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INCIDENTAL BUS CHARTER RIGHTS

GOVERNMENT

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HEARING

BEFORE THE

SUBCOMMITTEE ON TRANSPORTATION

AND AERONAUTICS

OF THE

COMMITTEE ON

INTERSTATE AND FOREIGN COMMERCE

HOUSE OF REPRESENTATIVES

EIGHTY-NINTH CONGRESS

SECOND SESSION

ON

H.R. 12916, S. 2893

BILLS TO AMEND SECTION 208(c) OF THE INTERSTATE
COMMERCE ACT TO PROVIDE THAT CERTIFICATES ISSUED
IN THE FUTURE TO MOTOR COMMON CARRIERS OF PAS-
SENGERS SHALL NOT CONFER, AS AN INCIDENT TO THE
GRANT OF REGULAR ROUTE AUTHORITY, THE RIGHT TO
ENGAGE IN SPECIAL OR CHARTER OPERATIONS

OCTOBER 12, 1966

Printed for the use of the Committee on Interstate and Foreign Commerce

Serial No. 89-53



U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1966



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INCIDENTAL BUS CHARTER RIGHTS

WEDNESDAY, OCTOBER 12, 1966

HOUSE OF REPRESENTATIVES, SUBCOMMITTEE
ON TRANSPORTATION AND AERONAUTICS OF THE
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9 a.m., room 2123, Rayburn House Office Building, Hon. Samuel N. Friedel (chairman of the subcommittee) presiding.

Mr. FRIEDEL. The subcommittee meeting will now come to order.

This is a hearing on H.R. 12916 introduced by our chairman, Mr. Staggers, and S. 2893, which is identical, to amend section 208(c) of the Interstate Commerce Act regarding the right to special or charter operations by bus.

(The bill, H.R. 12916, follows:)

[H.R. 12916, 89th Cong., 2d sess.]

A BILL To amend section 208(c) of the Interstate Commerce Act to provide that certificates issued in the future to motor common carriers of passengers shall not confer, as an incident to the grant of regular route authority, the right to engage in special or charter operations

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 208(c) of the Interstate Commerce Act (49 U.S.C. 308(c) is amended to read as follows:

“(c) Any common carrier by motor vehicle transporting passengers under a certificate issued under this part on or before January 1, 1967, or under any reissuance of the operating rights contained in such certificate, may transport in interstate or foreign commerce to any place special or chartered parties under such rules and regulations as the Commission shall have prescribed.”

Mr. FRIEDEL. Our first witness is Hon. John W. Bush, Chairman of the Interstate Commerce Commission.

STATEMENT OF HON. JOHN W. BUSH, CHAIRMAN, INTERSTATE
COMMERCE COMMISSION; ACCOMPANIED BY SHELDON SILVER-
MAN, DEPUTY DIRECTOR, BUREAU OF PROCEEDINGS, INTER-
STATE COMMERCE COMMISSION

Mr. BUSH. Thank you, Mr. Chairman.

I have asked Mr. Sheldon Silverman, our Assistant Director of the Bureau of Proceedings, to be with me if there are any questions.

I will read, if I may, a short statement.

Mr. FRIEDEL. Yes. You may proceed, Mr. Bush.

Mr. BUSH. Thank you.

I appreciate this opportunity to testify on behalf of the Commission on S. 2893, and H.R. 12916, introduced by Congressman Staggers, bills to amend section 208(c) of the Interstate Commerce Commission Act to provide that certificates issued in the future to motor common

carriers of passengers shall not confer, as an incident to the grant of regular route authority, the right to engage in special or charter operations. The proposed legislation implements a recommendation adopted by the Commission and transmitted to the Congress on February 1, 1966.

The purpose of S. 2893 and H.R. 12916 is to require future applicants to the Interstate Commerce Commission for motor common carrier passenger operating authority to show a need for the transportation of special or chartered parties, instead of conferring the right to perform such transportation as an incident to obtaining a certificate to transport passengers over a regular route or routes.

At present, section 208(c) of the Interstate Commerce Act permits any regular route common carrier of passengers by motor vehicles to transport, under a certificate issued pursuant to the provisions of part II of the act, special or chartered parties from any point on an authorized route "to any place" as a destination point. The phrase "to any place" has been interpreted by the Commission to mean "to any place in the United States." Ex Parte No. MC-29, Regulations Governing Special or Chartered Party Service, 29 M.C.C. 25, 48. Consequently, any regular route common carrier of passengers has an unlimited number of destination points for charter service.

