

U.S. Interstate Commerce Commission.

RAILROAD PASSENGER  
TRAIN DEFICIT



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INTERSTATE COMMERCE COMMISSION

No. 31954

RAILROAD PASSENGER TRAIN DEFICIT

Decided

Facts developed upon general investigation to inform the Commission as to the manner and method in which carriers by railroad subject to part I of the Interstate Commerce Act conduct their passenger business, particularly in respect of the nature and causes of the deficit therefrom and possible ways and means of reducing or eliminating that deficit.

William M. Moloney, Roland J. Lehman, John D. Morrison, William B. Johnson, Richard Jackson, Leonard G. Anderson, J. W. Grady, Paul R. Duke, George C. Doering, R. J. Fletcher, M. L. Cassell, Elmer B. Collins, Clifford T. Coomes, Richard E. Costello, Rowland L. Davis, Jr., Lockwood W. Fogg, Jr., John W. Foster, Earle J. Harrington, William L. Hunter, Edward M. Reidy, Howard V. Rhedin, Andrew C. Scott, Richard H. Stokes, Frederick E. Stout, and Edgar Vanneman, Jr., for respondents.

Richard C. Davis for the Interstate Commerce Commission.

Paul Meininger, Malcolm D. Miller, Charles B. Bowling, Henry A. Cockrum, Ann C. Gardner, J. C. Kinney, Allen C. Lande, Morris J. Levin, Clement T. Mayo, J. Frank Perrin, William R. Price, Joseph E. Quin, Leonard M. Shinn, and Ivon W. Ulrey for executive departments and other agencies of the United States Government.

Walter R. McDonald, Marion Beatty, David O. Benson, Richard C. Boyd, Kent H. Brown, Edward F. Jannott, Calvin J. Lammers, Richard V. Maves, and Austin L. Roberts, Jr., for State regulatory commissions.

Clyde B. Aitchison, Berl I. Bernhard, E. W. Dillon, D. W. Markham, John H. Ritter, Richard E. Spatz, Jack R. Turney, John R. Turney, William D. Valente, and Warren H. Wagner for other parties.

REPORT PROPOSED BY HOWARD HOSMER, HEARING EXAMINER,  
ASSISTED BY ROBERT A. BERRIEN, FRED A. CHRISTOPH,  
AND RAYMOND C. SMITH, ATTORNEY ADVISORS

1 This proceeding of investigation and inquiry was insti-  
2 tuted by the Commission on its own initiative by order dated  
3 March 19, 1956--

into and concerning the deficit from passenger-train service and allied services performed in passenger-train operations by railroads subject to the jurisdiction of this Commission; the railroad passenger revenues, operating expenses and other income items relating to net railway operating income; the rate of return upon investment in road and equipment property which is used in such service; the rules of this

Commission governing the separation of operating expenses, railway taxes, equipment rents and joint facility rents between freight service and passenger service; and possible ways and means of reducing and eliminating the railroad passenger-train deficit which has been incurred in recent years.

1       That order did not mention any particular section of  
2 the Interstate Commerce Act. With the exception of the  
3 question of the revision of the rules governing the  
4 separation of operating expenses, taxes, and rents between  
5 freight and passenger services no regulatory action under  
6 that Act is proposed or suggested. The proceeding is  
7 essentially a fact-finding survey pursuant to the duty of  
8 the Commission (sometimes hereinafter called the I.C.C.),  
9 specified in section 12(1) to "keep itself informed as to  
10 the manner and method in which the same business of all  
11 common carriers subject to the provisions of this part is  
12 conducted."

13       All common carriers by railroad conducting passenger  
14 service, subject to the jurisdiction of the I.C.C. were made  
15 respondents to the proceeding. "State Regulatory Commission  
16 and the general public, including railroad passengers and  
17 shippers and receivers of railroad freight, whose freight  
18 rates are now bearing a portion of the passenger deficit,"  
19 were invited to become parties to the proceeding. A  
20 cooperating committee of State commissioners, composed of  
21 Honorable Alan S. Boyd of Florida, Honorable Harold K.  
22 Davison of New Hampshire, and Honorable Ewald W. Lund of  
23 Minnesota sat with the examiners at hearings which extended  
24 intermittently from June 18, 1957, to June 23, 1958.

#### THE NATURE OF THE PASSENGER DEFICIT

25       The term passenger deficit refers to the amount by  
26 which the revenues from railroad passenger-service operations



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1 fall short of covering operating expenses, taxes, and net  
2 rents assigned or apportioned to this service. For many  
3 years it has been generally known that the transportation  
4 of passengers by railroad is relatively less profitable  
5 than the movement of freight,<sup>1</sup> but in 1930 for the first  
6 time an operating deficit from passenger service was shown,  
7 and except during World War II recorded expenses of per-  
8 forming this service have regularly exceeded the revenues  
9 therefrom. The figures for individual years in the period  
10 from 1936 to 1957 are set forth in Appendix A, which also  
11 shows the deficits for individual carriers in 1957.

12 Perhaps the most significant aspect of the showing in  
13 Appendix A relates to the fact that in the years from 1936  
14 to 1941, a period of retarded economic activity, the  
15 reported deficits ranged from \$226 million to \$262 million,  
16 while in the relatively prosperous period from 1949 to  
17 1957, the range was from \$508 million to \$723 million. The  
18 force of this comparison is not avoided by criticism voiced  
19 by a number of people in recent years to the effect that the  
20 figures purporting to show the deficits are fictitious or  
21 illusory because the I.C.C. separation rules are faulty.

22 This criticism is based on the fact that only about 75  
23 percent of the passenger operating expenses as reported can  
24 be directly separated from those for freight service. These  
25 are known as solely-related expenses. Obvious examples are  
26 wages of trainmen and enginemen in passenger operation. The  
27 other 25 percent, which are not solely related, present a  
29 typical problem in the ascertainment of the components of  
30 common costs. For the most part the costs which must be

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<sup>1</sup>The Five Per Cent Case, 31 I.C.C. 351, 387 ff.

1 apportioned are in the group of accounts for maintenance  
 2 of way and structures.<sup>2</sup> For example, the class I rail-  
 3 roads in 1956 spent \$309 million for track laying and  
 4 surfacing of running tracks, of which \$79.7 million was  
 5 assigned to freight service and \$695,000 to passenger. Of  
 6 the remainder \$191.4 million was apportioned to freight  
 7 and \$37.5 million was apportioned to passenger service.  
 8 The methods of making such apportionments necessarily are  
 9 more or less theoretical or arbitrary and therefore contro-  
 10 versial.

