

Report of a special committee
submitted to and adopted by the
National Industrial Traffic League
And its annual meeting Held at
Chicago 1931

THE NATIONAL INDUSTRIAL TRAFFIC LEAGUE

OFFICE OF THE EXECUTIVE SECRETARY
SUITE 2355, ONE LA SALLE STREET BUILDING
CHICAGO, ILLINOIS

REPORT OF A SPECIAL COMMITTEE SUBMITTED TO
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Statement of Principles

The Special Committee, appointed by the Executive Committee of the League on May 27, 1931, begs leave to submit the following report:

The Declaration of Legislative Policy published by the Association of Railway Executives, under date of November 20, 1930, has been the subject of an exchange of views with a Committee of Railroad Executives. A general meeting was held in Chicago on June 25, 1931, following which informal discussions took place between representatives of the Committee and representatives of the Railroad Executives. Following these informal discussions a joint meeting of the Committees was held in New York City, October 15, 1931, at which time a full and frank discussion was had of all matters embodied in the Declaration, except the subject of regulation of pipe line transportation, as to which it was the opinion of your Committee that no action should be taken by the League.

While the League Committee has no authority to express the views of the Railroad Committee, it appeared that there was a substantial agreement between the committees on certain fundamental principles which should underlie the treatment of the respective subjects. These principles, as endorsed by your Committee, are as follows:

1. The public is entitled to the benefit of the most economical and efficient means of transportation of commerce by any instrumentalities of transportation which may be suited to such purpose.

2. No legislation should be attempted which has for its purpose the stifling of any legitimate form of transportation.

3. To the extent that any governmental regulation of the rates and charges of any form of transportation is undertaken, the determination of maximum reasonable rates and charges should be based upon the operating conditions in that particular field of transportation, together with other pertinent conditions, and should not be determined by mere relation to the rates and charges of competing agencies of transportation, but this should not be construed as prohibiting permissive authority to meet the rates of competing agencies under proper conditions.

4. Efficient railroad transportation is essential to the commerce and welfare of the country as a whole, but this declaration does not mean that efficient highway and water transportation is not also essential to modern commerce.

5. Any permanent policy of governmental operation of transportation agencies is contrary to the public interest.

6. Reasonable compensation should be paid for the use of public highways by commercial motor vehicles.

General Statement

Your Committee recommends that the League adopt the foregoing statement of principles. In developing concrete proposals it becomes difficult to reconcile conflicting opinions in their application. We believe that the ultimate aim should be a proper co-ordination of all of the various agencies of transportation which can efficiently serve the commerce of the country. On the other hand, it is the opinion of your Committee that such co-ordination can only come as a natural development when the new forms of transportation have become sufficiently stabilized to determine the fields in which they can best serve the public.

It is estimated that more than 75 per cent of the commerce of the country moves upon the railroads and that they will continue to move the major portion of the commerce, so far as can now be foreseen. Next in importance is the transportation of commerce by water; third, transportation by pipe-lines; and, fourth, transportation by motor trucks. Definite statistics are not available to determine the extent to which motor trucks handle commerce which otherwise would move by railroad, but such estimates as have been made indicate that the proportion would not exceed 4 per cent of the total commerce and would probably be substantially less. Transportation by motor truck has increased rapidly and the competition of this transportation with railroad transportation has been intensified because of conditions now prevailing.

Studies in the trend of traffic handled by various agencies may be misleading. Business conditions frequently affect the extent to which a given transportation agency may be used. For example, in certain industries at the present time there are large stocks of the commodities produced by them which are located in consuming territory, and in such cases expedition of movement is of little or no value. It is the existence of such conditions that has tended to divert larger volumes of movement to water transportation in some industries. When there is brisk demand for such commodities, or when the stocks are low, railroad transportation becomes more valuable because its service is usually more expedited for the longer distances. On the other hand, for short haul movements it has been found that motor truck service on highways is frequently much more expeditious

than railroad service, and where industries are maintaining as low stocks as possible there is disposition to use the motor truck for the shorter hauls.

During the last thirty years there has been a tremendous industrial expansion in the United States, resulting in the development of numerous articles of commerce which came to be moved in large quantities where formerly there was no substantial movement.

