in water storage capacities.

4. Channel Improvements
(All dollars in thousands)

	<u>Project</u>	<u>Through FY</u>	<u>FY 1976</u>	<u>TQ</u>	<u>FY 1977</u>	<u>Subsequent</u>
	<u>Total</u>	<u>1975 Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Years</u>
Obligations	\$15,333	\$2,033	\$6,030	\$1,370	\$5,900	-
Expenditures	15,333	2,033	6,030	1,370	5,900	-

This continuing project provides for major widening and deepening improvements to the channels of the waterway to provide for future traffic growth.

The various facets of the Panama Canal long range dredging program have been formulated over the past years in order to meet forecasted transit loads, provide prudent safety improvements to the Canal, and enhance water availability sufficient for lockages with the additional benefit of hydro power generation.

The ability of the Canal to support future increased traffic loads with correspondingly greater requirements for lockage water is of primary concern. Deepening of the Canal has been determined by a Board of Eminent Consultants to be the most economical method of providing additional lockage water in support of expected increased traffic. A study of the various ways of accomplishing the deepening has led to the conclusion that the greatest benefits can be realized by deepening the channel one foot in FY 76 with two more feet of deepening programmed for completion within the following three years. Although traffic loads requiring more lockage water than is now available will not be experienced for several years, now is the time to begin providing for the increased requirement. The pilots have repeatedly expressed their concern over the safety aspects of having dredging equipment working in the channel during transiting operations. We are presently experiencing moderate levels in traffic.

It is therefore prudent to pursue the deepening program at this time because it impacts less on safety of operations. An added incentive to accomplish one foot of deepening by March 1976 is the annual power saving of \$319,000 through hydro power generation with water available by lowering the lake level one foot.

5. Replace Locomotive Turntables - All Locks
(All dollars in thousands)

	<u>Project</u> <u>Total</u>	<u>Through</u> <u>1975 Actual</u>	<u>FY</u> <u>1976</u> <u>Estimate</u>	<u>TQ</u> <u>Estimate</u>	<u>FY</u> <u>1977</u> <u>Estimate</u>	<u>Subsequent</u> <u>Years</u>
Obligations	\$5,475	\$12	\$516	\$ 47	\$850	\$4,050
Expenditures	5,475	12	78	485	850	4,050

This continuing project provides for design, procurement and installation of five flush mounted turntables - two at Gatun Locks, two at Miraflores Locks, and one at Pedro Miguel Locks. These installations will permit use of additional towing track at the ends of the center walls plus providing switching and parking facilities for additional locomotives now planned for procurement.

This project will replace five existing elevated turntables concurrent with receipt of additional towing locomotives.

The existing elevated type turntables block from 212' to 248' of towing track, depending on location. As a result, vessels of 750' or greater length do not receive assistance from stern locomotives until after the ship's bow has moved past the wing wall knuckle and into the lock chamber. Without assistance and control of locomotives, vessels are susceptible to damage from striking and/or rubbing the locks knuckles and walls. Since 1969, a total of 62 vessels have struck locks knuckles, resulting in substantial damage payments.

6. Replace Telemetering System
(All dollars in thousands)

	<u>Project</u> <u>Total</u>	<u>Through</u> <u>1975 Actual</u>	<u>FY</u> <u>1976</u> <u>Estimate</u>	<u>TQ</u> <u>Estimate</u>	<u>FY</u> <u>1977</u> <u>Estimate</u>	<u>Subsequent</u> <u>Years</u>
Obligations	\$500	-	-	-	\$500	-
Expenditures	500	-	-	-	500	-

This is a nonrecurring project to be initiated in FY 1977. The program will replace the existing obsolete rainfall and river stage telemetering network consisting of a base station at Balboa Heights and 22 remote stations located throughout the 1,289 square miles of the Gatun Lake Watershed. Included are sensors, encoders, radios, receivers, decoders, a printer, and an operating console as well as antenna towers and antenna. The program contributes directly to the safety of Canal installations and facilities in flood control operations.

The new system would reduce operation and maintenance costs by facilitating automatic data processing and by permitting more shop repair instead of field repair through utilization of interchangeable components.

7. Replace Launches and Launch Engines
(All dollars in thousands)

	<u>Project</u> <u>Total</u>	<u>Through</u> <u>1975 Actual</u>	<u>FY</u> <u>1976</u> <u>Estimate</u>	<u>TQ</u> <u>Estimate</u>	<u>FY</u> <u>1977</u> <u>Estimate</u>	<u>Subsequent</u> <u>Years</u>
Obligations	Recurring	\$788	\$325	\$150	\$400	-
Expenditures	Recurring	768	345	150	400	-

This recurring program provides for the replacement of launches and launch engines which are beyond economic repair in dredging and navigation operations. It also provides for the addition of new launches when necessary to augment the launch fleet, and for replacement of launches lost due to accidents or other unforeseen circumstances. There are 34 navigation service launches used in transporting boarding officers, pilots, deckhands, ships agents, passengers and cargo from six shore bases at both entrances of the Canal. Another 25 launches are used in channel maintenance operations to change crews, inspect navigational aids, perform surveys, and aid in the oil pollution control effort.

The FY 1977 program provides for completion of a navigation launch begun in FY 1976 (\$100); replacement of a navigation type launch (\$200); and initiation of replacement of a Dredging Division launch (\$70). The FY 1977 program also provides \$30 for the purchase of launch engines to be used for repowering launches.

8. Improve Wingwall Knuckle Fendering System - All Locks
(All dollars in thousands)

	<u>Project</u> <u>Total</u>	<u>Through FY</u> <u>1975 Actual</u>	<u>FY 1976</u> <u>Estimate</u>	<u>TQ</u> <u>Estimate</u>	<u>FY 1977</u> <u>Estimate</u>	<u>Subsequent</u> <u>Years</u>
Obligations	\$1,991	\$225	\$236	\$10	\$390	\$1,130
Expenditures	1,991	155	306	10	390	1,130

This project provides for furnishing and installing specially fabricated pneumatic fendering devices at locks chamber knuckles. The pneumatic fenders are designed to better absorb the impact of a ship's hull thus reducing the damage or rupturing effect on hull plates and consequently providing safer operations.

Vessels approaching and departing the locks frequently contact a wing wall knuckle. Existing fendering is adequate to fend off a vessel if impact is light, but the probability of serious accidents is increasing due to the increase in the size of vessels. There have been at least three instances during recent years where tankers struck a knuckle causing a hazard as well as a pollution problem. The proposed pneumatic fendering will increase the margin of safety at these critical locations.