11 For that reason the I.C.C. included its separation  
 12 rules among the items listed for consideration in this  
 13 proceeding. Furthermore by notice dated April 5, 1957, it  
 14 instituted another investigation, No. 32141, Separation of  
 15 Operating Expenses between Freight and Passenger Services,  
 16 exclusively pertaining to this subject, which was assigned  
 17 for hearing with the instant proceeding. Division 2 on  
 18 January 27, 1958, issued a report in No. 32141, in which it  
 19 considered the separation rules, finding that "the present  
 20 rules \*\*\* produce valid results, are adequate for the  
 21 purpose for which they are intended, and require no modifi-  
 22 cation." No. 32141 was therefore discontinued, but it was  
 23 stated that the findings were without prejudice to any  
 24 different findings or conclusions that might be reached  
 25 upon completion of the record in the instant case. There is  
 26 no factual foundation, however, for different findings or  
 27 conclusions.

28 The report in No. 32141 included the following statement:

The National Association of Railroad and  
 Utilities Commissioners [hereinafter referred  
 to as the NARUC] urges that the Commission is  
 not required by law to separate different  
 departments of railroad operation, and that

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<sup>2</sup>See Western Passenger Fares, 37 I.C.C. 1, 12 ff.

the present separation rules have no purpose other than the development of statistical data. It favors a change in the rules so as to reflect only the out-of-pocket costs of the passenger service. The City of Philadelphia takes a similar position.

1 Others have taken the position that because of the  
2 nature of the separation rules the soundest criterion of the  
3 profitability of railroad passenger service is solely-related  
4 passenger expense plus an additional amount to reflect taxes,  
5 rents, interest on depreciated investment and certain other  
6 items. This contention might have had some force 5 or 10  
7 years ago, but it has little or none today.

8 In 1952, the class I railroads earned from their  
9 passenger service about \$50 million more than solely-related  
10 costs to apply toward the items above referred to, but in  
11 each year since they have failed to cover the solely-  
12 related passenger costs by an increasing margin. They fell  
13 short in 1953, by a little more than \$1 million. The  
14 deficiency in 1957 was \$113.6 million, and according to the  
15 best available estimates it currently is at an annual rate  
16 of \$140 million.<sup>3</sup>

17 Addition of an allowance for taxes and net rents to  
18 solely-related passenger expenses indicated a deficit of  
19 \$85 million on this basis in 1955, concerning which the  
20 I.C.C. in its annual report for 1956 said:

The \$85 million represents as a minimum the expenses which should be covered by passenger-service revenues because it is a part of the expenses directly incurred in the operation of passenger service. This comparison does not allow for any return on investment in equipment and road property used exclusively for passenger service.

21 The corresponding amounts in 1954 and 1956, respectively,  
22 were \$76 million and \$121 million. When the 1957 figure is

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<sup>3</sup>Based on evidence submitted by the rail carriers in Ex Parte No. 212.

1 finally determined, it will probably be about \$129 million,  
2 and that for 1958 may be as high as \$165 million.<sup>3</sup> The  
3 magnitude of this figure and its rapid growth are so  
4 serious under present conditions that any effort to determi  
5 more or less precisely how many hundreds of millions should  
6 be added by way of apportionment of common expenses seems  
7 hardly worthwhile.

8       Some of the witnesses, however, undertook to estimate  
9 the extent to which these minimum figures would have to be  
10 increased to measure what has been called "avoidable" cost  
11 of passenger service, intended to represent the amount of  
12 money which would be saved if the operation of passenger  
13 trains were completely discontinued.

14       The respondents do not agree that the concept of  
15 avoidable costs has any usefulness in this proceeding. The  
16 witness who discussed the question called it "purely theo-  
17 retical and wholly removed from the realm of actuality." He  
18 stated:

No one can forecast with complete accuracy the effect on the economy of the country or of the railroad industry of total cessation of all passenger train services and facilities. Any consideration of "avoidable" costs must be based on the improbable assumption that nothing would be changed except the revenues and "avoidable" costs of the passenger train service itself. It must also be assumed that the cessation is to be practically instantaneous because conditions existing at a given time must be computed in relation to actual historical railroad costs for some designated period of time. Since there has not been any large scale instantaneous cessation of passenger train service there is no historical basis for estimating the effect of such action. Because of this fact, any estimate of "avoidable" costs largely involves judgment.

19       This witness nevertheless presented an estimate of "the  
20 approximate long-term avoidable cost of passenger service of  
21 the railroads of this country treated as a whole" based on



1 operations in 1955. The avoidable cost so estimated is  
2 \$1,697,902,595 (\$1,590,943,765, operating expenses;  
3 \$92,546,848, railway tax accruals; \$14,411,983, equipment  
4 and joint facility rents). The difference between this  
5 total and passenger-service operating revenues in 1955,  
6 \$1,266,827,979, is \$431,074,616, representing "avoidable  
7 cost deficit", compared with \$636,692,574 computed on the  
8 I.C.C. basis. For illustration, this estimate includes  
9 an allowance of \$49,996,584 for roadway maintenance and  
10 depreciation as chargeable to passenger service, the  
11 corresponding figure under the I.C.C. basis being \$94,375,888.

12 There was introduced in evidence a study entitled  
13 "Avoidable Costs of Passenger Train Service" produced by the  
14 Aeronautical Research Foundation, hereinafter referred to as  
15 the ARF, a nonprofit organization, which states that it is  
16 "conducting studies into virtually all aspects of air trans-  
17 portation economics." The production was financed by the  
18 Association of American Railroads, (AAR) whose stated "prime  
19 objective \*\*\*\*\* was to divorce the work entirely from the  
20 many conflicting views and interests to be found on this  
21 subject within the rail industry." The AAR neither adopts  
22 nor rejects the conclusions reached in the study, although  
23 some of its members have derived a certain measure of  
24 support therefrom for their views. The public spirit of  
25 the AAR in aiding this study is commendable.

26 The purpose of the ARF study was "to show how avoid-  
27 able costs as defined by the I.C.C. can be accurately and  
28 economically estimated by the use of statistical or empirical  
29 methods of costing passenger service" said to be "novel in  
30 three respects:

(1) in redefining cost categories so as to permit the implementation of the concept of avoidable costs; (2) in employing statistical techniques to establish the numerical values of the various cost categories; and (3) in obtaining much more detailed data for establishing the statistical relationships."