There is appended hereto a statement, marked "Appendix A," which shows the traffic density upon Class One railroads of the United States for each year from 1890 to 1930. Beginning with 1890 simple averages of the traffic density for each five-year period have been taken, in order to discover the extent to which there has been an increase in the traffic per mile of road in each period as contrasted with the previous period. The amount of the average increase in ton miles per mile of road for each five-year period over the average for the previous five-year period has been expressed in column 4 and the percentage of such increase has been expressed in column 5. During the period 1890 to 1910 there was a substantial increase in the miles of railroad owned and operated in the United States. From 1920 to 1930 there was an actual decrease of approximately 10,000 miles in the owned mileage of railroads in the United States. It is significant that the increase in average traffic density for the five-year period beginning in 1925 over the five-year period beginning with 1920 was 231,723 ton miles per mile of road, which was substantially greater than the amount of increase for four of the six other periods over the corresponding preceding periods. The five-year period beginning in 1915 showed the greatest increase over the preceding period, but this was in part brought about by the World War conditions obtaining in 1916 to 1919. The period beginning in 1920 included the slump in traffic during the depression of 1921, but even this showed an actual increase in traffic density of 46,180 ton miles over the preceding five-year period.

(Note: Appendix A follows this section of the report.)

During the past ten years the revenue passenger miles handled by the railroads have decreased more than 40 per cent. The less-than-carload tonnage of the railroads in amount and in percentage of the total has also shown a constant decline, as will be seen from the following table:

Year	L. C. L. Tonnage (Originated)	Total Rail Tonnage (Originated)	Percentage of L. C. L. to Total
1921	41,992,011	940,182,560	4.5
1922	43,229,213	1,023,745,007	4.2
1923	44,338,556	1,279,030,222	3.5
1924	40,549,023	1,187,295,744	3.4
1925	40,586,944	1,247,241,615	3.3
1926	39,490,989	1,336,142,323	3.0
1927	38,440,319	1,281,611,186	3.0
1928	36,953,931	1,285,942,976	2.9
1929	36,043,271	1,339,091,007	2.7
1930	29,666,831	1,153,190,381	2.6

The growth of operations of freight forwarding companies has no doubt had substantial influence in reducing the volume of less-than-carload traffic.

The Committee believes that a special study should be made of the extent and nature of operations of such companies for the purpose of determining whether or not regulation of such companies by the Interstate Commerce Commission should be advocated.

In this connection it should be pointed out that the less-than-carload traffic is relatively much more expensive to handle than carload traffic. While no recent cost studies have been made, it is significant that the less-than-carload movement requires more cars, sustains a larger proportion of the claims for loss and damage, and requires much more handling and accounting service than any other character of traffic handled.

The "Summary Bulletin of the Cars of Revenue Freight Loaded," issued by the American Railway Association on January 16, 1931, shows that for the 52 weeks of 1930 the total movement of cars of revenue freight, loaded, was 45,887,413. The less-carload movement in the same period according to the same authority was 12,201,245 cars, or 26.59 per cent of the total loaded cars. The average less-carload loading per car according to these figures is 2.6 tons. It thus appears that in 1930 it required 26.59 per cent of the loaded cars to move the less-carload freight, constituting only 2.6 per cent of the total tonnage handled.

No reliable statistics of traffic handled by motor vehicles are yet available. The studies which have thus far been developed are so incomplete that no deductions therefrom may be attempted. It is generally known that the greatest inroads made by the motor trucks upon railroad traffic have been in the field of traffic normally handled in the less-than-carload service.

Transcontinental tonnage handled through the Panama Canal reached its peak in 1924 and, for the past five years, has been fairly constant, as will be seen from the following figures:

Transcontinental Tonnage Handled Through the Panama Canal

Fiscal year	Intercoastal tons of cargo
1924	13,527,378
1925	9,496,259
1926	10,069,604
1927	10,862,402
1928	10,233,699
1929	10,176,773
1930	10,490,064

In 1930 over 3,300,000 tons of crude petroleum, gas and fuel oil, gasoline, benzine, naphtha, and kerosene were embraced in the eastbound tonnage. It is highly improbable that this would have moved by rail in the absence of steamship service.