The following installation schedule is proposed:

<u>Location</u>	<u>Est. Cost</u>	<u>FY</u>
Upper Miraflores	\$ 151	1973
Lower Gatun	320	1975/76
Lower Miraflores	390	1977
Upper Pedro Miguel	250	1978
Lower Pedro Miguel	440	1979
Upper Gatun	440	1979
<u>TOTAL</u>	<u>\$1,991</u>	

9. Replace Chamber and Culvert Elevators
(All dollars in thousands)

	<u>Project</u> <u>Total</u>	<u>Through FY</u> <u>1975 Actual</u>	<u>FY 1976</u> <u>Estimate</u>	<u>TQ</u> <u>Estimate</u>	<u>FY 1977</u> <u>Estimate</u>	<u>Subsequent</u> <u>Years</u>
Obligations	\$479	\$6	\$130	-	\$343	-
Expenditures	479	6	130	-	343	-

This nonrecurring project provides for replacement of five personnel/material elevators for use during locks overhauls and center wall culvert access. The procurement of these elevators will replace two chamber elevators in FY 1976 and three culvert elevators in FY 1977.

The present locally fabricated elevators are antiquated and require excessive maintenance. Therefore, commercial elevators, slightly modified for locks usage, will be more reliable and economical than the current elevators.

10. Replace Locomotive Steam Cranes
(All dollars in thousands)

	<u>Project</u> <u>Total</u>	<u>Through FY</u> <u>1975 Actual</u>	<u>FY 1976</u> <u>Estimate</u>	<u>TQ</u> <u>Estimate</u>	<u>FY 1977</u> <u>Estimate</u>	<u>Subsequent</u> <u>Years</u>
Obligations	\$850	-	-	-	\$285	\$565
Expenditures	850	-	-	-	285	565

This nonrecurring project will permit replacement of six obsolete locomotive railroad cranes of 30-ton capacity each. FY 1977 funds provide for procurement of 2 cranes to initiate this project.

The present cranes are in fair condition, but maintenance is becoming an increasing problem. The boilers pose the greatest problem and result in high maintenance costs. Also, these cranes have been continuously exposed to the tropical environment for more than 30 years and general deterioration is evident. Replacement parts frequently must be locally fabricated. The steam driven air compressors, turbine driven generator and gearing are specific items for which supply sources no longer exist.

Steam cranes pose personnel problems in that specially qualified crane operators and boiler-tenders must be available when these cranes are operated. The training of personnel must be done by the Locks Division since it is primarily the only user of steam-powered equipment. This type of training is difficult because of the low volume of work during normal operations. Prior to implementation of the Federal Wage System (FWS), trained employees could be paid as a boiler-tender on an intermittent basis. This special skill-pay no longer exists (except for 45-days or longer) hence the inducement to training as a boiler-tender has waned. Replacing these steam cranes with diesel powered units will resolve these boiler-tender positions.

11. Emergency Power - Gatun and Pedro Miguel

(All dollars in thousands)

	<u>Project</u>	<u>Through</u>	<u>FY</u>	<u>FY 1976</u>	<u>TQ</u>	<u>FY 1977</u>	<u>Subsequent</u>
	<u>Total</u>	<u>1975</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Years</u>
Obligations	\$376	-	-	-	-	\$201	\$175
Expenditures	376	-	-	-	-	201	175

This nonrecurring project provides for the design, procurement, and installation of an Emergency Power System at Gatun and Pedro Miguel Locks. The installation will consist of electrical power generating equipment and electrical connections whereby electrical power can be provided to certain locks operating machinery. Safety is the principal factor supporting this project. FY 1977 funds provide for the Gatun installation.

All operating machines within the Locks are electrically powered from the Canal's main electrical distribution system. When this electrical source is interrupted, or whenever electrical energy to any machine is interrupted, the machines can only be operated by a slow laborious hand operation, if at all. If a power failure occurs when certain water movement operations are in progress, there exists a damage potential to both the locks and the vessel.

12. Canal Lighting Improvements

(All dollars in thousands)

	<u>Project</u>	<u>Through</u>	<u>FY</u>	<u>FY 1976</u>	<u>TQ</u>	<u>FY 1977</u>	<u>Subsequent</u>
	<u>Total</u>	<u>1975</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Years</u>
Obligations	\$1,500	-	-	-	-	\$200	\$1,300
Expenditures	1,500	-	-	-	-	180	1,320

This nonrecurring project will improve lighting throughout the Canal. This project is necessary because increasing ship traffic requires transiting large numbers of vessels at night.

Included in this project will be channel buoys, ranges, bank lighting extensions, lock chambers, lake lighting and special lighting. The latter item includes channel markers, ship traffic signals, and glare reduction from townsite lighting which interferes with the safe transit of ships. At present, ship beam is

limited to 90' for night transits. With improved lighting this constraint could be relieved. The FY 1977 program provides for miscellaneous projects including the extension of bank lights on the east bank past the penitentiary at Gamboa.

13. Employee Dressing and Washroom Facilities, Maintenance Division Cristobal
(All dollars in thousands)

	<u>Project</u>	<u>Through</u>	<u>FY</u>	<u>FY 1976</u>	<u>TQ</u>	<u>FY 1977</u>	<u>Subsequent</u>
	<u>Total</u>	<u>1975 Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Years</u>
Obligations	\$160	-	-	-	-	\$160	-
Expenditures	160	-	-	-	-	160	-

This nonrecurring project provides for construction of toilets, showers, and dressing room facilities that meet OSHA standards to serve employees of the Atlantic Maintenance and Water and Laboratories Branches.

This project will eliminate undesirable conditions that provide no dressing facilities and inadequate toilet facilities for this group of employees. The benefits anticipated from this project include improved morale, elimination of lost time due to the lack of readily accessible toilets, and compliance with OSHA standards.

14. Upgrade Toilet Facilities - All Locks
(All dollars in thousands)

	<u>Project</u>	<u>Through</u>	<u>FY</u>	<u>FY 1976</u>	<u>TQ</u>	<u>FY 1977</u>	<u>Subsequent</u>
	<u>Total</u>	<u>1975 Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Years</u>
Obligations	\$207	-	-	-	-	\$97	\$110
Expenditures	207	-	-	-	-	97	110

This nonrecurring project provides for new or replacement sanitary facilities at various Locks locations in conformance with OSHA standards.

This project will upgrade existing toilet facilities through installation of floors, walls, ceilings, partitions and doors conforming to OSHA standards. Additionally, completely new sanitary facilities will be provided to insure that adequate separate facilities exist for each sex, including visitor facilities at Miraflores Locks.