1 The conclusion of the ARF was that "the grand total of  
2 all passenger operating costs for class I railroads would be  
3 \$1,975 million estimated on a statistical basis" in 1955  
4 not including taxes and net rents, contrasted with \$1,743  
5 millions according to the I.C.C. published figures. A  
6 further conclusion was that "the total passenger operating  
7 deficit as estimated by a statistical approach would amount  
8 to \$708 million" in 1955, "somewhat higher than the I.C.C.  
9 estimate for 1955 of \$476 million."

10 This study includes the following comment on the view  
11 that apportioned costs should be disregarded in considering  
12 avoidable costs:

Simply because fully distributed costs are a poor measure of avoidable costs does not mean that solely-related costs are necessarily a better measure. The common cost category is created because, in fact, many railroad costs are acknowledged to be determined by the existence of both passenger and freight service. Common costs exist and the separate influence of freight and passenger service on such costs must be measured. Professor Doe's procedure merely assumes away common costs, the central problem of railroad costing.

13 The following comments on the I.C.C. statistics are als  
14 of interest:

Of even greater importance are the comparisons of the statistical estimates with the results obtained by the I.C.C.. These comparisons are highly heterogeneous in the sense that the statistical figures both exceed and fall short of the I.C.C. full cost estimates in particular instances. Of course, the statistical estimates of avoidable costs more often exceed than fall short of the I.C.C. full cost estimates which is contrary to most prior expectations. It is, by contrast, not surprising that the statistical estimates almost universally exceed the I.C.C. solely related cost estimates since these latter costs

represent a virtual floor to any estimate of avoidable passenger costs. It must be remembered too that the statistical cost estimates represent a sort of norm.

1       The General Services Administration of the United States  
2 Government, hereinafter referred to as GSA, employed a group  
3 of economists to prepare a critique of the ARF study, which  
4 was introduced in evidence. Therein the GSA economists  
5 state:

In what it tries to do, the study is worthy of commendation. Its objective is interesting, and by no means unachievable. In its method of execution, the ARF study flounders in a mire of unfortunate and distinctly avoidable errors. So serious are the fallacies involved that the analysis must be judged an unequivocal failure.

\*\*\*\*\*

The general method employed multiple regression or correlation is one which, in the future, may possibly prove fruitful. The manner of its application by the Aeronautical Research Foundation, however, is demonstrably erroneous. Our general conclusion is that the estimates it provides are far too unreliable to be accorded any practical significance.

\*\*\*\*\*

The failure of the ARF study should not be construed as proof that the statistical approach to cost analysis is inherently wrong. A more carefully framed study may provide highly useful results. We recommend that the I.C.C. undertake an analysis of this kind, utilizing as much outside help as may be necessary to insure the most accurate estimates possible.

6       The National Coal Association, which has frequently had  
7 occasion in recent years to emphasize the magnitude of the  
8 passenger deficit, also utilized the services of a group  
9 of research economists for an analysis of the ARF study.  
10 A member of that group testified that informed persons  
11 familiar with the multiple regression technique "regard it  
12 as superior to alternative statistical methods, provided  
13 it is properly employed," recognizing, however, "that  
14 statistical techniques must be supplemented by knowledge of  
15 the operations of the industry being studied." He stated:

Our group considers the ARF study to be a landmark in statistical cost-finding. More specifically, we believe that it provides the best answer to date to the thorny question of the size of the passenger deficit. We believe that the statistical methods used are superior to those used in other studies of the problem. These remarks should not be taken to imply that we regard the ARF study as the final word on the subject of the passenger train deficit. The results obtained could be improved if additional data were available on which to base the statistical analysis.

1 This witness also entered upon a detailed counter-  
2 criticism of the criticism of the research witness for the  
3 GSA before mentioned. The issue so raised is essentially a  
4 professional controversy between economists couched in  
5 highly technical terminology not susceptible of resolution  
6 in this proceeding.

7 Both of these critic-witnesses agree that the method of  
8 multiple regression is a valuable statistical technique. Th  
9 ARF itself states that the basic purpose of its study has  
10 been methodological--" to explain and illustrate how the  
11 method of statistical costing can produce a meaningful  
12 estimate of avoidable costs." The emergence of this techniq  
13 should be welcomed by all who are interested in producing  
14 better railroad statistics and using them intelligently, but  
15 perhaps the method should be more intensively studied at  
16 the academic level with a view to promoting a greater degree  
17 of harmony among the economists as to its practical applica-  
18 tion. "Who shall decide when doctors disagree?"



## CAUSES OF THE PASSENGER DEFICIT

1 Briefly stated, the current passenger deficit is due  
2 to the tremendous inflation in railroad operating costs  
3 which has occurred since World War II accompanied by a  
4 continuing reduction in the revenue from passenger-train  
5 operation.

6 The Decline in Passenger-Service Revenue--This revenue  
7 in 1957 was \$1,238.1 million, compared with \$1,400.1 million  
8 in 1947, a reduction of 12 percent. The principal source  
9 of such revenue is the transportation of persons, which  
10 in 1957 produced \$735.3 million. The revenue from coach  
11 passengers was \$430.3 million, from parlor and sleeping-  
12 car passengers \$191 million, and from commutation passen-  
13 gers \$114 million. To these figures were added \$502.8  
14 million derived from mail, express, baggage, dining and  
15 buffet, hotel and restaurant, and other miscellaneous  
16 sources. This additional revenue was 41 percent of the  
17 total passenger-service revenue in 1957, compared with  
18 38 percent in 1947-1956 and 34.5 percent in 1932-1941.

19 The number of passengers (including commutation)  
20 carried by class I railroads in 1957 was 411 million, the  
21 smallest number ever recorded in a period dating from  
22 1890. The number in the/<sup>first</sup>5 months of 1958 was 7 percent  
23 lower than that in the corresponding months of 1957.  
24 Coach passengers declined from 360.9 million in 1947 to  
25 167.7 million in 1957, a reduction of 53 percent.  
26 Passengers in parlor and sleeping cars were 30.6 million  
27 in 1947 and 13.3 million in 1957, a loss of 57.5 percent.  
28 The railroads had 345.1 million commutation passengers in  
29 1947, the largest number on record, and 243.7 million in  
30 1957, a reduction of 30 percent.