In 1935, when the Motor Carrier Act was passed, charter services were only a small part of common carrier operations. Since 1935, charter operations have increased greatly and have accounted for an increasingly larger share of passenger motorbus revenues. For example, in 1935 charter operations accounted for approximately 3 percent of the revenues of class I motor carriers. In 1965, however, charter operations accounted for approximately 11 percent of the revenue of class I motor carriers. They accounted for nearly 26 percent of the revenues of class II and class III motor carriers in 1963, the latest year for which these figures are available.

Today many motorbus carriers are able to render regularly scheduled service essential to thousands of communities because revenues from charter service offset operating losses incurred on certain intercity schedules. In some instances regular route passenger bus service would be discounted were it not for charter revenues.

In recent years abuses have been observed respecting incidental charter operations. It appears to us that carriers have frequently applied for the right to transport passengers over a short regular route solely for the purpose of obtaining the incidental charter rights from points on such routes to all points in the United States. Some carriers conduct only token operations over their authorized routes in order to retain the right to engage in transportation of charter parties throughout the country. Usually such operations are in the vicinity of a metropolitan area which provides access to a large charter service market which already is served adequately by existing charter operations.

While the Commission is unalterably in favor of improving rail passenger service, it is also cognizant that any improvement in rail service to result from such things as the current high-speed eastern corridor plan will undoubtedly cause a large segment of the traveling public to switch from bus to rail service. This possible diversion will place further strains on the revenue and profits of the motorbus industry, and in turn require greater dependence on charter operations to assure profitable operating results. Thus, it becomes

increasingly apparent that any further dilution of charter revenues could have a severe effect on future operations of the motorbus industry.

The proposed amendment would in no way affect the operations of presently authorized carriers. It would require future applicants for motor common carrier passenger authority to show a need for the service of transporting special or charter parties instead of, as today, automatically obtaining such rights as an incident to a grant of regular route authority.

In order to make the administration of section 208(c) equitable to both common carriers now holding certificates issued under part II of the act and applicants for regular route authority under part II of the act, whose applications may not be decided before January 1, 1967, we propose an amendment to H.R. 12916. We suggest that following the phrase "under this part" on line 6, page 1 of H.R. 12916 that the following phrase be inserted, and it is just a five-word inclusion, "pursuant to an application filed," and it will read after that, "prior to January 1, 1967."

The purpose of this amendment is to confer on all applicants who file on or before January 1, 1967, and who are subsequently granted regular route authority the incidental right to transport special or charter parties. The reason for this proposed change is to base the grant of incidental authority on the date an application is filed rather than the date on which the Commission issues a certificate. This would prevent a carrier from being denied the incidental right to transport special or charter parties because of an administrative delay in the processing of an application.

The Commission strongly recommends enactment of S. 2893 and H.R. 12916.

Mr. FRIEDEL. Thank you, Mr. Bush.

Any questions?

Mr. SPRINGER. No questions.

Mr. FRIEDEL. Thank you very much. There are no questions.

Mr. BUSH. Thank you, sir.

Mr. FRIEDEL. Our next witness will be Mr. Everett Hutchinson, president of the National Association of Motor Bus Owners.

STATEMENT OF EVERETT HUTCHINSON, PRESIDENT, NATIONAL ASSOCIATION OF MOTOR BUS OWNERS; ACCOMPANIED BY R. J. CORBER, COUNSEL

Mr. HUTCHINSON. Thank you, Mr. Chairman.

With me at the witness table this morning is Mr. R. J. Corber of the law firm of Steptoe and Johnson, who is legal counsel for the National Association of Motor Bus Owners, of which I am president.

The bus industry fully supports the legislation proposed in S. 2893 and H.R. 12916. We believe it would close a gap in the present law and foster sound economic conditions in motor bus operations in keeping with the mandate of the National Transportation Policy of the Congress as declared in the Interstate Commerce Act.

I have a prepared statement in which our position is set forth in detail, and I would like to offer the statement for the record at this point, Mr. Chairman, and request that it be included in the transcript.

Mr. FRIEDEL. Your full statement will be included in the record.

Mr. HUTCHINSON. Thank you, sir.

We believe the amendment suggested by Chairman Bush is highly desirable in that it would make it clear that the legislation would not apply to applications now pending before the Commission or to any application filed on or before January 1, 1967.

The amendment is strongly favored by the motor bus industry. It is fair and equitable, and we urge the approval of the amendment.

Further, I would like to emphasize, as pointed out in my statement, that these bills would not affect existing charter rights where the regular route certificate on which the so-called incidental charter authority is based, has to be reissued to the same holder for any reason or is reissued to a new owner after a valid transfer, such as the sale of the routes. In other words, the original holder or any subsequent holder of a certificate would have "grandfather" incidental charter rights that would remain in force as part of the regular route authority as long as the regular route authority remained in full force.

However, the incidental rights cannot be severed from the basic regular route authority, that is, there could not be a transfer of the incidental rights separate from the basic regular route authority. That is true at the present time, and this proposal would not make any change in this respect.