Initial construction and/or rehabilitation is planned as follows:

	<u>Miraflores</u>	(FY 1977)
	Tourist Facilities	\$39
	Employee Facility NE Wingwall	20
	<u>Pedro Miguel</u>	(FY 1977)
	Locker Room, Bldg. 5A	\$14
	<u>Madden Dam</u>	(FY 1977)
	Toilet Facility	\$12
	<u>Gatun Spillway</u>	(FY 1977)
	Toilet Facility	\$12
	<u>Gatun</u>	(FY 1978)
	Locker Room	\$110
	TOTAL	\$207

15. Emergency Vehicle Roadways - Miraflores and Pedro Miguel Locks
(All dollars in thousands)

	<u>Project</u>	<u>Through FY</u>	<u>FY 1976</u>	<u>TQ</u>	<u>FY 1977</u>	<u>Subsequent</u>
	<u>Total</u>	<u>1975 Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Years</u>
Obligations	\$89	-	-	-	\$89	-
Expenditures	89	-	-	-	89	-

This nonrecurring project will provide single-lane all weather gravel roads whereby emergency vehicles will have access to the West Chamber of each lock.

The present roadway is inadequate for all weather passage of heavy emergency vehicles. The lengthy rainy season in the Canal Zone produces a heavy mire on these roads making passage at times almost impossible. The ability to respond in a timely manner to emergency situations that could result in blockage or closure of the locks is extremely important. The new roadway will provide the needed all weather access.

16. Modify Locks Machinery Control Systems
(All dollars in thousands)

	<u>Project</u>	<u>Through FY</u>	<u>FY 1976</u>	<u>TQ</u>	<u>FY 1977</u>	<u>Subsequent</u>
	<u>Total</u>	<u>1975 Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Years</u>
Obligations	\$5,400	-	-	-	\$70	\$5,330
Expenditures	5,400	-	-	-	70	5,330

This nonrecurring project provides for a modern control system designed to increase safety, reduce manpower needs, and increase locks capacity. FY 1977 funds will permit conceptual design of the system.

The present system requires that the operators manipulate manual switches with mechanical interlocks to accomplish lockage operations. Problems develop because the current controls are: (1) widely disbursed in a manner that requires two operators to be on their feet to manipulate the controls; (2) manually operated requiring the operators to utilize their knowledge of the proper sequence of events to properly manipulate a series of procedures; and, (3) not properly interlocked since the operators do not sense the true position of the machines.

The proposed system will utilize solid state logic control equipment for a semi-automatic operation. The system will incorporate electrical interlocks to insure safe machinery operation.

The expected results of this project are: (1) safer operations due to improved interlocks and system control; (2) a reduction in the number of personnel required to operate the system; (3) a 2%-4% increase in lockage capacity due to automatic sequential operation; and, (4) avoidance of rehabilitation costs necessary to restore the present 60 year old system.

17. Improvements in Oil Handling Facilities
(All dollars in thousands)

	<u>Project</u>	<u>Through FY</u>	<u>FY 1976</u>	<u>TQ</u>	<u>FY 1977</u>	<u>Subsequent</u>
	<u>Total</u>	<u>1975 Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Years</u>
Obligations Recurring	\$1,108	\$905	\$300	\$ 950	-	-
Expenditures Recurring	331	992	600	1,340	-	-

This is a recurring project to improve the efficiency and operation of the oil handling facilities at the terminals ports. An in-depth study of the system was completed two years ago which recommended a program of modernization.

The FY 1977 planned program totals \$950 and consists of the following:

1. Lighting and Electrical Distribution System Improvements - Pier 16, Cristobal \$320

As the primary tanker discharge and bunkering facility in Cristobal, Pier 16 currently has an old, potentially unsafe electrical distribution system and an inadequate lighting system. FY 77 funds will provide for the replacement of the power distribution system along approximately 2300 feet of Pier 16.

2. Pumps and Boilers \$310

This continues the program of replacing obsolete and deteriorated pumps and boilers. In FY 77 it is proposed to replace pump #2 at Balboa. This 1914 reciprocating pump will be replaced with a 4000 bph steam turbine screw pump.

The new pump will be used for regular pumping of petroleum products to vessels and the stripping of lines for maintenance and other purposes.

3. Replace Pipelines \$320

The purpose of this program is to continue replacing leak suspect lines in the petroleum distribution system where some of the lines are over 56 years old. The work during FY 77 will be on the lines connecting the La Boca plant with docks 4, 5, and 6 Balboa.

18. Replace and Add Equipment, Maritime Services Projects
(All dollars in thousands)

	<u>Project Total</u>	<u>Through FY 1975 Actual</u>	<u>FY 1976 Estimate</u>	<u>TQ Estimate</u>	<u>FY 1977 Estimate</u>	<u>Subsequent Years</u>
Obligations Recurring		\$898	\$1,387	\$250	\$ 860	-
Expenditures Recurring		659	1,196	470	1,070	-

This recurring project provides for the replacement and addition of equipment and small tools necessary for the efficient functioning of the Company's dock and cargo handling operations and marine bunkering services.

The FY 1977 program provides for such items as the following:

Cargo Handling Equipment

1	Lorain Type Mobile Crane	\$ 75
4	2-Ton Fork Lift Trucks	50
1	5-Ton Crane Kar	30
4	Conveyors, Heavy Duty	27
16	4-Ton Fork Lift Trucks	175
1	Industrial Power Sweeper	13
2	10-Ton Fork Lift Trucks	50
3	Fork Lift Trucks (Supply Division)	60
5	Fork Lift Trucks (Storehouse Division)	100
	Miscellaneous Small Plant	30
		<u>\$610</u>

Marine Bunkering Equipment

4	Crane Trucks	\$200
	Product Testing Equipment	15
	Miscellaneous Small Plant	35
		<u>\$250</u>

19. Improve Container Storage Facilities
(All dollars in thousands)

	<u>Project</u> <u>Total</u>	<u>Through</u> <u>1975</u>	<u>FY</u> <u>Actual</u>	<u>FY 1976</u> <u>Estimate</u>	<u>TQ</u> <u>Estimate</u>	<u>FY 1977</u> <u>Estimate</u>	<u>Subsequent</u> <u>Years</u>
Obligations	\$1,177	\$511		\$109	-	\$200	\$357
Expenditures	1,177	162		458	-	200	357

This continuing project, provides for a modern storage facility at the Port of Balboa.

The growth in container volume has been handled through the use of existing equipment and the random use of various vacant sites for storage purposes. Volumes have reached a level where more specialized equipment and a consolidated storage yard have become a requirement if further growth is to occur.