1       The reason for these losses is of course well-known,  
2 namely the increase in the availability and use of motor  
3 and air transportation. Railroad passenger-miles in 1947,  
4 approximately 47 million, were 13.36 percent of the total  
5 intercity volume. In 1956 the figure was 28.5 million, 4  
6 percent of the total. Most of this loss was due to the  
7 heavy increase in travel by private automobile, namely from  
8 273 million passenger-miles in 1947, 77.6 percent of the  
9 total, to 617.7 million passenger-miles in 1956, 83 percent  
10 of the total. Passenger-miles of air carriers increased  
11 from 6 million in 1947, 1.7 percent of the total, to 25.5  
12 million in 1956, 3.6 percent of the total. For motor buses  
13 the increase was from 24 million in 1947, 6.8 percent of the  
14 total, to 25.2 million in 1956, 3.6 percent of the total.  
15 The figures for each year of this period are shown in  
16 appendix B. Railroad revenue passenger-miles in 1957  
17 declined to 25.9 million and for the first time dropped  
18 below air passenger-miles. In the first 5 months of 1958  
19 railroad passenger-miles were 15 percent less than the  
20 number in the corresponding period of 1957.

21       The influence of increased motor travel has most  
22 severely affected rail passenger traffic for the shorter  
23 distances. The largest number of railroad passengers (all  
24 classes) in any year on record was 1,269.1 million in 1920,  
25 and the number of passenger-miles in that year exceeded any  
26 other annual figure except for the war years, 1942-1946.  
27 The average journey per passenger, per railroad, in 1920  
28 was 37 miles, fairly representative of subsequent years  
29 until about 1935 when the average began to increase gradually.  
30 There was a sharp upturn in 1939 due to military and other

1 war-time travel. In 1944 the average was 104.4 miles.  
2 Since then the figure has been below 70 miles except in  
3 1951 and 1952 when the Korean conflict appears to have  
4 brought about a small increase. The average declined from  
5 65.6 miles in 1956 to 63 miles in 1957, and in the first  
6 5 months of 1958 it was 55 miles compared with 60 miles  
7 in the corresponding period of 1957.

8 There have been some increases in railroad passenger  
9 fares in the past 10 years. The average revenue per  
10 passenger-mile from coach travel (other than commutation)  
11 rose from 2.02 cents in 1947 to 2.71 cents in 1957. The  
12 average revenue per passenger-mile from first-class fares  
13 was 2.74 cents in 1947 and 3.68 cents in 1957. In each  
14 case the increase was 34 percent. Commutation revenue,  
15 however, increased from an average of 1.12 cents per  
16 passenger-mile in 1947 to 2.36 cents in 1957, an increase  
17 of 110 percent. In part because of these increases average  
18 revenue per passenger gross ton-mile rose from 0.529 cent  
19 in 1947 to 0.645 cent in 1957, an increase of 22 percent.

20 The Rise in Passenger-Service Operating Costs--The  
21 total operating expenses (including net rents and taxes)  
22 for passenger service in 1957 were 7 percent greater than  
23 they were in 1947 despite the decline in traffic and  
24 revenue before pointed out. The average of such costs per  
25 passenger gross ton-mile increased from 0.69 cents in 1947  
26 to 1.02 cents in 1957, an increase of 48 percent.

27 Numerous statistics are available to show the reasons  
28 for these increases. Based on 1947-49 price levels used as  
29 an index of 100, railroad fuel prices at the end of 1957  
30 stood at 121.4, the prices of other materials and supplies

1 at 153.6, and the hourly straight-time rate of pay of rail-  
2 road employees at 183.8. Between 1947 and 1958 those  
3 employees received successive pay increases which consider-  
4 ably exceeded the rate of the rising cost of living in the  
5 same period. The consumer price index was 121.6 as of  
6 December 31, 1957 on the 1947 base of 100.

7 A major element of cost of passenger-train operation  
8 is the compensation of engine and train employees engaged  
9 in that road service, embracing conductors, assistant  
10 conductors and ticket collectors, baggagemen, brakemen and  
11 flagmen, engineers and motormen, and firemen and helpers.  
12 Wage payments to these employees in 1957 amounted to  
13 \$237,776,436<sup>4</sup>, which was 13 percent of total passenger  
14 operating expenses (not including rents and taxes). This  
15 sum represented an increase of 22 percent in the payments  
16 to employees in this category over 1947, when the amount  
17 was approximately \$194.9 million. This increase may be  
18 contrasted with one of 9 percent in all passenger operatin  
19 expenses (not including rents and taxes). The wages of  
20 engine and train employees in passenger service in 1957  
21 were equivalent to 19 percent of passenger-service revenue  
22 in that year, compared with a ratio of 14 percent in 1947.

23 These wages are based on a standard day's pay, which  
24 varies for the different vocations, established by collec-  
25 tive bargaining, and has increased through the years. For  
26 engine crews this standard day's pay is subject to the  
27 following basic-day rule:

One hundred miles or less (straight-away or turn-around) five hours or less, shall constitute a day's work; miles in excess of 100 will be paid for at the mileage rate provided, according to class of engine.

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<sup>4</sup>I.C.C. Statement No. M-300, 1957.



1        Payments for overtime are "on a speed basis of 20  
2 miles per hour computed continuously from the time required  
3 to report for duty until released at the end of the last  
4 run." \*\*\*\* "Overtime in all passenger service shall be  
5 paid for on the minute basis at a rate per hour of not  
6 less than one-eighth of the daily rate herein provided,  
7 according to class of engine."

8        For conductors and trainmen the rule is that "150  
9 miles or less (straight-away or turn-around) shall consti-  
10 tute a day's work; miles in excess of 150 will be paid for  
11 at the mileage rate provided. The overtime rule for train-  
12 men (other than those in commutation service) is sub-  
13 stantially the same as that for enginemen.

14        These basic-day rules have been in effect without  
15 change since 1919. At that time the average speed of  
16 passenger trains was about 20 miles per hour. This average  
17 has increased steadily each year, and for 1957 it was 40.2  
18 miles per hour. As this average speed has risen the number  
19 of hours which engine and train employees must work to  
20 earn a day's pay has correspondingly decreased. In 1947,  
21 for example, the average number of hours actually worked  
22 by passenger firemen on straight time and overtime per  
23 basic day of 100 miles was 3.6. The corresponding average  
24 in 1957 was a little less than 3.3.

25        Some examples of the actual working of the basic-day  
26 rules in May 1956 are interesting. A passenger fireman having  
27 a run on the line of the Great Northern between Minot and  
28 New Rockford, N. Dak., 109 miles, involving 2 hours and  
29 11 minutes of service paid at the rate of \$15.41 per day,  
30 received compensation of \$16.80, equivalent to \$7.695 per hour.

1 A passenger conductor on the Milwaukee, running between  
 2 Minneapolis, Minn., and Milwaukee, Wis., 346 miles, paid  
 3 at the rate of \$16.69 per day on duty for 6 hours received  
 4 compensation of \$38.50 therefor equivalent to \$6.416 per  
 5 hour. The Burlington's Denver Zephyr, a highspeed over-  
 6 night train between Chicago, Ill., and Denver, Colo.,  
 7 running 1,034 miles in 16.5 hours, requires the services  
 8 of 8 engine crews, whose members receive a total of 10 1/3  
 9 basic days' pay.