The development of automotive transportation has not been an unmixed evil for the railroads, as some people

have appeared to believe. No other development of our industrial civilization has contributed directly and indirectly so much to the increase in railroad freight tonnage as has the automobile. The automotive industry created a demand for refined petroleum products and stimulated the development of the petroleum industry, which, prior to that time, was one of the minor industries of this country. As illustrative of the effect of this it is well to compare some of the commodity statistics of the Class One railroads for the five-year period beginning in 1910 with corresponding statistics for the five-year period beginning with 1925.

From 1910 to 1914 there was not a sufficient movement of automobiles by railroad to warrant the Commission in requiring a separate commodity report on that commodity. A separate classification was made for "wagons, carriages, and tools," and for the five-year period from 1910 to 1914 the average tonnage carried per year was 3,311,348. For the period 1925 to 1929 the average tonnage of automobiles, motor trucks and trailers carried per year was 21,638,806 tons. The following figures for the respective periods upon commodities, as classified by the Commission, illustrate the development:

5-year period	Commodity	Average tons carried per year
1910-1914	Wagons, carriages & tools.....	3,311,348
1925-1929	Automobiles, motor trucks & trailers	21,638,806
1910-1914	Petroleum and other oils.....	18,979,159
1925-1929	Refined petroleum products.....	108,328,493
1925-1929	Crude petroleum	19,475,842

The great bulk of crude petroleum movement in this country is by pipe line, and yet it is significant that during the five-year period beginning with 1925 the crude petroleum movement was greater than the movement of all refined petroleum products for the five-year period beginning with 1910. Prior to 1920 there was no separate segregation to show the movement of crude petroleum in the commodity reports, but it was included along with numerous "other products of mines" in the commodity reports required of the railroads.

The freight revenue derived from the transportation of these commodities was not reported to the Commission prior to 1928. We have, therefore, the freight revenue only for the past three years. The following table will give some idea of the importance of these commodities to the revenue requirements of the railroads:

Total Freight Revenue from Petroleum and Its Products and Automobile Traffic

	Crude Petroleum	Refined Petroleum and Products	Automobiles and Trucks	Total
1928	\$34,005,692	\$ 322,633,198	\$200,205,018	\$ 556,843,908
1929	27,604,840	352,353,923	214,304,387	594,263,150
1930	27,486,967	339,138,460	124,401,959	491,027,386
Total	\$89,097,499	\$1,014,125,581	\$538,911,364	\$1,642,134,444

From the above it is seen that the total freight revenue from petroleum and its products and from motor vehicles has been running in excess of a half-billion dollars per year. In 1928 these commodities furnished the Class One railroads 11.53 per cent of their total freight revenue; in 1929 they furnished 11.96 per cent; and in 1930 they furnished 9.89 per cent. In addition to these items there has been an enormous collateral tonnage of raw materials moving to automobile factories and petroleum refineries, an enormous tonnage of pipe, machinery and other equipment and also of building materials for factories, garages, paved roads and streets, and other structures, which have been made necessary because of the development of the motor vehicle.

In spite of the fact that petroleum and its products are available to competitive means of transportation, the total tonnage of crude petroleum handled by the railroads in 1930 was slightly greater than in 1929, and the movement of refined petroleum and its products in 1930 was greater than for any previous year, except 1929 when the tonnage carried was only slightly in excess of that in 1930.

While there will doubtless be a substantial loss of tonnage of these commodities because of the development of highway transportation and pipe-line transportation, nevertheless it appears that they will still continue to be one of the most important elements of railroad freight tonnage for many years to come.

The purpose of the foregoing summary is to emphasize the necessity for considering carefully the effect that any legislation may have upon the development or continuance of the automotive industry.

While it has been pointed out that the growth in motor truck registrations has progressed with enormous rapidity in the last few years, it is significant that as yet the industry is wholly incapable of handling the great volume of tonnage which today moves by railroad. In Ex Parte 103, Dr. Julius H. Parmelee, Director of the Bureau of Railway Economics, testified as to the motor truck capacity for handling the commerce of the country. He pointed out that approximately one-half of the motor trucks are commonly credited to interurban service, and he estimated that should the average mileage of all such trucks be 14,000 miles per annum, with a capacity load on all loaded trips and loaded three-fourths of the time, the maximum that they could handle in a year would be 29 billion ton miles. This would be 7.56 per cent of the aggregate ton miles of traffic handled by Class One carriers in 1930. When one sees numerous motor trucks moving upon the highways, one is constrained to believe that a very large share of railroad tonnage has been lost to these facilities for transportation. But whenever careful studies are made of the tonnage handled in particular sections, it is realized that the motor truck traffic is as yet so small a part of the whole as not to be considered as a major problem. Nevertheless, it is a growing industry and the possibilities of its development and the effect it may have on other agencies of transportation should be made the subject of careful study as the industry develops. Conclusions that may be reached ultimately are not indicated under present conditions.