Improvements to approximately a ten acre area adjacent to Dock 7, Balboa, will be done in several phases. These improvements, include surfacing, fencing, and new lighting. When completed this container storage facility will provide contiguous secure storage, capable of handling some 500 containers on chassis and should meet our requirements for the foreseeable future.

20. Port Security Lighting - Balboa and Cristobal
(All dollars in thousands)

	<u>Project</u> <u>Total</u>	<u>Through</u> <u>1975</u>	<u>FY</u> <u>Actual</u>	<u>FY 1976</u> <u>Estimate</u>	<u>TQ</u> <u>Estimate</u>	<u>FY 1977</u> <u>Estimate</u>	<u>Subsequent</u> <u>Years</u>
Obligations	\$175	-	-	-	-	\$175	-
Expenditures	175	-	-	-	-	175	-

This nonrecurring project provides for installing improved security lighting along the fence areas of the Balboa and Cristobal ports to provide night security. The following security lighting is proposed:

Cristobal Area:

Approximately twenty light standards will be installed along the mole area. Three light standards are also needed in this area to illuminate the newly paved area used for storing containers, vehicles and other large types of cargo. Approximately four light standards will be installed along the PRR sidings from the south end of building 1018 to the fire station.

Ten series incandescent standards will be replaced by mercury vapor lights in the area bounded roughly by Roosevelt Street to just south of 5th Avenue and from 3rd Street to 1st Street.

Approximately eleven standards will be needed along the road to Pier 16, and three standards along the concrete abutment crossing the east and west sections.

Balboa Area:

Eighteen floodlight standards will be replaced with three light brackets on which additional floodlights will be installed along the existing security fencing and buildings behind docks 13, 14, 15, and 16.

Behind building 43-A, two standards will be installed plus one floodlight. Four standards will be installed near the end of Roosevelt Avenue behind tank 70 and parallel with the railroad track and the old coal pocket area.

21. Pave Cristobal Mole Area
(All dollars in thousands)

	<u>Project</u> <u>Total</u>	<u>Through</u> <u>1975</u>	<u>FY</u> <u>Actual</u>	<u>FY 1976</u> <u>Estimate</u>	<u>TQ</u> <u>Estimate</u>	<u>FY 1977</u> <u>Estimate</u>	<u>Subsequent</u> <u>Years</u>
Obligations	\$110	-	-	-	-	\$110	-
Expenditures	110	-	-	-	-	110	-

This is a nonrecurring project for the purpose of improving the mole area off Pier 6, Cristobal.

It is proposed to level, fill and pave with concrete an area 50' x 700' at a proper elevation to assure adequate drainage and provide a flat surface for the forklift trucks and other equipment to move containers, vehicles and other large types of cargo.

Cost benefits to be derived from this project will be in the form of reduced congestion, a reduction in equipment repair, and a safer and more efficient operation.

22. Add Fencing at Balboa Docks
(All dollars in thousands)

	<u>Project</u> <u>Total</u>	<u>Through</u> <u>1975</u>	<u>FY</u> <u>Actual</u>	<u>FY 1976</u> <u>Estimate</u>	<u>TQ</u> <u>Estimate</u>	<u>FY 1977</u> <u>Estimate</u>	<u>Subsequent</u> <u>Years</u>
Obligations	\$39	-	-	-	-	\$39	-
Expenditures	39	-	-	-	-	39	-

This nonrecurring project provides for a 4 foot high chain link security fence to separate the work areas of docks 15 and 16 from the open voids behind these docks. It will replace a severely damaged fence currently serving the area.

23. Replace Employee Quarters
(All dollars in thousands)

	<u>Project</u> <u>Total</u>	<u>Through</u> <u>1975</u>	<u>FY</u> <u>Actual</u>	<u>FY 1976</u> <u>Estimate</u>	<u>TQ</u> <u>Estimate</u>	<u>FY 1977</u> <u>Estimate</u>	<u>Subsequent</u> <u>Years</u>
Obligations	\$7,768	\$3,699	\$1,789	\$400	\$1,550	\$330	
Expenditures	7,768	2,454	2,234	400	1,750	930	

This continuing project is to replace substandard employee housing. The new quarters will be masonry units designed to meet employee needs.

Currently, approximately 87 families are living in bachelor apartments due to the lack of sufficient family quarters. Several hundred other families are living in substandard housing that is antiquated and does not meet family needs. These conditions are a cause of employee discontent and employee turnover.

FY 1976, FY 1977, and subsequent year funds will permit construction of approximately 48 family apartment units plus completion of construction initiated in FY 1975. These units are planned for construction in the Balboa area on the Pacific side of the Isthmus.

24. Reroof Employee Quarters
(All dollars in thousands)

	<u>Project</u> <u>Total</u>	<u>Through</u> <u>1975</u>	<u>FY</u> <u>Actual</u>	<u>FY 1976</u> <u>Estimate</u>	<u>TQ</u> <u>Estimate</u>	<u>FY 1977</u> <u>Estimate</u>	<u>Subsequent</u> <u>Years</u>
Obligations	Recurring	\$248	\$268	\$10	\$500	-	
Expenditures	Recurring	107	377	42	500	-	

This recurring project provides for replacement of highly deteriorated roofs of employee quarters that are uneconomical to repair.

Current programming, commencing with FY 1975, is for the replacement of built-up roofs for 390 masonry quarters. This phase of the program was initiated as result of a survey in FY 1973 that recommended replacement of these roofs as the most economical alternative. By the end of FY 1976, approximately 50 roofs will be completed or under contract. Funds requested for FY 1977 will provide for an additional 50 roofs.

25. Replace and Add Equipment - Employee Services
(All dollars in thousands)

	Project	Through FY	FY 1976	TQ	FY 1977	Subsequent
	<u>Total</u>	<u>1975 Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Years</u>
Obligations	Recurring	\$897	\$769	\$150	\$486	-
Expenditures	Recurring	850	816	115	521	-

This is a recurring project providing for the replacement and addition of equipment and small plant essential to the operations of warehousing, retailing, production processing, theaters, cafeterias, bowling alleys, and similar supporting services. Equipment is generally replaced when maintenance costs become excessive, parts are no longer manufactured, and/or savings in labor will result. The type of equipment planned by the various activities in FY 1977 is as follows:

a. Retail store and warehouse requirements total \$186 and include such items as gas station storage tanks and equipment (\$40), refrigerated display cases, storage boxes and compressors (\$25), cash registers (\$40), meat processing equipment (\$16), optical processing equipment (\$30), and miscellaneous small equipment (\$35).

b. Food service, bowling and theater requirements total \$150 and include replacements of approximately 30 of 300 pieces of vending equipment (\$60), cafeteria and kitchen equipment (\$40), bowling center equipment (\$10), and motion picture projection and sound systems (\$40).

c. Laundry, milk and ice cream, and pastry bakery production plant requirements total \$90 and include such items as cold diffuser air coolers for the milk plant (\$50), an ice cream bulk package plasti-wrapper (\$20), and small equipment for the bakery (\$20).

d. Mt. Hope refrigeration and steam generating plants requirements total \$60 and include such replacement items as an ammonia compressor and auxiliary equipment in the refrigeration plant.