10 The average compensation received by engine and train  
 11 employees in passenger service per hour of straight time  
 12 and overtime actually worked increased from \$2.29 in 1947  
 13 to \$4.44 in 1957, 93 percent. The averages for the com-  
 14 ponent classes of such employees were as follows:

	<u>1947</u> Per hour	<u>1957</u> Per hour
Conductors	\$2.30	\$4.23
Assistant conductors etc.	1.86	3.66
Baggagemen	1.89	3.68
Brakemen and flagmen	1.95	3.92
Engineers etc.	2.84	5.45
Firemen etc.	2.52	5.06

15 The number of hours actually worked by these employees  
 16 straight time and overtime in 1957 was 57 percent of the  
 17 number for which they were paid at straight-time and over-  
 18 time rates. The corresponding ratio in 1947 was 64 percent.

19 Because of the serious decline in passenger traffic  
 20 from 1947 to 1957 the increases in wages paid to engine  
 21 and train employees had a much greater impact on passenger  
 22 revenue than on freight revenue. The number of freight  
 23 gross ton-miles per hour of service at straight time and

1 overtime rates by those employees in 1947 was 4,741 and  
2 7,761 in 1957, an increase of 63 percent. In the case  
3 of passenger engine and train employees the increase in  
4 this period was from 3,325 gross ton-miles to 3,954 gross  
5 ton-miles, 19 percent. In each case there was a decline  
6 in the ratio of gross ton-miles to the compensation paid  
7 to engine and train employees. The number of such service  
8 units for freight was 2,881 per dollar of compensation in  
9 1947 and 2,432 in 1957, a reduction of 16 percent. For  
10 passenger service, however, the decline was from 1,533  
11 gross ton-miles in 1947 to 892 in 1957, a reduction of 42  
12 percent.

13 Among the subjects listed for consideration at the  
14 outset of this proceeding was the following:

A cost study to determine what part of the passenger deficit is attributable to the various kinds of passenger-train service, viz., parlor-car, dining-car and sleeping-car operation, coach, commutation, headend service, such as mail, express, etc. (To be furnished by carriers) The extent of the cost studies will be determined later.

15 An exhaustive and authoritative study of this kind  
16 would be of great help to the I.C.C. and to the public  
17 because of its bearing on the reasonableness of passenger  
18 fares, express rates, and railway-mail pay. Apparently  
19 it was expected that the method of making the study would be  
20 outlined in some kind of directive from the I.C.C. or one  
21 of its bureaus, but this was found not to be feasible  
22 without greatly prolonging the investigation and increas-  
23 ing its cost. For that reason the respondents opposed  
24 such a study, which was considered desirable, if not  
25 indispensable, by the Post Office Department, GSA, and  
26 the National Coal Association. The NARUC committee was  
27 not impressed by that need.

1        There were presented two studies made by what may be  
 2        termed rule-of-thumb methods purporting to show portions  
 3        of the deficit fairly attributable to the various kinds  
 4        of passenger-train service by dividing items of expense  
 5        by such units as car-miles or car-foot-miles. No more  
 6        detailed description of the methods is necessary.

7        One of the studies, offered by the respondents,  
 8        divides the recorded deficit of \$636,692,574 in 1955 as  
 9        follows:

	<u>Net railway operating deficit</u>	<u>Percent of total</u>
Dining	\$143,490,837	22.54
Sleeping and parlor cars	142,671,762	22.41
Commutation	117,792,787	18.50
Coach other than commutation	84,050,515	13.20
Mail	55,725,054	8.75
Express	49,802,274	7.82
Baggage	43,159,345	6.78
	<u>\$636,692,574</u>	<u>100.00</u>

10       The other study on behalf of the National Coal  
 11       Association apportioned the 1956 deficit, \$696,938,000,  
 12       as follows:

	<u>Deficit</u>	<u>Percentage of total</u>
Head End (Baggage, Mail, Express, and Other)	\$213,852,000	30.7
Dining, Club, etc.	202,995,000	29.1
Parlor and sleeping cars	140,155,000	20.1
Coach	139,936,000	20.1
	<u>\$696,938,000</u>	<u>100.0</u>



## POSSIBLE WAYS OF REDUCING OR ELIMINATING THE DEFICIT

1 About a decade ago, the NARUC became so concerned over  
2 this problem that, at its annual convention in 1949, it  
3 appointed a "Special Committee on Cooperation with the I.C.C.  
4 in the Study of the Railroad Passenger Deficit Problem."  
5 This committee sought the assistance of the railroads, rail-  
6 road labor organizations, members of the I.C.C., and others.  
7 It made its first report to the NARUC in 1952, and has since  
8 continued to render annual reports, which are in the record  
9 in this proceeding.

10 These reports contain much helpful information as well  
11 as a considerable amount of criticism of the I.C.C. for var-  
12 ious reasons connected with this proceeding and of the atti-  
13 tudes of other participants. In its 1957 report, the NARUC  
14 committee explained its position as follows:

Your Committee has been thoroughly disillusioned as to any benefits which will be obtained from the current investigation by the Interstate Commerce Commission into the railroad passenger deficit problem--that disenchantment being largely due to the procedural difficulties being encountered and the resulting delay in making the necessary studies and assembling the results in those studies. However, it is our opinion that the Association can ill afford not to continue to participate fully in this investigation; first, we should assist in every way possible in attempting to derive some genuine benefit from the investigation and second, we must advance and protect the interests of the State Commissions in this important field of regulation.

15 Other views of the NARUC committee will be discussed  
16 infra in the light of the evidence of record and other perti-  
17 ent information.

18 Discontinuance of unprofitable trains--This remedy, akin  
19 to radical surgery, has been extensively used in the past

1 10 years. Many passenger trains have been eliminated in the  
 2 period, as shown by the following statement of passenger-train  
 3 miles reported by class-1 railroads for the years indicated:

<u>Year</u>	<u>Passenger-train miles Thousands</u>	<u>Index</u>
1947	414,909	100
1948	407,133	98
1949	380,254	92
1950	357,545	86
1951	355,128	86
1952	344,468	83
1953	333,128	80
1954	317,141	76
1955	298,838	72
1956	289,866	70
1957	275,825	66

4 In the same period, passenger gross ton-miles declined from  
 5 264,589 million to 191,900 million, 27 percent, and passenger  
 6 miles from 45.9 billion to 25.9 billion, 44 percent.