I will be glad to answer any questions the subcommittee may have, assisted by counsel who sits at the table with me.

(The prepared statement of Mr. Hutchinson follows:)

STATEMENT OF EVERETT HUTCHINSON, PRESIDENT, NATIONAL ASSOCIATION OF MOTOR BUS OWNERS

Mr. Chairman, and members of the subcommittee, my name is Everett Hutchinson. I am president of the National Association of Motor Bus Owners, often referred to as NAMBO. Our offices are located at 839 17th Street NW., Washington, D.C. Before becoming president of NAMBO on April 1 last year, I had the privilege of serving for 10 years as a member of the Interstate Commerce Commission and served as its Chairman in 1961. My purpose today is to present to your subcommittee the views of the intercity motor bus industry on H.R. 12916 and the companion bill, S. 2893, which was passed by the Senate on Thursday, September 1, 1966.

The National Association of Motor Bus Owners is the trade association for the intercity motor bus industry. It serves as spokesman for nearly 1,000 carriers which provide well over three-fourths of the intercity motor bus transportation in the United States. These include Greyhound Lines, companies affiliated with the National Trailways Bus System, and numerous carriers not affiliated with either system. In addition to furnishing the only means of transportation, other than by automobile, in thousands of communities, the industry provides extensive and expeditious package express and mail service closely coordinated with its regular passenger operations.

The intercity bus industry fully supports H.R. 12916 and S. 2893 which would amend section 208(c) of the Interstate Commerce Act by eliminating the existing provision for automatic rights to transport charter parties, as an incident to regular route certificates issued under the Act. The effect of the proposed amendment would be to make proof of need a prerequisite to future authorization of charter operations. At the same time it would not affect existing operating rights, under which a regular route common carrier of passengers by motor vehicle is permitted to transport special charter parties from any point on its authorized routes to any place in the United States.

The existence of widespread abuse of the present provision of section 208(c) of the Act relating to charter operations has been widely recognized for more than a decade and was described by the Interstate Commerce Commission in its 72d Annual Report (1958), as follows:

"* * * Carriers have frequently sought authority to perform passenger service over short regular routes solely for the purpose of obtaining the incidental charter rights. In addition, some carriers engage in the practice of conducting

only token operations over their authorized routes in order to retain the right to perform such nationwide charter service. These and other abuses have resulted in a surplus of charter operators, all to the detriment of sound conditions in this segment of the motor carrier industry." (p. 136).

Recognition of these problems was reflected also in the fact that a bill, essentially identical to H.R. 12916 and S. 2893, was passed by the Senate in the 85th Congress.

Numerous recent specific cases make it evident that these conclusions of the Commission have lost none of their validity, a fact which is emphasized by the action of the Commission in recommending enactment of this legislation in this session of the Congress. Typical examples of abuses under the present law are summarized in appendix 1, attached to my statement. Problems resulting from such abuses are becoming increasingly serious.

Revenue from charter operations is of great importance to established carriers providing essential service over the shorter regular routes which typically keep thousands of communities from becoming entirely dependent on the private automobile for passenger transportation. A study conducted in Virginia in 1965 showed 313 identifiable communities with an aggregate population of 276,437 that have no public passenger service other than bus. Approximately a fourth of these communities have populations under 50. Similar studies for other States are not available but would undoubtedly make an equally strong showing of the extent to which bus service is available in remote places of the country. The Official Motor Bus Guide lists approximately 18,000 bus terminals in communities of all sizes, and there are thousands of intermediate points to which service is provided despite insufficient traffic volume to support even a small terminal.

Problems facing these carriers result in large part from the fact that much scheduled service, particularly over the shorter routes, tends to be unprofitable, and a very significant portion of it is actually provided at a loss. Revenue from charter business has in many cases made it possible to avoid discontinuing essential regular route service. For example, class I intercity carriers of passengers in the Eastern District with annual revenues of less than \$1,000,000, reported over-all operating expenses for the year 1965, not including income taxes, averaging 50.5 cents per bus mile, or 94 percent of total revenues which averaged 53.8 cents per bus mile. Revenue from passenger fares on regular route schedules averaged 42.2 cents per bus mile operated on such routes, obviously insufficient to cover expenses. Even including revenue from transportation of package express and the other non-passenger services, the average per mile for this important segment of passenger transportation was only 48.5 cents, or still well under the cost (50.5 cents per mile as noted above) of providing the service. Charter service operations made the difference between a small, but highly essential, margin of profit and a loss.