26. Modernize Existing Quarters
(All dollars in thousands)

	Project	Through FY	FY 1976	TQ	FY 1977	Subsequent
	<u>Total</u>	<u>1975 Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Years</u>
Obligations	Recurring	\$981	\$368	\$100	\$480	-
Expenditures	Recurring	709	370	370	480	-

This project has been a recurring program since FY 1969 when the Board of Directors approved results of a survey of housing inventory that indicated the inadequacy of existing quarters to meet future housing requirements for employees, both as to quantity and livability, as based on long range projections of the employment needs for an overall Company/Government work force. The project was intended to represent the Company's primary effort, as supplemented by new construction, to meet future needs for housing employees.

The survey determined that the housing inventory included 1,040 "marginal" units that were less than satisfactory as family quarters and recommended that they

be made habitable to serve out their service life as adequate housing by making certain architectural improvements and replacements. In addition, the inventory includes 92 "marginal" units that require similar rehabilitation to serve as adequate bachelor quarters for the balance of their service life. Past experience indicates that rehabilitation also serves to substantially extend the service life of quarters.

Through FY 1976, approximately 414 of the total 1,132 "marginal" units are expected to be completed or under contract. Funds requested for FY 1977 will provide for approximately 16 apartments depending on the type quarters selected for renovation.

Rehabilitation work generally consists of (depending on type of unit construction) complete replacement of plumbing, electrical wiring and conduit and electrical and plumbing fixtures, modernization of kitchens and bathrooms, and in the case of the T-104 family unit, an additional bedroom and bathroom that makes this type suitable to help alleviate the need for large family housing. The overall result is a modern and attractive unit that will adequately serve as desirable housing for a minimum of 25 years at approximately one-third of the cost of new construction and lessen employee discontent because of inadequate and unsatisfactory housing.

27. Minor Improvements to Quarters

(All dollars in thousands)

	<u>Project</u>	<u>Through FY</u>	<u>FY 1976</u>	<u>TQ</u>	<u>FY 1977</u>	<u>Subsequent</u>
	<u>Total</u>	<u>1975 Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Years</u>
Obligations	Recurring	\$377	\$189	\$10	\$210	-
Expenditures	Recurring	272	62	60	392	-

This recurring project is designed to bring the least attractive permanent quarters up to a standard more comparable to current housing standards in the United States. The program is voluntary and is limited to basic standard improvements of less than \$2.5 thousand dollars.

28. Improvements and Additions Required by OSHA

(All dollars in thousands)

	<u>Project</u>	<u>Through FY</u>	<u>FY 1976</u>	<u>TQ</u>	<u>FY 1977</u>	<u>Subsequent</u>
	<u>Total</u>	<u>1975 Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Years</u>
Obligations	\$173	-	\$34	\$10	\$35	\$94
Expenditures	173	-	34	5	35	99

This project provides for improvements and additions to work facilities at Company facilities under custody of the Community Services Division. The alterations are required to meet the safety and health standards contained in the Occupational Safety and Health Act.

29. Miscellaneous Alterations and Improvements, Retail Facilities

(All dollars in thousands)

	<u>Project</u>	<u>Through FY</u>	<u>FY 1976</u>	<u>TQ</u>	<u>FY 1977</u>	<u>Subsequent</u>
	<u>Total</u>	<u>1975 Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Years</u>
Obligations	Recurring	-	-	-	\$25	-
Expenditures	Recurring	-	-	-	25	-

This recurring project provides for unforeseeable needs for miscellaneous alterations, replacements and general improvements to retail facilities.

There are 35 retail operations structures including retail stores, warehouses, gasoline stations, service centers and allied facilities which require capital

funds for miscellaneous alterations and improvements for reasons of safety, sanitation and correction of immediate hazards.

30. Replace and Add Rental Furniture and Equipment, Housing
(All dollars in thousands)

	<u>Project</u>	<u>Through FY</u>	<u>FY 1976</u>	<u>TQ</u>	<u>FY 1977</u>	<u>Subsequent</u>
	<u>Total</u>	<u>1975 Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Years</u>
Obligations	Recurring	\$106	\$7	-	\$20	-
Expenditures	Recurring	106	7	-	20	-

This recurring project provides for the purchase of furniture, equipment and miscellaneous furnishings for housing rented to tour-of-duty personnel and other Company/Government employees.

31. Replace Motor Vehicles
(All dollars in thousands)

	<u>Project</u>	<u>Through FY</u>	<u>FY 1976</u>	<u>TQ</u>	<u>FY 1977</u>	<u>Subsequent</u>
	<u>Total</u>	<u>1975 Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Years</u>
Obligations	Recurring	\$1,841	\$1,149	\$250	\$1,057	-
Expenditures	Recurring	1,760	1,130	150	1,257	-

This recurring project provides for the purchase of 112 replacement motor vehicles in FY 1977. Estimated vehicle cost includes f.o.b. factory price, inspection (in U.S.) charges, inland and ocean freight, and preparation costs. Vehicles proposed for purchase in FY 1977 are:

<u>Item</u>	<u>Quantity</u>		<u>Estimated Capital Cost</u>	
			<u>Unit</u>	<u>Total</u>
1.	18	Sedans	6.0	108.0
2.	1	Station Wagon	6.4	6.4
3.	5	Buses	33.2	166.0
4.	78	Truck, light (pickups, carryall, stake, utility body, van)	7.1	554.9
5.	6	Truck, medium (dump, stake, van)	16.1	96.3
6.	4	Truck, heavy (refuse handling, trailers)	31.4	125.4
Totals	112			1057.0

Vehicles replaced in FY 1977 will exceed GSA age/mileage standards and will be replaced by similar vehicles, except where service requirements dictate change.

It is projected that 265 (32 percent of the Company fleet) will be eligible for replacement during FY 1977 under current GSA age/mileage replacement standards. Of the eligible vehicles, it is estimated that 112 should be replaced during FY 1977 to avoid uneconomical chassis and body repairs which would be necessary to continue these vehicles in service. A decision to continue these vehicles in service beyond FY 1977 would increase operating cost and might require an increase in shop repair force to handle the added workload to maintain these old vehicles. Replacement sedans and station wagons will be air-conditioned as permitted under GSA Federal Property Management Regulations.