7 All but a few States have statutes requiring rail car-  
 8 riers desiring to discontinue passenger trains to obtain per-  
 9 mission from the regulatory commissions. Action by those  
 10 commissions has frequently had an effect on interstate commu-  
 11 cation since many of the trains involved operated between points in  
 12 different States.

13 The agenda prepared for this proceeding included "an ana-  
 14 lysis of the experience of the carriers in discontinuing tra-  
 15 ns and in the abandonment of lines, stations and agencies." The  
 16 NARUC committee as well as the respondents offered a consid-  
 17 erable amount of evidence on this point. From the beginning  
 18 of its labors, the committee has urged the State commissions  
 19 "to adhere vigorously to the principle that where the service  
 20 cannot be made compensatory, abandonment should be permitted  
 21 having due regard for public convenience and necessity." At  
 22 the same time, it has recognized some lack of acceptance of  
 23 this principle as well as unwarranted delay in acting upon  
 24 applications.

The chairman of the NARUC committee testified that only 197 authenticated instances of unfavorable action on applications for discontinuance considered by State commissions could be found in the period from 1951 to 1956, but that the carriers had been permitted to discontinue 1,274 trains. He stated further:

We did not find, however, that the denials were by any means all unjustified by any standard and it is probable that there was as much fault on the part of the carriers, through inadequate presentations and in some instances downright failure to adequately promote their passenger services, as there was on the part of the State Commissions. In any event, it is significant that the railroads in the past 6 years have been able through affirmative State Commission approval--often in the face of strong public opposition--to discontinue at least 1,274 deficit passenger trains with the resultant savings of many millions of dollars.

There is good reason to believe that more than 197 trains were affected by the denial orders above referred to, but it is unnecessary to discuss the question or to determine whether the State commissions have functioned creditably in this regulatory field. Some of them undoubtedly have done so. Although the NARUC committee has consistently questioned the value of the instant investigation, its chairman in testimony before the House Committee on Interstate and Foreign Commerce opposing any restriction of the powers of the State commissions over passenger service asserted that "certainly, no action should be here taken in this respect until this investigation [the instant proceeding] is completed and a full report made."

The Congress, however, saw fit to disregard this advice in its recent enactment of the Transportation Act of 1958, and the reasons were stated by the Senate Committee on Interstate and Foreign Commerce<sup>5</sup> as follows:

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<sup>5</sup>This committee and its subcommittee which conducted hearings prior to enactment of the Transportation Act of 1958 are referred to infra as the Senate committee.

Without reciting individual cases, the subcommittee is satisfied that State regulatory bodies all too often have been excessively conservative and unduly repressive in requiring the maintenance of uneconomic and unnecessary services and facilities. Even when allowing the discontinuance or change of a service or facility, these groups have frequently delayed decisions beyond a reasonable time limit. In many such cases, State regulatory commissions have shown a definite lack of appreciation for the serious impact on a railroad's financial condition resulting from prolonged loss-producing operations.

To improve this situation, the subcommittee proposes to give the Interstate Commerce Commission jurisdiction in the field of discontinuance or change of rail services and facilities similar to the jurisdiction it now has over intrastate rates under section 13 of the Interstate Commerce Act so that when called upon to do so it may deal with such matters that impose an undue burden on interstate commerce. This, the subcommittee believes, would protect and further the broad public interest in a sound transportation system and would prevent undue importance being attached to matters of a local nature.

1 It is thus apparent that the Congress foresees the like-  
 2 lihood of additional discontinuances of passenger trains in  
 3 the future, as foreshadowed also by the statistics indicating  
 4 serious and continuing deterioration of this source of reve-  
 5 nue. No more definite prediction at this time would be justi-  
 6 fied.

7 Higher or Lower Fares--For many years before World War I,  
 8 the basic passenger fare in eastern territory was 2 cents per  
 9 mile and 2.5 or 3 cents in other sections. The 2-cent fare  
 10 was principally due to statutes prescribing it as a maximum  
 11 for intrastate travel in Ohio, Indiana, Illinois, and Michigan.  
 12 As early as 1914, the I.C.C. tentatively concluded that this  
 13 fare was too low.<sup>6</sup> The Director General of Railroads in June  
 14 1918, established a 3-cent fare for universal application  
 15 throughout the United States, and in 1920, the I.C.C. authorized

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<sup>6</sup>The Five Percent Case, supra, 387 FF., 407

1 an increase to 3.6 cents per mile in connection with a gen-  
2 eral increase in freight rates. At the same time it author-  
3 ized the so-called Pullman surcharge, but except for that,  
4 there was no difference in the charges for first-class and  
5 coach travel until some years later.

6 The depression of the early thirties caused the western  
7 and southern railroads to experiment with a 3-cent first-class  
8 fare and a 2-cent coach fare in the hope of stimulating  
9 travel. That was the beginning of the present practice of  
10 charging more for first-class travel. The I.C.C., in 1936,  
11 prescribed these amounts as reasonable maxima throughout  
12 the country against the wishes of most of the eastern rail-  
13 roads.<sup>7</sup>

14 Some increases in the prescribed fares were authorized  
15 by the I.C.C. in 1942 and subsequently. On March 1, 1948,  
16 a first-class fare of 3.5 cents per mile and a coach fare  
17 of 2.5 cents per mile prevailed generally throughout the  
18 country. Since that time, the first-class fare in the West  
19 and the South has been increased to 4.2446 cents per mile  
20 and the coach fare to 3.0318 cents per mile. In eastern ter-  
21 ritory, however, the first-class fare has gone to 4.9613 cents  
22 and the coach fare to 3.7212 cents per mile. The southern  
23 and western carriers apparently believe that increases in  
24 their fares to the levels of those prevailing in eastern ter-  
25 ritory would not be profitable to them because of inherent  
26 differences in the nature of passenger travel in the respec-  
27 tive sections.

28 At present the first-class fares of the eastern railroads,  
29 including Pullman charges are generally higher than first-class

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<sup>7</sup>Passenger Fares and Surcharges, 214 I.C.C. 174.



1 air fares. From New York City to Chicago, Ill., the first-  
2 class rail fare plus the cost of a roomette is \$65.92 on  
3 the two railroads having the fastest schedules and \$57.27  
4 on other lines. The first-class air fare is \$47.95. The  
5 rail coach fares for the two groups of railroads before  
6 mentioned are \$35.55 and \$31.66, respectively. The air  
7 coach fares are \$35.35 (day) and \$34.10 (night). The bus  
8 fare is \$23.40.

