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BOOK REVIEWS

NATIONAL TRANSPORTATION POLICY. By Charles L. Dearing and Wilfred Owen. Washington: The Brookings Institution, 1949. 448 p. \$4.00.

As members of a task force for the Hoover Commission on Organization of the Executive Branch of the Government, the authors last year undertook a study of federal transportation activities. This book is largely the result of that assignment, as well as of previous research, primarily in the highway and railway fields. In 1941, for example, Brookings published a study of Dearing's on *American Highway Policy*, and in 1949 one by Owen on *Automotive Transportation Trends and Problems*; while many of the findings of the present book are clearly foreshadowed in Dearing's chapters contributed in 1940 to *Government and Economic Life* (Lyon, Abramson and Associates) and *The American Transportation Problem* (Moulton and Associates, 1933), both Brookings publications. When the Hoover Commission disagreed with their proposal, as did also the Task Force on Regulatory Commissions, they were fortunate, as members of the Brookings staff, in having a publisher ready at hand to present their viewpoint to a wider audience.

As the authors point out, transportation in the United States is big business: if we include private automobile costs, about \$40 billion—close to one-fifth of the national income—is spent for transportation. Federal expenditures relating to transportation now approach \$1.5 billion annually. The United States owns one-third of the railroad mileage, nearly half the merchant marine, and over 70 per cent of the motor vehicles of the world. This extraordinary development and use of transport facilities in the American economy has not only played a vital part in time of war, but it has contributed in no small degree to our economic prosperity and the enrichment of our social life.

The Government long has had a special interest and responsibility in this field, both from a promotional and regulatory point of view: one-tenth of the total area of the United States, for example, was given to the railroads to promote their development and encourage the opening up of new lands. In a little over three decades the Federal Government has spent some \$30 billion for the provision of transportation facilities and services. On the regulatory side, government efforts at first were exerted in the main to protect the public against the exercise of monopolistic powers by the railroads. The concept of protecting the user through regulation has remained a firm federal policy for all branches of the industry, while gradually other regulatory objectives have been added, such as the maintenance of fair competition, until today national policy exerts a dominant influence on the transportation future.

What concerns the authors are the conflicts and inconsistencies which have developed between the various objectives of national policy in this field. Government transportation policies, they state, are "characterized by defects in the programming and expenditure of public funds, unattainable regulatory objectives, and indeterminate division of authority and responsibility between government and private management. . . . Expenditures for the provision of transportation facilities are authorized with no consideration for over-all transportation requirements or the relationships among transport agencies. The result has been an improvident use of public funds and a

failure to program in accordance with priority of need. The use of general taxes rather than user charges to finance these facilities has resulted in an uneconomic distribution of traffic. . . . Government restricts with one hand and promotes with the other. . . . Responsibility is so widely and vaguely divided that no branch of government can be charged with the deficiencies of public action in this field." (pp. 351-353.)

The authors are disturbed that while "the federal government has extensive plans for waterway, airway, and highway development, it not only has no similar program for the rehabilitation of the railroad plant; it recognizes no responsibility or concern over what impacts its promotional programs in other fields may have on the railroad system." (p. 137.) To attain comparable competitive relationships among transport agencies they suggest it may be necessary "that the basic facilities of the railroads—terminals, right of ways, roadbed, and track—be publicly provided, with privately owned equipment operating over the public ways." (p. 130.) They also suggest, in their reorganization plan, the creation of an Office of Railroad Transportation (as part of a proposed Transportation Department) which would, among other things, assess the impact on the rail carriers of federal promotional activities in other fields of transportation and "recommend effective measures to assure these impacts did not jeopardize the operating condition of the railroad system." (p. 399.)

This same concern leads them to conclude that "workable competition cannot be maintained between privately financed transportation enterprises and those media which are enabled to use publicly financed physical plants, unless the test of relative cost and efficiency is permitted to govern the allocation of traffic. To this end, the rates of competing agencies must be required to reflect the total economic costs of performing transportation services." (p. 371.) Elsewhere, however, (pp. 126-9) they admit that as a practical matter it is questionable whether an economic organization of the transportation system can be effected through user charges. Particularly is this true when the problem of security is considered.

"Generally speaking, a land transportation system adequate for the peacetime economy would ordinarily meet the basic physical requirements for war. In the case of water and air transportation, however, war requirements far exceed peacetime facilities because these types of equipment are in effect instruments of war." (p. 161.) The problem of providing a transportation system adequate for national security involves, therefore, devising methods "by which air and water transport capacity can be provided during peacetime at levels exceeding peacetime demand." They are opposed to doing this by means of a subsidy program, particularly for domestic air transport, although they concede (p. 128) that, for defense purposes, aids to air navigation and merchant marine development may require subsidies. It would simplify matters, they suggest, if the military would obligingly look after their own air-lift requirements. "In view of the importance of military air transport, it would appear to be no less essential for the armed services to procure the transport equipment they need than to supply themselves with bombers or fighters." (p. 149.)

In conclusion, the authors recommend the consolidation of all, or virtually all federal government transportation functions into two agencies: a Department of Transportation, and a Transport Regulatory Commission. The CAB, CAA, ICC, and all other existing agencies dealing with transportation would be abolished, or absorbed into these two new organizations. The Regulatory Commission would "prescribe the standards of rate and service competition that would assure the economic allocation of traffic

among the several forms of transportation, and guarantee impartiality in the granting and denial of operating privileges to individual firms." (p. 407.) All other substantive functions involved in the provision and control of all forms of transportation facilities and services would be transferred to the new Department.