In addition to providing frequent and reliable service on routes throughout the country, the carriers operating scheduled service must and do maintain the capability for operating extra buses to handle increased travel on weekends and holidays. At times, these additional requirements reach enormous proportions. For instance, regularly scheduled service operated by the Greyhound and Trailways systems between Washington, D.C., and New York City during 1965 provided about 4,000 passenger seats daily in each direction, but travel volume on one peak day during the year, January 3, required 9,000 passenger seats in each direction, or well over double the regular daily service. Flexibility for handling large fluctuations in demand is achieved largely by using a substantial number of buses interchangeably in regular route service and charter operations.

It is obvious from the foregoing that the loss of any substantial part of charter revenue is certain to jeopardize regular route service on many routes and to many communities. Enactment of the legislation proposed in H.R. 12916 and S. 2893 will go a long way toward eliminating destructive competition for charter business from carriers who do not even intend to operate the regular route service for which they apply as a means of securing charter rights.

Charter service was only a small part of common carrier passenger operations at the time section 208(c) of the Act was passed. It was then actually incidental to regular route operations. Accordingly, proof of need for regular route authority was a sufficient safeguard to protect the public from the destructive consequences of overcrowding in the charter field. For that reason, the provisions of section 208(c) granting charter rights as an incident to regular route authority were sufficient to assure the integrity of the principles contained in the National Transportation Policy for orderly development of an adequate transportation system.

However, the situation has changed significantly since that time. The demand for charter service has increased substantially and revenue from charter service has become highly essential as a support for regular route operations. Charter service has become such an important part of our transportation system that it is no longer incidental to regular route service.

Despite the importance of charter service, there has not been orderly development in charter operations such as we have had for regular route operations. The result is that the field is tremendously overcrowded. A wasteful duplication of charter facilities exists which has led to destructive competition for charter business contrary to the basic purposes of the Interstate Commerce Act. We believe the proposed amendment of section 208(c) would close a loophole in the Act and tend to correct this situation.

In view of the present importance of charter service, it should not be authorized except upon proof of need in the same way that a need must be shown for regular route authority. The proposed amendment would accomplish this objective. It is timely, constructive legislation. It is in the public interest. The amendment would reduce the existing effects of overcrowding in the field without affecting existing operating rights and would not hamper pending or bona fide future applications for charter service operating rights.

H.R. 12916 and S. 2893 are identical to S. 1459 which passed the Senate in the 85th Congress except for revision of the effective date and inclusion of language in the current proposal intended to make it clear that "grandfather" charter rights under section 208(c) would be retained in reissued or amended certificates authorizing regular route operations, without change from corresponding charter rights provided under certificates issued prior to the date specified in the bill. This added phrase, which reads, ". . . or under any reissuance of the operating rights contained in such certificate . . ." is, in our opinion, highly desirable and would leave no doubt regarding the intent of the bill not to affect existing charter rights when the regular route certificate upon which such "incidental" rights are based is reissued, amended, or transferred.

We respectfully urge early enactment of the amendment embodied in H.R. 12916 and S. 2893.

Mr. Chairman, I appreciate the opportunity to appear before the subcommittee to present the views of the intercity bus industry on these measures and I will be glad to answer any questions you may have concerning the proposed legislation.

APPENDIX I

ABUSES OF AUTOMATIC CHARTER RIGHTS UNDER PRESENT LAW

Summarized below are representative cases involving abuses of automatic charter rights occurring under section 208(c) of the Interstate Commerce Act.

In some instances the real motive of the applicant to obtain charter rights through token regular authority is cleverly concealed; in others it is ingenuously conceded. In the latter category are the proceedings in *Tri State Tours*, MC-12655 (Sub No. 1) where the applicant was operating a station wagon between Platteville, Wisconsin and the Savanna Ordnance Depot Proving Ground at Savanna, Illinois pursuant to authority granted in MC-112711 (Sub No. 1). The following colloquy occurred between applicant's witness and counsel for a protestant:

"Q. And how many passengers would you say you handle a day in that operation?"

"A. Around five. It varies. It goes up and down very little.

"Q. Why did you want to keep that alive?"

"A. Because of the charter rights involved.

"Q. So, on the basis of handling five passengers a day you want to be in a position to perform charter operations from Joe Daviess County and other Wisconsin points to the entire United States?"

"A. That is correct." (Emphasis added, Tr. pp. 80-81, *Tri State Tours*, MC-12655 (Sub 1).)

Examples of cases in which authority for short regular routes were sought with the effect of gaining nationwide charter rights are *Sheridan-Indianapolis Bus Line, Inc.*, MC-113105 (Sub Nos. 1, 2, and 3), and *Franklin Interurban Company*, MC-113062. In the former interstate authority was requested between Sheridan and Indianapolis, a distance less than 30 miles, to add to intrastate authority between the same points and in the latter the applicant requested reinstatement of a certificate revoked for dormancy which covered regular route authority in the Nashville, Tennessee area. In both cases applicants admitted directly or indirectly that the real objective was nationwide charter authority. In both

cases strong protests were filed by competing regular route carriers because of the charter rights involved.

