smaller cities and towns in an effort to reduce subsidies as the Congress obviously wants us to do.

We have embarked upon a program of route strengthening for these local service carriers so that they might operate between two fairly large population centers in the geographical area they serve.

But if an intrastate carrier comes in and seeks to take only the cream of service in that geographical area, running only between city A and city B and competing there with one of our local service carriers but making no effort to serve the smaller cities and towns, then it is a matter of some concern to the Board because he is competing with our carrier in the best market and doing nothing to build a fine system of air transportation for the Nation.

I don't know that we have solved the problem yet of how you can keep an intrastate line from running from Los Angeles to San Francisco, and indeed they are doing a very outstanding job and carrying a great many passengers.

Mr. MOORHEAD. At least under your regulation, they don't have to go to some of the smaller towns in California.

Mr. CROOKER. No, sir; they skip the smaller towns that our local service carrier serves.

Mr. MOORHEAD. In this connection—and we have touched on subsidy—what has been the trend in total subsidy payments over the past few years and what do you project in the future?

Mr. CROOKER. The peak was about 4 years ago, and since that time subsidy has been dropping. There are now no trunklines on subsidy. The Hawaiian lines are off subsidy. In the fiscal year ahead of us, there will be a subsidy for the Alaskan lines in the range of $5 to $6 million and probably a susbidy in the range of $49 million for all the local service carriers in the 48 contiguous States.

If the total drop in subsidy has been in the range of $5 million per year, it is possible that it will continue at this rate.

At the Senate appropriations hearing a week ago today we suggested that a drop of three—slightly more than $3 million a year—in total subsidy might be in order in the years just ahead, Mr. Moorhead.

Mr. MOORHEAD. For international rate setting, you don't have the final say. Am I correct that this is set by international agreement?

Mr. CROOKER. If I might have Mr. Roth, the Chief of our Bureau of Economics, give you a statement on that, I am sure he could be much more precise than I would be.

Mr. MOORHEAD. Yes, sir.

Mr. ROTH. I am Irving Roth, Director of the Bureau of Economics of the Civil Aeronautics Board.

The Board does not have any direct jurisdiction over the reasonableness of the international rates and fares. However, the air carrier rate agreements are filed with the Board and must be approved by the Board before becoming effective as tariffs of the air carriers.

This gives the Board a form of effective veto power over the international rates and fares, but the Board has no direct power whatever to prescribe, with or without a hearing, what the rate or fare should be.

In other words, through the Board's control over the reasonableness of rate agreement as opposed to the rates and tariffs as such, the Board has achieved an indirect control and influence over the rates, but it is a negative type of control rather than positive.