32. Replace and Add Equipment, Transportation and Utilities
(All dollars in thousands)

	<u>Project</u>	<u>Through</u>	<u>FY</u>	<u>FY 1976</u>	<u>TQ</u>	<u>FY 1977</u>	<u>Subsequent</u>
	<u>Total</u>	<u>1975 Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Years</u>
Obligations	Recurring	\$1,570	\$ 807	\$67	\$735	-	
Expenditures	Recurring	1,325	1,052	67	735	-	

This recurring project provides for the replacement and addition of small plant and equipment that has reached the end of its serviceable life and is no longer economical to maintain. The requirements of various activities are listed below:

a. Electrical Systems \$455

Items proposed for FY 1977 include radio equipment (\$90), traveling water screen (\$50), communication test equipment (\$60), pagers and microwave equipment (\$45), miscellaneous communications equipment (\$75), miscellaneous Power Branch equipment (\$75), and other minor items (\$60).

b. Motor Transportation \$105

Required additions and replacements include modern testing devices (\$30) and replacement of minor small plant and equipment (\$75).

c. Water Transportation \$ 75

This item provides for replacement of vital components and equipment required for the operation of the SS CRISTOBAL.

d. Railroad Operations \$100

Items required for railroad operations include such items as a multi-purpose railroad crane, an electric chain hoist, four 10,000 lb. capacity push carts, paint spraying machine, parts cleaning machine, and other miscellaneous small tools and equipment.

33. Water System Improvements
(All dollars in thousands)

	<u>Project</u>	<u>Through</u>	<u>FY</u>	<u>FY 1976</u>	<u>TQ</u>	<u>FY 1977</u>	<u>Subsequent</u>
	<u>Total</u>	<u>1975 Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Years</u>
Obligations	Recurring	\$637	\$597	\$ 75	\$ 675	\$385	
Expenditures	Recurring	449	226	100	1,119	475	

This recurring project provides for improvements to the water system. The FY 1977 program provides for addition and replacement of obsolete chlorinating equipment at Miraflores Filtration Plant, Paraiso Raw Water Pump Station and Gamboa Raw Water Pump Station.

34. Acquisition of Military Power Plant at Miraflores
(All dollars in thousands)

	<u>Project</u>	<u>Through</u>	<u>FY</u>	<u>FY 1976</u>	<u>TQ</u>	<u>FY 1977</u>	<u>Subsequent</u>
	<u>Total</u>	<u>1975 Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Years</u>
Obligations	\$8,000	-	\$300	-	\$300	\$7,400	
Expenditures	8,000	-	300	-	300	7,400	

This 33 MW electric power plant was initially funded by the Department of the Army under its military construction program. In FY 1971 the plant was placed in service and integrated with the operation of the Panama Canal Company power system. This continuing project provides for the installment purchase of this plant over an

8-year period with annual payments of not less than \$300 under a financing arrangement approved by the Department of the Army.

35. Improve Communications Systems
(All dollars in thousands)

	<u>Project</u>	<u>Through</u>	<u>FY</u>	<u>FY 1976</u>	<u>TQ</u>	<u>FY 1977</u>	<u>Subsequent</u>
	<u>Total</u>	<u>1975</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Years</u>
Obligations	Recurring	-	-	-	-	\$150	-
Expenditures	Recurring	-	-	-	-	150	-

This is a recurring project to provide replacements and extension of communications cable systems, telephone switching systems and other communications systems to serve unforeseen service requirements, to relieve overloaded conditions, and to improve service up to industry-standard objectives.

Items included in the project for FY 1977 include improvements to telephone distribution cable in various townsites, augmentation of microwave systems to relieve congested trunk cables and replacement of deteriorated cable plant.

36. Improve Electrical Power Transmission System
(All dollars in thousands)

	<u>Project</u>	<u>Through</u>	<u>FY</u>	<u>FY 1976</u>	<u>TQ</u>	<u>FY 1977</u>	<u>Subsequent</u>
	<u>Total</u>	<u>1975</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Years</u>
Obligations	Recurring	\$300		\$308	\$50	\$110	-
Expenditures	Recurring	294		125	60	289	-

This recurring program is to improve and add to power transmission systems and substations. The project provides increased distribution system versatility and dependability and reduces the possibilities of equipment failure and damage due to overloads.

The FY 1977 portion of this program provides for purchase and installation of voltage regulating capacitors at Gatun Hydro Station, Coco Solo, and Agua Clara Substation. This will improve voltage regulation in the Atlantic area and eliminate the need for expensive reactive generation and uneconomical transmission of reactive power across the Isthmus for voltage purposes only.

37. Install 22 MW Gas Turbine Generating Unit
(All dollars in thousands)

	<u>Project</u>	<u>Through</u>	<u>FY</u>	<u>FY 1976</u>	<u>TQ</u>	<u>FY 1977</u>	<u>Subsequent</u>
	<u>Total</u>	<u>1975</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Years</u>
Obligations	\$4,600	\$3,369		\$1,031	\$100	\$100	-
Expenditures	4,600	95		3,488	317	700	-

This continuing project provides for completion of a 22 MW gas turbine generating unit in the Pacific area. Design for the project was accomplished with FY 1974 funds and construction was initiated in FY 1975. The 22 MW gas turbine generating plant is considered the most economical means of increasing present power generating capacity. Storage tanks, pipelines fuel treatment equipment and building space for installation of the treatment equipment are included.

38. Improvements to Electrical Distribution System
(All dollars in thousands)

	<u>Project</u>	<u>Through</u>	<u>FY</u>	<u>FY 1976</u>	<u>TQ</u>	<u>FY 1977</u>	<u>Subsequent</u>
	<u>Total</u>	<u>1975</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Years</u>
Obligations	Recurring	\$197		\$181	\$50	\$100	-
Expenditures	Recurring	195		183	50	100	-

This recurring project provides extensions to the power distribution system to serve unforeseen demands and to correct poor voltage and overload conditions in the present power distribution system.

The FY 1977 plan provides for the following:

a. To extend and/or replace distribution cable and increase transformer capacity as required to provide for load growth due to increased customer demand (\$70).

b. Services to newly constructed churches, lodge halls and other similar facilities constructed in the Canal Zone by private organizations and other government agencies (\$30).