In some cases the situation is reversed—competing carriers object to the regular route sought by the applicant as a basis for charter authority and would have no objection to charter rights limited to the actual need the carrier seeks to serve. Thus, in *Gary Intercity Lines, Inc.*, MC-8159 (Sub No. 6), the applicant applied for regular route authority between Gary, Indiana, and Chicago, Illinois, when its real objective was to obtain charter rights between the Bethlehem Steel Plant on the regular route described in the application and points in Illinois and Wisconsin. When all the parties were advised of the true interests of each, applicant amended its application to eliminate all authority except charter rights between the Bethlehem Steel Plant and points in the states of Illinois and Wisconsin, and the protesting carriers who had no objection to these limited charter rights withdrew their protests. In this case the time and trouble of the protests would have been saved had the applicant limited its original request to the charter authority truly desired. Such a saving of Commission time and energies, not to mention the carriers, would be a realistic probability if automatic charter rights were eliminated for the future.

Mr. FRIEDEL. Does that conclude your statement?

Mr. HUTCHINSON. That concludes my statement, Mr. Chairman, yes, sir.

Mr. SPRINGER. No questions. It is a very good statement.

Mr. HUTCHINSON. Thank you.

Mr. FRIEDEL. Thank you.

We will hear next the testimony of Mr. Harold Hammond, president of the Transportation Association of America, whose statement will be given by Mr. Frank A. Smith, vice president.

STATEMENT OF FRANK A. SMITH, VICE PRESIDENT, RESEARCH, TRANSPORTATION ASSOCIATION OF AMERICA

Mr. SMITH. Thank you, Mr. Chairman.

Mr. FRIEDEL. Would you like to summarize your statement?

Mr. SMITH. Yes, sir.

First, I would like to submit the statement for the record and just mention a few points in the record to supplement the comments by Chairman Bush and Mr. Hutchinson.

First I would like to say that TAA supports this legislation, and we likewise will support the amendment recommended by the ICC.

The Transportation Association of America, of course, is an across-the-board organization of all types of transportation interests.

I should like to emphasize that this particular legislation was considered by all our various interests, and that on page 1 we have noted that our user panel, freight forwarder, highway, railroad, and domestic water carrier panels all took positions specifically in support of such legislation.

Our air panel, investor, and pipeline panels took positions of non-opposition. In other words, across-the-board transportation interests definitely support this legislation or do not oppose it. To my knowledge, we know of no one who does oppose this legislation.

Mr. FRIEDEL. And the proposed amendment suggested by Mr. Bush, Chairman of the ICC?

Mr. SMITH. Well, of course, that is fairly recent. That has not had a chance to go to our panels, but it is definitely in line with our position, and I am sure we would all support that.

Mr. FRIEDEL. Thank you.

Mr. SMITH. The main reason why we are in favor of this legislation is to help maintain adequate publicly regulated intercity bus service to

as many points throughout the United States as possible, and this is particularly important because, as we know, there have been quite a few railroad passenger train discontinuances to out-of-the-way points, and the buslines have been called upon in many instances to be the only means of public transportation, passenger transportation, service.

Just about two other points I would like to emphasize are that we feel that it is important to try to maintain a strong intercity bus transportation system mainly because, contrary to what some people think, there are still more people from the passenger standpoint that go by bus in intercity travel than in railroads and airlines put together.

Now, this is not passenger-miles but passenger count is what I am talking about.

Finally, the bus transportation or basically the people who use it are far more cost conscious. In fact, 92 percent of the people who travel by bus are doing it for personal reasons and, therefore, they are quite cost conscious, and they also need this type of service.

The lower income people are the ones who, of course, rely to the greatest extent on bus service. In fact, about 55 percent of total intercity trips by bus are taken by persons and members of the families with incomes of less than \$5,000 per year.

My final point was that the intercity bus is rapidly becoming, with some exceptions, the only means of public transportation, passenger transportation, for many people who still do not have access to a car, and that represents about 15 million family units or 45 million people.

Those are just a couple of points I thought would supplement previous remarks by the other witnesses.

I will be glad to answer any questions.

(The prepared statement of Mr. Hammond follows:)

STATEMENT OF HAROLD F. HAMMOND, PRESIDENT, TRANSPORTATION ASSOCIATION OF AMERICA

My name is Harold F. Hammond. I am president of the Transportation Association of America, which is headquartered in Washington, D.C. I am submitting this statement on behalf of the TAA Board of Directors in support of H.R. 12916, a bill to provide that future motor bus certificates issued by the Interstate Commerce Commission shall not confer, as an incident to the grant of regular-route authority, the right to engage in charter operations.