9 A recent study of the American Automobile Association  
10 indicates that the average cost of operating a 1957 six-  
11 cylinder "low-priced" automobile, including depreciation, is  
12 approximately 10.78 cents per mile. The average out-of-pocket  
13 cost is about 3.77 cents per vehicle-mile, and when there are  
14 two or more passengers, the cost per person is sharply reduced.

15 Such figures as these must be taken into account by the  
16 railroads in determining what level of fares will return the  
17 maximum amount of revenue available to pay part of their  
18 steadily advancing operating costs. There has been some  
19 experimentation with incentive fares, the most important and  
20 widespread being the "family fares." A few years ago, some  
21 of the eastern railroads established reduced fares to and  
22 from Pittsburgh, Pa., as an experiment which was not consid-  
23 ered successful. According to newspaper reports, the Missouri  
24 Pacific and the Kansas City Southern are also trying the  
25 expedient of reduced fares with some degree of success.

26 GSA, representing the executive departments of the  
27 Federal Government, presented as a witness an economist who  
28 recommended a reduction in the price of railroad passenger  
29 transportation as the best means of dealing with the deficit.  
30 He said:

If the private automobile continues to gain \*\*\*\* the remaining railroad percentage share of the market will continue to get smaller. That kind of market squeeze can only result in an intensification of competition. And as an economic fact, an intensification of competition in any field can be met successfully only by lowering prices either directly or indirectly. \*\*\*\* In the case of the railroads, price sensitivity exhibits itself in the fact that the decline in coach travel has not been as serious as it has been in the first-class service. In other words, it seems doubly clear that people are price conscious in regard to passenger fares. \*\*\*\* Furthermore, since load factor is so very low and fixed costs so very high, it means automatically that price reductions hold very real possibilities for benefitting the carriers' position. The price reductions could be in terms of direct fare reductions or in the form of indirect price decreases--meaning the increased cost of whatever marketing devices might be utilized to increase the attractiveness of railroad travel.

1       The executive departments of the Government, for which  
2 this witness spoke, could do much toward increasing the  
3 attractiveness of railroad travel simply by agreeing to the  
4 removal of the 10-percent Federal tax on such travel. Unless  
5 and until they are willing to take this step, any assertion  
6 on their behalf that railroad fares exceed a proper level  
7 based on value of service is not likely to be taken seriously.

8       Whether the passenger deficit would be reduced by lower-  
9 ing fares, or, on the other hand, by raising them is a ques-  
10 tion which cannot be answered by study of the evidence here.  
11 The problem is essentially one for the managers of the indi-  
12 vidual railroads. What would be good for one carrier might  
13 not be for another.

14       Since the railroads no longer have anything remotely  
15 resembling a monopoly of passenger business, there is much to  
16 be said in favor of allowing them a large measure of manage-  
17 rial discretion in pricing their service. This view is  
18 expressed here by officials of the New York Central and the  
19 Pennsylvania, whose combined recorded passenger deficit in

1 1957 was nearly \$110 million. One of them stated the point  
2 as follows:

Those who regulate our rates and fares must make a choice. If the "effect of rates on the movement of traffic," a concept which in my opinion can logically be applied only when we are dealing with a profitable service, continues to be a deciding factor in our rate and fare cases, then our only hope of reducing the deficit will be through discontinuance of service. In many cases, it is clear that we cannot price our services so as to both retain present traffic volume and at the same time reduce or eliminate our losses. A choice must be made in such cases between the two objectives. If retention of traffic volume is the objective, then we may as well resign ourselves to increasingly large losses from these services, because our costs and revenues will inevitably drift further out of balance. If, on the other hand, we are allowed to price our service realistically, the public will have the opportunity to demonstrate whether they desire or need such services sufficiently to pay the cost, which should be the real test as to whether the Central should be providing these services.

3 There may well be doubt that the I.C.C. is ready to  
4 accept this view, which essentially raises an issue of man-  
5 agerial discretion versus regulatory responsibility. Dis-  
6 cussing this question in 1915,<sup>8</sup> it said:

It has been suggested that an increase in the existing fares in the territory here in question will result in a diminution of travel and a corresponding shrinkage in the revenues of the carriers. Travel is influenced by so many different factors that statistical proof of the existence of causal relations between the volume of movement of passengers and the level of the fares is generally impossible. \*\*\*\* It is not the function of the Commission to prescribe either public policy or the managerial policy of the carriers. Considerations of that character can be of little assistance in determining issues like those here presented. Our duty is to examine these fares with respect to their reasonableness.

7 Later, however, its attitude changed somewhat. When it  
8 required reductions in the fares of the eastern railroads

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<sup>8</sup>Western Passenger Fares, supra, 40 FF.

1 in 1936, it made the following formal findings:<sup>9</sup>

2 8. The circumstances and conditions affecting  
3 passenger traffic in the eastern district, as com-  
4 pared with the southern and western districts, are  
5 substantially similar and do not differ in suffi-  
6 cient degree to warrant the opinion that material  
7 reductions in fare in the eastern district would  
8 not result in improved passenger revenue for the  
9 eastern respondents.

10 9. Changed economic conditions, including reduced  
11 commodity prices and average income, together with the  
12 generally cheaper cost and greater convenience of travel  
13 by highway, have so affected the value of the rail pas-  
14 senger service to the public that a fare basis which  
15 was reasonable maximum before severe highway competi-  
16 tion, and especially before the fall in recent years  
17 in commodity prices and average income, is out of har-  
18 mony with present-day conditions.

19 Whether the regulatory action taken at that time was help-  
20 ful or harmful to the eastern railroads is not clear even with  
21 the help of statistical hindsight. It may or may not be sig-  
22 nificant that the number of passengers other than commutation  
23 in the eastern district declined from 164,677,000 in 1936 to  
24 154,276,000 in 1940, and that there was a decline in their  
25 passenger revenue from \$232,374,901 in 1936 to \$226,825,343  
26 in 1940.

27 Improved Equipment and Service--The railroads have never  
28 lacked advice from numerous and various quarters to the effect  
29 that improvements in their equipment and service would be  
30 reflected in better earnings from their passenger service.  
31 Such suggestions are almost always forthcoming when the car-  
32 riers are trying to increase their fares.

33 The NARUC committee has been prominent among these  
34 advisers. In its 1954 report, it recommended that "as direct  
35 deficit trains are eliminated, the railroads pursue an aggres-  
36 sive policy of improving their remaining passenger-train serv-  
37 ice by improvement or replacement of outmoded equipment and  
38 experimentation with substitute equipment to replace high

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39 <sup>9</sup>Passenger Fares and Surcharges, supra, 254-5.