Both State and Federal government agencies are constantly developing additional information upon the subject, and your committee believes that the League should continue active studies of these subjects for the purpose of determining its future course of action with respect thereto.

The conclusions embodied in this report are for the most part tentative and general, and it is the opinion of your Committee that a great deal of additional data on the respective subjects should be accumulated and analyzed for the benefit of the members of the League. When this task has been completed it may be found desirable to make further recommendations or to restrict or modify recommendations embodied in this report.

APPENDIX A

To Report of Special Committee to Exchange Views with Railroad Executives on Railroad Declaration of Policy

Col. 1 Year ended	Col. 2 Ton Miles ¹ per mile of road	Col. 3 Average yearly ton- miles per mile of road for five- year period	Col. 4 Col. 5 Growth in average yearly ² railway traffic over pre- ceding five year period	
			Increase in ton miles per mile of road	Percentage
June 30, 1890	487,245			
1891	502,705			
1892	543,365			
1893	551,232			
1894	457,252	508,359		
1895	479,490			
1896	523,832			
1897	519,079			
1898	617,810			
1899	659,565	559,955	51,596	110.14
1900	735,352			
1901	760,414			
1902	793,351			
1903	855,442			
1904	829,476	794,807	234,852	141.94
1905	861,396			
1906	982,401			
1907	1,052,119			
1908	974,654			
1909	953,986	964,911	170,104	121.40
1910	1,071,086			
1911	1,053,566			
1912	1,078,580			
1913	1,190,397			
1914	1,125,084	1,103,742	138,831	114.38
1915	1,075,962			
³ Dec. 31, 1916	1,409,957			
1917	1,538,211			
1918	1,582,796			
1919	1,423,390	1,406,063	302,321	127.39
1920	1,597,133			
1921	1,199,328			
1922	1,330,460			
1923	1,615,741			
1924	1,518,556	1,452,243	46,180	103.28
1925	1,613,862			
1926	1,732,295			
1927	1,668,800			
1928	1,677,089			
1929	1,727,786	1,683,966	231,723	115.95
1930	1,596,520			

¹Statistics of Railways in the United States.

²The six months period July 1 to December 31, 1915 is omitted following the practice of the Bureau of Railway Economics.

³The average for each five-year period is compared to that for the preceding five-year period.

Regulation of Motor Trucks

The following quotation from one of the railroad students of the subject states the opinion of your Committee as to the basic distinction between automobile bus commerce and motor truck commerce:

"It is not, under existing conditions, believed practicable to attempt the application of similar measures to the operation of motor trucks. Passenger bus lines are nearly all common carriers, and hence as amenable to regulation as train service. Motor truck operations, on the other hand, are of at least four kinds, viz., privately owned and operated trucks, private carriers for hire, contract trucks and common carrier trucks. The last named contribute only a relatively small proportion of the total of truck operations, yet are the only form practicably capable of regulation as to rates, adequacy of service, accounting, etc., at this time."

The development of motor truck transportation has taken place with such rapidity that it is impossible to determine yet the fields in which it would appear to be able to operate most efficiently and economically. Certainly for short hauls of high grade traffic the motor truck is the most efficient and economical transportation agency yet developed. No doubt there has been an over-expansion of motor truck operations in some lines where their economy and efficiency, as contrasted with railroad transportation, would be doubtful. It will take time and experience to demonstrate the extent to which this agency can best serve the public, and there will no doubt always be a field in which there will be substantial competition between railroads and motor trucks.

It is not strange that we are unable at this time to determine the economy and efficiency of motor truck operations, when it is remembered that under the archaic system of accounting maintained by the railroads they are unable to disclose the economy and efficiency of their system of distributing less-than-carload traffic. It is this field where their competition has been most acute and it would seem to be important to determine the relative cost, efficiency and characteristics of this kind of transportation, not only by means of motor trucks but by means of the railroads as well.