TAA, for the record, is a national transportation policy organization made up of transport users of all kinds, investors, and carriers of all modes who work together to help develop sound national policies that will assure the strongest possible transport system under private enterprise principles. In developing policy positions, the 115-member TAA Board has the assistance of eight permanent committees, or panels, on which serve over 300 top executives of transport groups and interests of all kinds. These eight panels—user, investor, air, freight forwarder, highway, pipeline, rail, and water—consider policy proposals and, after taking individual positions on them, seek to iron out any differences prior to making final recommendations to the TAA Board.

This panel-review procedure was followed in developing a TAA position in support of H.R. 12916. When the TAA Board adopted a position at its May 10, 1966, meeting to support this legislation, it was advised that the TAA user, freight, forwarder, highway, rail, and domestic water carrier panels took positions specifically in support of it. The other three panels—air, investor, and pipeline—said they were not opposed to such legislation. Thus, it can be seen that a good cross-section of transportation interests favor such legislation and none has indicated to us its opposition.

What would H.R. 12916 do?

H.R. 12916 would, by a simple amendment to section 208(c) of the Interstate Commerce Act, close a loophole in the existing language that permits persons that obtain certificates to engage in motor common carrier bus service also to perform, as "incidental" operating rights, charter services between points on such certifi-

cates and any other points in the United States. Passage of H.R. 12916 would, therefore, require that any person seeking ICC authorization to perform bus charter service in the future would have to justify a need for such service.

What would H.R. 12916 not do?

It should be stressed that passage of H.R. 12916 would in no manner affect the operating rights, including charter rights, of persons now holding intercity bus certificates. It also would not affect the operating rights of persons who may purchase such certificates in the future, nor prevent parties from seeking charter operating rights from the ICC.

Why a need for H.R. 12916?

The ICC, which has recommended passage of such legislation on several occasions and is the sponsor of H.R. 12916, has stressed the need to close the present loophole in the statutes that has "resulted in a surplus of charter operations" and has been abused to the extent that it is detrimental to sound conditions in the intercity bus industry.

We agree with the ICC on the need for passage of H.R. 12916, which should help to maintain adequate publicly regulated, scheduled intercity bus service to as many points throughout the United States as possible and still permit the carriers performing such essential service to operate at a reasonable profit. Such a step will clearly be in the interest of the general public.

Largely because of sharp competition from the private automobile, both railroads and bus lines have found it very difficult to maintain adequate regular-route, scheduled intercity passenger service. As rail passenger services have been discontinued, especially to out-of-the-way points, bus lines have been called upon to continue some reasonable degree of common carrier service. In many instances the bus has become the only means of publicly scheduled passenger transportation, as is the case in about 300 communities in the State of Virginia alone.

It is quite obvious that scheduled bus service to most off-the-main-route points is either unprofitable or marginal, which means that its continuance depends on the carriers' ability to offset any such losses from revenues derived from other services. This is a characteristic of common carrier service and one of the major justifications for public regulations.

Revenues from charter operations constitute one means of helping an intercity bus company maintain reasonable service to a maximum number of points along his authorized routes. The approximately 1,300 class II and III intercity bus lines currently obtain over 25 percent of their total revenues from charter services. Even the 160 larger class I carriers rely heavily on charter revenues, which account for over 10 percent of their over-all revenues. Since charter operations are more profitable than scheduled operations, the former help to offset any losses from the latter.

Since passage of H.R. 12916 would not affect the present operating rights of any of these existing bus lines, its immediate effect would not be pronounced. In a relatively short time, however, it should have a definite beneficial impact. By producing greater stability in the bus industry, the general traveling public will be assured of getting better intercity bus service than it would under present conditions.

Who depends on intercity bus service?

Why is it so important to help improve the present climate so that the nation's intercity bus industry will be in a better position to provide adequate service in the future? One reason is that far more people than most of us realize rely on the bus for their intercity travel needs. To illustrate, in 1965, a total of 193 million intercity passengers were carried by class I intercity bus companies, which is slightly more than the combined totals of 106 million carried by the railroads and 85 million carried by the airlines. The above figures are exclusive of all passengers moving in commutation and suburban services. In other words, from the standpoint of numbers of intercity passengers only—as compared to intercity passenger-miles usually cited when comparing modes of transport—the bus is still the most frequently used public carrier. This is illustrated in the following table, which shows the relative role of air, bus, and rail carriers during the past 10 years from the standpoint of number of intercity passengers carried.