The Hoover Commission did not indorse either of these steps. Instead, it recommended, as a first major move, a grouping of all major nonregulatory transportation activities in the Department of Commerce. As to merging the quasi-judicial and quasi-legislative functions of the CAB, ICC and Maritime Commission, it preferred, therefore, to maintain the three regulatory bodies separate, providing for policy coordination by other means.

Without attempting to assess the relative merits of these or other alternative plans, it is not difficult to discover the "rightful place" of aviation in the Dearing-Owen scheme of things: eliminate operating subsidies for domestic carriers as soon as possible; correct the overexpansion of routes and services of the so-called trunk-line air carriers; recognize the "fundamental policy error that permeates the entire undertaking" of projecting air transportation into areas of least relative advantage—the so-called "feeder route" experiment; withdraw federal aid from the development of small airports for private planes; require users to contribute their share of the cost of airways and airports; establish the principle of self-support and move as quickly as possible toward this goal. "This approach would have the advantages of providing a useful guide to the programming of public expenditures and of assuring adequate funds for air transport facilities on a continuing basis. In addition, self-support through user charges would furnish criteria for determining the rightful place of air transport in the transportation system, because traffic moving by air (as well as by other methods) would be attracted on the basis of relative economy as well as service." (p. 142.)

The Civil Aeronautics Board comes in for very sharp criticism. To cite only two examples: the Board showed bad judgment, in the authors' opinion, in permitting feeder-line experimental services in advance of the development of aircraft better suited to operation on purely regional routes. How, the authors ask, can valid experimental results "be expected to emerge from the subsidized operations of technically ill-adapted equipment on routes of admittedly submarginal traffic prospects" (p. 219.) Again, the Board (and the industry) grossly miscalculated the air transportation market and permitted unsound pricing policies, as well as the air route pattern to expand "far beyond the dictates of prudent business management." (p. 227.) The authors make no allowance for the fact that air transportation is still evolving at an incredible pace, that the Civil Aeronautics Act has been in effect only seven peacetime years, and that 1945, the base year selected to demonstrate subsequent financial deterioration of the airlines, was an abnormal war year. "Administration of the Civil Aeronautics Act by the CAB has produced only one affirmative result," the authors flatly assert,—"accelerated, overexpansion of the industry." (p. 209.)

It may be only coincidence that in 1933, when officials of the Brookings Institution made an analysis of U. S. domestic air transport, as part of a general transportation study, they also took a dim view of aviation. Air transport, they reported, had shown little tendency toward self-support; economic speeds above 140 miles per hour appeared unlikely; no present justification was seen for basing aid to civil aviation upon military considerations. As a result of their study, they recommended drastic curtailment of air mail services and substantial reduction in federal appropriations for airway aids. Fortunately, this counsel did not prevail. Our aviation

industry continued to expand at a rapid rate; and within eight years the greatest war in history was demanding the utmost in aviation resources that we could muster. Let us hope we shall be at least as well prepared at the next great national emergency.

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AIRLINE RECORD, 1949, by Roy R. Roadcap. (Published by the Author, 208 So. La Salle St., Chicago 4, Ill. 1949, pp. 160. \$7.50.)

In the 1949 edition of *Airline Record*, Mr. Roadcap continues an annual traffic and financial analysis of the scheduled airlines begun last year. The new volume has been expanded in two principal ways: (1) inclusion of a general survey of the airline industry since its beginnings and (2) coverage of the feeder airlines. In all, 47 carriers are now covered, including Alaska, A.O.A., Hawaiian, Pan American, Panagra, Taca and Trans Pacific.

The general survey covering the first 40 pages provides a concise, factual background of the industry's development and contains numerous supporting statistical series designed to measure not only growth in terms of the volume achieved but also the efficiency with which it was attained. Summary data brings into perspective the relative position of U.S. air transport in relation to the industry worldwide. Of particular interest is the table presenting selected traffic statistics for the 32 largest airlines in the world. Of these, only one-half are U.S. carriers. The survey concludes with data about the significant traffic characteristics of domestic routes and stations and with illustrations and specifications of the various aircraft in service.

The remainder of the volume presents analyses of the individual carriers. Each includes a route map, brief history, summary of property and equipment, listing of officers and directors, and the numbers of stockholders and employees. Detailed data are then given for a seven year period (where available) on traffic and on operating revenues and expenses. Comparative ratios are introduced to facilitate payload and income account analysis, all on the basis of ton mile units. One series, for example, calculates operating expense per available ton mile.

Balance sheets are included, followed by a breakdown of the capital structure and its relation to earnings and assets. Among the specific ratios shown is the percentage earned on total invested capital and also on the common stock equity. Market price ranges are shown for the carrier's securities. These are related to earnings and book values to indicate the investing public's appraisal of the company and its prospects. A final section summarizes the financial record for prior years since date of incorporation, which in some cases stretches back to 1928 and 1929.

A noteworthy effort has been made to recast all financial statements and related comparisons to reflect retroactive mail payments. Over a third of the income accounts and balance sheets included in the previous edition have thus been revised. This should prove especially helpful to those interested in a true picture of airline earnings since the end of the war. This study reflects careful preparation and is an excellent source of information for those interested in airline traffic and finance trends.

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