Your Committee is of the opinion that we have not yet reached the stage where the rates and charges of interstate motor truck operators should be regulated by law. Neither do we believe that certificates of public convenience and necessity should be required before a person is permitted to transport freight by motor truck for hire either as a contract or common carrier. It is impracticable and unwise at this time to require motor truck operators to give scheduled and regular service to the public.

It is realized that many problems have arisen as a result of the development of this new form of transportation. We believe that insofar as it is practicable,

it would be proper to provide for protection of the public against irresponsible motor truck common carriers holding themselves out to transport commerce for hire. It is also desirable that they be required to provide assurance of financial and moral responsibility, not only to their patrons but to other users of the public highways.

Your Committee believes that this is properly a function of the respective State governments and that Federal legislation should not be undertaken upon the subject unless it be found that there is no hope of securing such protection through the offices of the respective States.

While your Committee has not as yet worked out a detailed program by which the foregoing purposes may be accomplished, it is thought that the League should favor the development of uniform codes among the several States to govern the operations of motor carriers upon the public highways. To this end it would be proper to provide by law requirements for surety bonds or other financial arrangements to indemnify all persons against damage caused by the operations, negligence or malfeasance of such operators. As a part of the exercise of the police powers of the respective States, operators of motor trucks for hire should be required to stand examination as to their competency, moral responsibility, and knowledge of the traffic laws and regulations of the States where they operate. Provision should be made for licensing persons, firms and corporations to operate lines of motor trucks for hire, and the right should be retained to cancel licenses to operators or otherwise punish infractions of the regulations or negligence in their service to the public. Proper requirements such as limitations upon speed and the size and character of vehicles to be used are subjects in which requirements should be worked out upon recognized scientific bases. These are proper functions for the State and in connection therewith reciprocity arrangements between the several states should be perfected.

We also believe that railroads should be permitted to operate lines of motor trucks for hire, but that no such operations should be carried into the accounts of the railroad operations proper. We would look with disfavor upon any law which would permit the railroad to pass the burden of unprofitable motor truck operations to the public by including such losses in the expense of railroad operation.

Your Committee further recommends that the Interstate Commerce Act be amended to permit rail carriers to make joint rates with passenger or freight motor vehicle lines and place such motor vehicle lines under the jurisdiction of the Commission to the extent that the two classes of transportation make joint rates, that is to say, substantially to the same extent that water lines are now subject to the Act, where they publish and file with the Commission joint rates with rail lines; in like manner rail, water and motor vehicle lines should

be permitted to file through joint rates and be subject to like jurisdiction.

Compensation for Use of Highways

With the first development of the automobile there came an impetus to improve the public highways. It had always been the policy of the several States to consider the expense of providing highways as a proper charge upon the public at large, and general taxation was the only source of funds for such purposes. This view was shared by all interests and, as highways were not avenues of traffic which competed to any substantial degree with railroad transportation, there was no element of unfairness in the system. With the progress of highway engineering, better highways were constructed and used extensively by automobiles with little thought that these would ultimately become avenues of transportation in competition with the railroads. With the development of commercial transportation upon the highways the American public came rapidly to the conclusion that the expense for providing such highways should be borne by the industry which used them. In every State substantial progress has been made in transferring the burden of highway maintenance and expense from the field of general taxation to the automotive industry as a whole. The largest source of revenue for such purposes has been a so-called gasoline tax, which is nothing more nor less than a payment for the privilege of using the highways, and it is very properly required of all vehicles using such highways except those that are operating at the expense of the Government.

The League believes that this is a sound principle and that primarily the expense incident to maintaining highways and to the payment of interest and provision for sinking funds, where bonds have been issued for the construction of highways, and for the building up of proper reserves for future highway renewals and development, is a proper charge upon the automotive industry as a whole, but we should not ignore the benefits of good roads to society in general (education, fire protection, police protection, postal service, etc.) which may be properly paid for out of general tax funds.

We believe that commercial motor vehicles should pay their proper share of such highway expense and that in determining their share consideration should be given to the greater use they make of the highways. This is done in most States by providing a graduated system of registration fees in addition to the gasoline excise tax which is paid in proportion to the gasoline consumed.