INCIDENTAL BUS CHARTER RIGHTS

Intercity passengers carried¹

[In millions]

Year:	Air (domestic scheduled)		Bus ² (class 1)		Rail ³ (class 1)		Total passengers
	Passengers	Percent of total	Passengers	Percent of total	Passengers	Percent of total	
1956	41.9	9.4	224.4	50.1	181.5	40.5	447.9
1957	45.2	10.8	212.4	50.6	162.0	38.6	419.6
1958	44.7	12.0	188.0	50.5	139.8	37.5	372.5
1959	51.0	13.7	191.2	51.4	129.8	34.9	372.0
1960	52.4	14.5	187.7	51.7	122.7	33.8	362.8
1961	52.7	14.7	187.5	52.3	118.1	33.0	358.3
1962	56.0	15.6	186.1	51.8	117.2	32.6	359.3
1963	63.9	17.6	185.1	50.9	114.5	31.5	363.5
1964	73.0	19.3	190.4	50.3	114.8	30.4	378.2
1965	84.5	22.0	192.8	50.3	106.3	27.7	383.6

¹ Based on passenger count of each person boarding a public carrier. A round trip by 1 person would be counted as at least 2 passengers.

² Does not include commutation or local and suburban service.

Intercity bus service is also the cheapest form of passenger service from the standpoint of fares—costing about 2.74 cents a passenger-mile compared to 2.99 cents for rail coach and 5.58 cents for air coach. The average bus rider is more "cost conscience" and is apt to be hurt more personally by higher fares that could result from loss of needed bus charter revenues. This is borne out by the National Travel Survey of the 1963 Census of Transportation, which shows that 92 percent of travel by bus is for personal reasons and thus must come out of the bus riders' own pockets.

The need for keeping scheduled intercity bus fares at the lowest possible level is also important because of the fact that the lower income groups are the ones that must rely on such service to the greatest extent. This is due to their having less money to spend and thus having to use the cheapest mode, and also because they are the ones least likely to own automobiles. These relationships are illustrated by the following figures:

	Percent of total spending units ¹ with no car, 1965	Percent distribution of trips by bus in 1963 ²
Family income before taxes:		
Under \$1,000	65	12
\$1,000 to \$1,999	57	9
\$2,000 to \$2,999	42	12
\$3,000 to \$3,999	39	10
\$4,000 to \$4,999	24	12
\$5,000 to \$5,999	18	6
\$6,000 to \$7,499	11	11
\$7,500 to \$9,999	7	8
\$10,000 and over	5	10

¹ A spending unit constitutes all persons living together who pool their expenses. University of Michigan survey.

² Census of transport; 10 percent of persons did not report income.

The figures at the right of the table clearly show the heavy reliance on intercity buses by the lower income groups, with 55 percent of the total trips by bus being taken by persons that are members of families with incomes of less than \$5,000 a year.

The figures in the middle column show the direct relationship between automobile ownership and family income and illustrate why low-cost public passenger transportation is so important to a large share of the general public. Since, on an over-all basis, 24 percent of the nation's total Spending Units (see definition in footnote of table) do not own an automobile for one reason or another, they must rely on one form of public transportation or another. Since each Spending Unit represents approximately 3 persons, this means that over 45 million people do not have access to an automobile for travel purposes.

The above relationships are particularly significant to the relatively short-haul intercity bus industry because it is the one faced with the sharpest competitive

impact of the private automobile. Census of Transport figures show that the auto accounts for 90 percent of all trips up to 200 miles, but then drops off sharply to 72 percent for trips 200 to 499 miles and only 47 percent for trips over 500 miles. In other words, for short trips the intercity bus is rapidly becoming, with some exceptions, the only means of public passenger transportation for the person who doesn't have access to a car.

Conclusion

In summary, we believe passage of H.R. 12916 is definitely in the public interest. It will close a loophole in present law that threatens to drain essential revenues from charter operations needed to help maintain scheduled intercity bus service to the maximum number of points throughout the country. It will not affect the rights of any existing bus lines, including those now providing charter services. It will permit parties seeking bus charter rights to obtain them through purchase of existing certificates or by application to the ICC. It will help assure low-cost intercity public passenger service to millions of persons who must continue to rely on it because of their income status or because they do not own a private automobile. Over-all, it should help to assure better and more stable intercity bus transportation service for the general public.

For these reasons, we urge favorable consideration of H.R. 12916 by your Subcommittee.

Mr. FRIEDEL. Any questions?

Mr. SPRINGER. No questions.

Mr. FRIEDEL. No questions. Thank you very much.

Are there any other witnesses? If not, the subcommittee will stand in recess for about 20 minutes. We have another hearing at 10 o'clock.