39. Replace and Add Rolling Stock

(All dollars in thousands)

	<u>Project Total</u>	<u>Through FY 1975 Actual</u>	<u>FY 1976 Estimate</u>	<u>TQ Estimate</u>	<u>FY 1977 Estimate</u>	<u>Subsequent Years</u>
Obligations Recurring		\$108	\$9	-	\$100	-
Expenditures Recurring		108	9	-	100	-

This recurring project provides funds for replacing additional railroad rolling stock. The railroad has in recent years been able to improve its car fleet by taking advantage of surplus equipment made available in the United States at relatively low cost. With the continuing increased work load, the railroad has become deficient in both number and condition of all types of cars. These funds enable the Company to expand and improve the physical condition of its rolling stock at lower costs than it can otherwise.

40. Utility Services to Canal Zone Government Facilities

(All dollars in thousands)

	<u>Project Total</u>	<u>Through FY 1975 Actual</u>	<u>FY 1976 Estimate</u>	<u>TQ Estimate</u>	<u>FY 1977 Estimate</u>	<u>Subsequent Years</u>
Obligations Recurring		\$16	\$109	\$10	\$50	-
Expenditures Recurring		16	109	10	50	-

This recurring project provides for extensions to the power, water, and communications distribution systems to serve Canal Zone Government facilities, such as hospitals, schools, recreational areas, police facilities, etc.

41. Construct Additional End Loading Ramp, Balboa Railroad Yard

(All dollars in thousands)

	<u>Project Total</u>	<u>Through FY 1975 Actual</u>	<u>FY 1976 Estimate</u>	<u>TQ Estimate</u>	<u>FY 1977 Estimate</u>	<u>Subsequent Years</u>
Obligations	\$42	-	-	-	\$42	-
Expenditures	42	-	-	-	42	-

This project provides for construction of an additional end loading ramp at Balboa Yard and a 400 ft. rail spur to serve the ramp.

The purpose of the project is to provide additional capacity for the loading and unloading of wheeled equipment. The work load of this type of cargo has increased beyond the capacity of the existing ramp justifying the installation of an additional ramp.

42. Extend Roof Building 5063, Cristobal Garage
(All dollars in thousands)

	<u>Project</u> <u>Total</u>	<u>Through</u> <u>1975</u>	<u>FY</u> <u>Actual</u>	<u>FY 1976</u> <u>Estimate</u>	<u>TQ</u> <u>Estimate</u>	<u>FY 1977</u> <u>Estimate</u>	<u>Subsequent</u> <u>Years</u>
Obligations	\$20	-	-	-	-	\$20	-
Expenditures	20	-	-	-	-	20	-

This project provides for construction of a roof adjacent to the north end of the main repair shop of the Cristobal Garage. The purpose for constructing the roof is to provide badly needed shelter when repairs are made on large items of construction equipment in inclement weather.

43. Replace and Add Equipment, Other Supporting Activities
(All dollars in thousands)

	<u>Project</u> <u>Total</u>	<u>Through</u> <u>1975</u>	<u>FY</u> <u>Actual</u>	<u>FY 1976</u> <u>Estimate</u>	<u>TQ</u> <u>Estimate</u>	<u>FY 1977</u> <u>Estimate</u>	<u>Subsequent</u> <u>Years</u>
Obligations	Recurring	\$1,112		\$143	\$61	\$189	-
Expenditures	Recurring	1,073		182	61	189	-

This project provides for continued replacement of obsolete equipment in Grounds Maintenance, Storehouse, Printing Plant and Graphics Branch activities.

a. Grounds Maintenance \$110

This item includes \$75 for replacement of miscellaneous grounds activities equipment, and \$35 for refuse collection and disposal equipment.

b. Storehouses \$ 34

This item provides for replacement of shelving, for replacement of lift truck batteries that are no longer economical to maintain, and addition of 3 metal mobile loading docks.

c. Printing Plant and Graphics Branch \$ 45

This item includes \$2 for replacement of a remelt furnace, \$8 for replacement of a photoplate-making system, \$15 for replacement of microwave equipment, \$11 for addition of a T.V. time base corrector, and \$9 to purchase a color T.V. camera for development of training and safety programs.

44. Concrete Floor in Industrial (Navy) Building No. 4, Balboa
(All dollars in thousands)

	<u>Project</u> <u>Total</u>	<u>Through</u> <u>1975</u>	<u>FY</u> <u>Actual</u>	<u>FY 1976</u> <u>Estimate</u>	<u>TQ</u> <u>Estimate</u>	<u>FY 1977</u> <u>Estimate</u>	<u>Subsequent</u> <u>Years</u>
Obligations	\$38	-	-	-	-	\$38	-
Expenditures	38	-	-	-	-	38	-

This project provides funds to rehabilitate the bay area adjacent to the present storehouse receiving area. Rehabilitation will include such items as providing a concrete floor in the bay area and modifying its walls to permit integration of this area with the present storehouse receiving area. This project is necessary to provide additional unloading and storage space.

45. Advance Engineering, Planning and Design
(All dollars in thousands)

	<u>Project</u>	<u>Through</u>	<u>FY</u>	<u>FY 1976</u>	<u>TQ</u>	<u>FY 1977</u>	<u>Subsequent</u>
	<u>Total</u>	<u>1975 Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Years</u>
Obligations	Recurring	\$133		\$587	\$40	\$600	-
Expenditures	Recurring	133		587	40	600	-

This recurring project provides an authorization to be used for engineering and planning work on projects included, or to be included, in the Panama Canal Company capital programs for subsequent fiscal years. The advance work is necessary to provide sufficient data to establish budgeting estimates and to permit detailed design effort on projects selected for accomplishment.

46. Minor Capital Additions and Replacements
(All dollars in thousands)

	<u>Project</u>	<u>Through</u>	<u>FY</u>	<u>FY 1976</u>	<u>TQ</u>	<u>FY 1977</u>	<u>Subsequent</u>
	<u>Total</u>	<u>1975 Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Years</u>
Obligations	Recurring	\$495		\$216	\$50	\$150	-
Expenditures	Recurring	475		236	50	150	-

This recurring item provides for minor items of capital which are unforeseen or are too small to warrant separate listings and justifications. The authorization makes available to the President of the Company the authority which is deemed to be essential if the business-type operations of the enterprise are to function without interruption due to need for individual items that cannot be anticipated. The Company's Board of Directors is informed of the items approved by the President at the meeting subsequent to the action.

47. Retirement and Removal Costs
(All dollars in thousands).

	<u>Project</u>	<u>Through</u>	<u>FY</u>	<u>FY 1976</u>	<u>TQ</u>	<u>FY 1977</u>	<u>Subsequent</u>
	<u>Total</u>	<u>1975 Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Years</u>
Obligations	Recurring	\$200		\$171	\$20	\$100	-
Expenditures	Recurring	199		172	20	100	-

This recurring item provides for the cost of removal and/or retirement of Panama Canal Company capital items from plant.