Not until the past two years has the science of highway engineering advanced to a point where reliable conclusions can be reached as to the wear and tear upon the highways of the respective classes of vehicles or as to the proportionate amount of compensation which should properly be exacted from the several classes of motor vehicles.

Because of the lack of such knowledge the taxes and fees exacted by various States vary to an extreme degree and, in most cases, have not been fixed with a view to determining the proper compensation to be exacted nor the proper expense to be met. Necessarily conditions vary in different sections of the country and such fees need not be uniform, but there should be a uniform policy adopted and in connection therewith some provision for reciprocity between the States under which each State may have opportunity to be fairly compensated for the use made of its highways by commercial vehicles registered in other States.

Your Committee believes that this is primarily a problem of the States and we would recommend that any Federal legislation on the subject be opposed, unless it be necessary to enable the States to handle the problem themselves, or unless it be found that there is no hope for a solution through action by the respective States.

Amendment of Fourth Section

We believe it would be proper for the Commission to be required to grant authority to depart from the Fourth Section to meet motor truck competition, provided it found, after due investigation, that the rates to be authorized were compensatory and would not constitute a burden upon other traffic, that they would not result in the destruction of a competitive agency of transportation, and would not depart from the aggregate of the intermediates clause.

Regulation of Water Transportation

In its Declaration of Policy the Association of Railway Executives advocates legislation placing all port to port rates applying on interstate commerce under the jurisdiction of the Interstate Commerce Commission, with provisions as to reasonableness, discrimination and preference, and as to publication of and adherence to rate schedules, in much the same way as now apply to railroads. They also advocate that steamship lines be required to obtain certificates of public convenience and necessity, and that the law include particular "service requirements" as to the services to be performed by such lines.

In the discussion of the subject with the representatives of the Railroad Executives it developed that they advocated that the legislation apply not only to common carriers, but also to contract carriers and, insofar as the provisions for publication of rates and adherence thereto were concerned, that they include private boat lines and boats operating under charters in private transportation.

Your Committee is opposed to any attempt to regulate rates or service, or to require publication of tariffs, in the case of private lines or chartered boats where the service is private carriage for the charterer. We see no more reason for attempting to regulate such service than for attempting to regulate private transportation in any other

line. It is not believed that the Association of Railway Executives will insist upon this feature.

Your Committee is also of the opinion that the jurisdiction of port to port rates and the regulation of such service by regular or irregular carriers should not be placed under the Interstate Commerce Commission. The conditions which affect water transportation differ so from those affecting rail transportation that it is difficult to make a comparison. Uniformity of rates and classifications and adherence thereto by competing lines of water carriers is impracticable and strict uniformity would be unfair to some of the water carriers as well as to shippers.

Charges for railroad transportation are based upon the tonnage carried, and the weight density of railroad freight is a factor in determining its classification rating. Charges for carriage by vessel are based upon the space occupied and density is also a factor, but no uniform classification appears to be practicable which is based upon density.

The speed of the vessel, the marine insurance hazard, and the requirements for balanced cargo are elements which vary with different vessels and with differing routes. The opportunity to offer special inducement for return cargo under some conditions appears to be in the interest of both the shippers and the water carriers. The necessity for equal rates in both directions does not apply to the same degree in water transportation as it does in railroad transportation. The elements of cost of water transportation can not be determined by the standards developed to ascertain the cost of rail transportation, and they vary so greatly with different vessels and different lines that it is difficult to contrast water and rail transportation costs. In the cases where the Interstate Commerce Commission has dealt with water transportation as a part of through transportation subject to its jurisdiction, it has been the tendency to relate the charges for water transportation to the charges ascertained to be reasonable for rail transportation, whereas, the shippers believe that the reasonableness of charges for water transportation should be determined, so far as possible, by the conditions which are peculiar to that character of transportation.

Steamships are at liberty to go wherever cargo is offered, and lines are at liberty to vary their service in accordance with the tonnage offering. In some cases it is practicable for lines to operate regular service the year round, while in many other cases it is not practicable. Vessels in irregular service should be permitted to compete with vessels in regular service. For these and other reasons, it is not considered in the public interest that a vessel carrying cargo for hire should be required to obtain a certificate of public convenience and necessity before it is permitted to operate, nor to conform to standardized requirements for scheduled service. For these and other reasons your committee does not feel that certificates of public convenience and necessity should be required of steamship lines.