(The following material was submitted for the record:)

STATEMENT OF THE CHAMBER OF COMMERCE OF THE UNITED STATES, PREPARED BY GEORGE H. SEAL, CHAIRMAN OF THE TRANSPORTATION AND COMMUNICATION COMMITTEE AND MEMBER OF THE NATIONAL CHAMBER'S BOARD OF DIRECTORS

In the interest of consistency in the federal regulatory process and a sound national transportation system, it is essential that H.R. 12916, now pending before the Congress, be promptly enacted. H.R. 12916 would amend Section 208(c) of the Interstate Commerce Act to eliminate the automatic acquisition of nationwide charter bus operating rights concurrent with the receipt from the Interstate Commerce Commission of certificates of public convenience and necessity for regular route bus operations.

This legislation is needed to correct an inequitable and confusing situation in which motor bus operators apply for insignificant regular route authority solely to obtain so-called "incidental" charter rights. The present wording of Section 208 of the Interstate Commerce Act permits holders of regular route authority to perform charter service to any point in the continental United States regardless of the scope of that authority.

H.R. 12916 would bring order and consistency to the granting of motor bus operating rights by making future applicants show that public convenience and necessity require the granting of charter rights, and that existing charter service is not adequate to serve the public need. This is the time-proven test applied to the granting of all other motor carrier operating authority under the Interstate Commerce Act.

This important amendment to Part II of the Interstate Commerce Act has been one of the legislative recommendations of the Commission for several years. The Chamber of Commerce of the United States urges favorable action on H.R. 12916 as necessary and desirable in the public interest.

[Telegram]

PUYALLUP, WASH., September 13, 1966.

SAMUEL N. FRIEDEL,
Chairman of Subcommittee, House Interstate and Foreign Commerce Committee,
Washington, D.C.:

I urge you to vote against H.R. 12916 as this is prejudiced against the small bus operators that apply for ICC rights. I have my ICC rights but without them my bus business would be discontinued.

WILLIAM HESSELGRAVE

[Telegram]

HARTFORD, CONN., October 3, 1966.

W. E. WILLIAMSON,
 Clerk, House Committee on Interstate Commerce,
 Rayburn Building, Washington, D.C.:

Interstate Commerce Commission and NAMBO propose to amend this bill. Subject to this amendment the Arrow Line, Inc., Almeida Bus Lines, Inc., and the Connecticut Co., all support the passage of this legislation. If the subcommittee desires clarification as to the effect on these companies of this amendment, please advise and we will have a representative appear before the subcommittee.

THOMAS W. MURRETT.

JAMAICA, N.Y., September 13, 1966.

SUBCOMMITTEE ON TRANSPORTATION AND AERONAUTICS,
 HOUSE COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
 U.S. Congress, Washington, D.C.

GENTLEMEN: Our office represents several passenger bus operators who are interested in H.R. 12916, which legislation will amend Section 208(c) of the Interstate Commerce Act to provide that certificates issued in the future to motor common carriers of passengers shall not confer, as an incident to the grant of regular route rights to engage in special or charter operations.

As proposed, the legislation would apply to all applications which are presently on file. On behalf of our clients, we respectfully request that the committee reconsider the retroactive nature of the legislation and amend the bill so that it would apply only to applications filed after the effective date of the proposed legislation.

Very truly yours,

SAMUEL B. ZINDER.

I-V COACHES, INC.
 Vincennes, Ind., September 12, 1966.

Congressman W. K. DENTON,
 House of Representatives Office Building,
 Washington, D.C.

DEAR CONGRESSMAN DENTON: As a bus line operator in your district I am writing you asking for your support of H.R. 12916.

This is a bill to eliminate the granting by the Interstate Commerce Commission of "automatic" charter rights when a carrier applies for regular route authority.

In the past when a carrier applied to the commission for rights of convenience and necessity to handle passengers he had to prove that this service was needed by the process of a public hearing, then if it was proven he was granted the rights for regular scheduled operations and such service then began. He was also granted "automatic" rights to operate charter or special bus service as he wanted.

The ever-growing use of the automobile has made the operation of short haul intercity business less and less while the charter business has grown to where in our own operations the charter revenue amounts to about 70% of our total income.

Some carriers with an eye on this better end of the bus business have applied to the Commission for regular route service only with the pretext of getting the automatic charter rights and are slowly crowding out the legitimate carrier who needs this charter revenue to be able to keep his scheduled lines operating.

The purpose of this bill, H.R. 12916, is to put the granting of charter rights on the same basis as regular rights that being by proof of convenience and necessity the same for both.

On September 1st the Senate passed S. 2893 to amend section 208(c) of the Interstate Commerce Act. The bill referred to above is the same one up for House Action.

Your investigation and consideration of this bill will be appreciated.

Very truly yours,

E. C. O'NEIL, Secretary-Treasurer.

(Whereupon, at 9:25 a.m. the subcommittee recessed.)