48. Replacements and Improvements to Company Buildings
(All dollars in thousands)

	<u>Project</u>	<u>Through</u>	<u>FY</u>	<u>FY 1976</u>	<u>TQ</u>	<u>FY 1977</u>	<u>Subsequent</u>
	<u>Total</u>	<u>1975 Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Years</u>
Obligations	Recurring	\$75		\$93	\$20	\$100	-
Expenditures	Recurring	73		95	20	100	-

This recurring program provides for miscellaneous expenditures in various Company buildings. Included are alterations, renovations, improvements and replacements which are of such nature and frequency that they cannot always be anticipated far enough in advance to include them as separate line items in the capital program or they are minor enough to include under a miscellaneous grouping. Also included in this program are the purchases of emergency power generators and custodial equipment used in the maintenance of these buildings.

49. Miscellaneous Capital Improvements - Financial Management
(All dollars in thousands)

	<u>Project</u>	<u>Through</u>	<u>FY</u>	<u>FY 1976</u>	<u>TQ</u>	<u>FY 1977</u>	<u>Subsequent</u>
	<u>Total</u>	<u>1975</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Years</u>
Obligations	Recurring	\$329		\$65	\$20	\$100	-
Expenditures	Recurring	329		65	20	100	-

This recurring project provides for miscellaneous office machines, equipment, and office improvements needed to support the financial management functions of the Company.

50. Replace and Add Employee Training Equipment
(All dollars in thousands)

	<u>Project</u>	<u>Through</u>	<u>FY</u>	<u>FY 1976</u>	<u>TQ</u>	<u>FY 1977</u>	<u>Subsequent</u>
	<u>Total</u>	<u>1975</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Years</u>
Obligations	Recurring	\$197		\$42	\$15	\$30	-
Expenditures	Recurring	197		42	15	30	-

This recurring project is the purchase and installation of tools and equipment required for employee training at the Industrial Trade School and the Employee Training Center. Replacement of such items as a horizontal milling machine and lathes are planned for FY 1977.

51. Replace Dredge Pipe
(All dollars in thousands)

	<u>Project</u>	<u>Through</u>	<u>FY</u>	<u>FY 1976</u>	<u>TQ</u>	<u>FY 1977</u>	<u>Subsequent</u>
	<u>Total</u>	<u>1975</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Years</u>
Obligations	Recurring	\$371		\$308	\$50	\$200	-
Expenditures	Recurring	369		310	50	200	-

This recurring project provides for replacement of suction dredge pontoon cylinders, shore pipe, and dredge pipe ball joints that have reached the end of their useful lives.

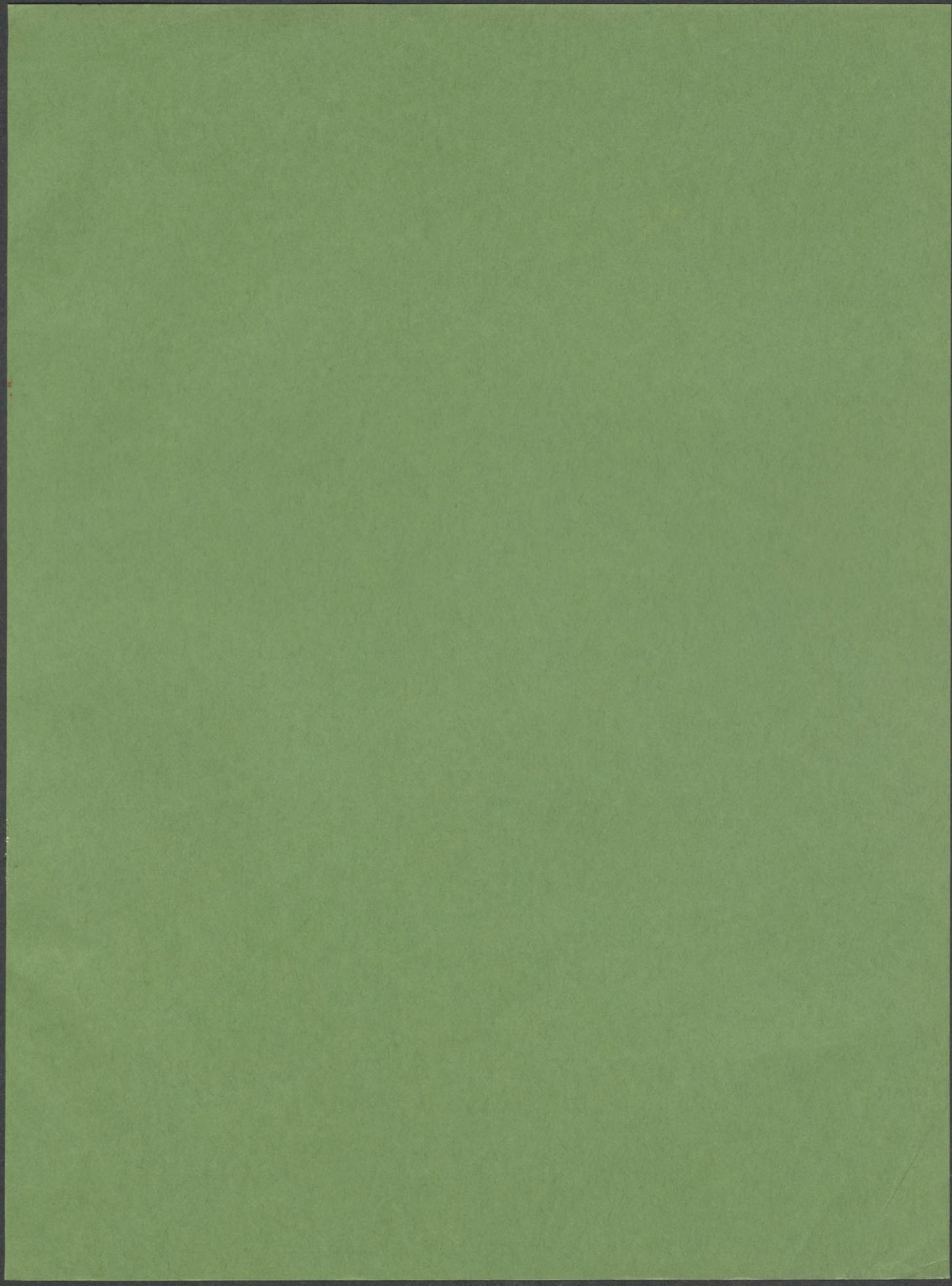


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