

Mr. SPRINGER. May I ask the General what his job is?

General MEYER. I am Director of Logistics for the Joint Chiefs of Staff.

Mr. SPRINGER. I want to see, Mr. Secretary, if I can put this together in a nutshell so that this committee can understand where you stand as a result of both of these statements. If there is anything you have to add at the end, I hope you will do it.

I have tried to analyze your statement. You have given, as best I can see, four distinct reasons as to why you believe that you have to take this position.

First, that in the ordinary course of business, defense items cannot be made separately from the rest of the rail traffic. Is that one?

Mr. IGNATIUS. Yes, sir; that is one.

Mr. SPRINGER. Now, the second one is that since the carriage of materials used by the Defense Department are approximately 5 percent, that this is not a viable way for the economy to work. In other words, as a result of trying to operate in this manner, with partial carriage, you up the costs of all products, including the Defense Department. Is that true?

Mr. IGNATIUS. I think certainly the cost of the transportation would be far higher because you would be operating essentially the bulk of the railroad system for a very small portion of the normal volume. Therefore, the smaller volume would have to bear that very heavy fixed cost.

Mr. SPRINGER. Now I will go to the third point.

As I understand it, your feeling is that other parts of the economy not occupied with defense would turn to the defense plants themselves for the output of products used in the private economy because they would be the only plants that would be operating.

Mr. IGNATIUS. I think we can say that. I believe that you are quite correct in saying that that is the kind of problem that would immediately arise.

The difficulty is that there are very few contractors who are wholly or solely defense contractors. They will range from less than 1 percent of their total volume on behalf of the Defense Department to, in the case of a few companies, a very substantial portion of their total volume.

An example might be a company making, let's say, transistors that we would use on military electronics but, let's say, might be used also in commercial television. Presumably the transistors used on military electronics would be essential; the ones on television would not be.

The company that makes them may be four or five tiers down the contracting structure. He may sell his transistor to a company who makes what the military call a black box. That black box, in turn, may be sold to a larger company that assembles several of these into a system who, in turn, may provide it to an aircraft manufacturer who puts it in, let's say, the F-4 fighter.

Knowledge of all of these relationships among companies down the various tiers is extremely difficult to obtain in any either central or regional way.

Mr. SPRINGER. Mr. Secretary, I only have 5 minutes.

Mr. IGNATIUS. I don't mean to take your time.