1 operating-cost standard trains." In its report of the  
 2 following year, it was optimistic. Calling attention to the  
 3 fact that 449 new cars were on order as of September 1, 1955,  
 4 the committee said:

The new equipment on order included 5 complete trains of radically new design, variously described as "Talga-type," "tubular" or "low-slung." Of especial interest is the new "Aero-train" built by General Motors Corporation embodying some radical new designing of fast lightweight, low-cost and low maintenance principles into a train that conforms to standard railway operating procedures. \*\*\*\* The new equipment will require an investment per passenger seat about 50 percent less than that of lightweight streamlined equipment presently in service, and is expected to be more economical to operate.

5 The Aerotrains was operated experimentally by the  
 6 Pennsylvania, the New York Central, and the Union Pacific, all  
 7 of which found it unsatisfactory. The latest available informa-  
 8 tion indicates that it is not now in railroad service.

9 Trains of the tubular type, it is understood, have been  
 10 found satisfactory by the Pennsylvania. The experience with  
 11 other types, including the Talga train and "Train X," acquired  
 12 by the New Haven and placed in operation by it in April 1957,  
 13 is obscure.<sup>10</sup> This is also true of the New York Central's  
 14 "Xplorer," another experimental train, which operated between  
 15 Cleveland and Cincinnati, Ohio, in 1957. Apparently it has been  
 16 withdrawn. The Pennsylvania is now investigating a train of new  
 17 design, projected as capable of high-speed operation between  
 18 New York City and Washington, D. C., on a schedule 40 percent

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<sup>10</sup>Modern Railroads for July 1958 (p. 22) states: "The New Haven quietly shelved its experiment with the 'Dan'l Webster' [Train X] and the 'John Quincy Adams' [the Talga]--two lightweight, low center-of-gravity trains designed to cut operating costs and speed up rail service."



faster than that of the present fastest train with reduced operating costs which would permit a substantial reduction in fares. The meager information concerning this train now available sheds the sole ray of hope discernible to those who are looking for some revolutionary development that will save the railroad passenger business.

Between 1946 and 1956, the class-I railroads and the Pullman Company installed 5,858 new passenger-train cars, including 672 self-propelled cars. Among these were 1,859 coaches and coach combination cars, 131 parlor cars, 1,477 sleeping cars, 469 dining cars, 1,073 head-end cars, and 177 other passenger cars. The total cost was \$652.4 million. In the same period, they installed 2,119 Diesel-electric passenger-type locomotive units at a cost of \$430 million and 999 freight-or-passenger Diesel-electric and electric units, costing \$166.8 million.

The net investment of the class-I railroads and the Pullman Company in passenger-train cars in 1955 was \$722 million compared with \$441.7 million in 1947. The net investment in passenger locomotives in the same period increased from \$413.7 million to \$658.5 million. Only about 3 percent of the latter figure applied to steam locomotives.

The total ownership of passenger-train cars by class-I railroads and the Pullman Company in 1956 was 34,981, having declined from 44,841 in 1947. Self-propelled cars increased from 2,623 in 1947 to 3,217 in 1956. The 1956 total included 14,075 coaches and coach combination cars (including self-propelled), 346 parlor cars, 4,504 sleeping cars, 1,559 dining cars, 13,662 head-end cars, and 835 other passenger cars.

1           The railroads in 1957 installed 191/<sup>new</sup>passenger-train cars,  
2 of which 128 were head-end cars and 12 were rail motor cars.  
3 On January 1, 1958, 94 passenger coaches previously ordered  
4 were scheduled for delivery in 1958.

5           One important reason for the reluctance of the railroads  
6 to order new passenger cars, apart from the unfavorable traf-  
7 fic outlook, is the inflation in costs. The average cost of  
8 coaches installed in 1956 was \$106,379, compared with \$78,855  
9 in 1947. The average cost of sleeping cars rose from \$85,265  
10 in the latter year to \$197,970 in 1956, and that of dining  
11 cars from \$101,903 to \$298,347. The greatest increase was in  
12 the cost of self-propelled cars from \$20,699 in 1947 to  
13 \$123,733 in 1956.

14           Having increased their net investment in passenger-train  
15 cars and passenger locomotives between 1947 and 1956 by about  
16 half a billion dollars, the railroads cannot be justly charged  
17 with undue conservatism in modernizing their passenger facili-  
18 ties. Rather it appears that they did not foresee the enormous  
19 loss of passenger traffic which has occurred, depriving them of  
20 any return on this investment. At present, it seems that they  
21 will not be disposed to spend more money for improvements in  
22 passenger service except those of demonstrated profitability,  
23 a further assumption being that the requisite financial  
24 resources are available.

25           Reductions in Operating Expenses--In the proceedings before  
26 State commissions involving discontinuance of passenger trains,  
27 the railroad labor organizations have generally been among the  
28 principal opponents of the railroads. Perhaps for that reason  
29 the NARUC committee has had much to say about the attitudes of  
30 of those organizations and their significance with respect to

1 the passenger deficit. In its 1954 report, the committee rec-  
2 ommended "that railroad management make renewed efforts to  
3 obtain cooperation from railroad labor in much-needed revisions  
4 of operating agreements governing (1) the operation of more  
5 economical substitute passenger train equipment with minimum  
6 crews consistent with safe and effecient operation, and (2) pay-  
7 ment of wages more reasonably related to the hours of service  
8 actually performed."

9 The Senate committee said on this subject:

Help by railroad labor

The subcommittee wishes to commend railroad labor on the aggressive spirit that it shows in approaching its problems but points out that there should be reappraisal of the entire railroad labor situation in the light of the present plight of the railroads. This is necessary because the number and kind of jobs held by the membership of the railroad labor unions is inextricably intertwined with the economic welfare of the railroad industry. The problems of the two groups are mutual problems.

The brotherhoods should realize that if the railroads should go under, the Federal Government is not going to take over uneconomic railroads and continue to operate them in an uneconomic fashion. If bankruptcy results in Government operation, it is clear that there will be fewer jobs than at present in the railroad industry. The subcommittee urges that railroad labor cooperate in proceedings designed to strengthen the economic position of the railroads.

10 It may be inferred that in making the foregoing statement  
11 the committee had in mind the dual basis of pay for train and  
12 engine employees previously mentioned in this report. In an  
13 emergency-board wage case in 1956, the railroads proposed that  
14 the piece-rate measure of a day's work in passenger service by  
15 engineers and firemen be changed from 100 to 180 miles and that  
16 the measure for conductors and trainmen be 240 miles instead of  
17 150 miles. In substance this would assume an average rate of  
18 speed of 30 miles per hour, instead of 20, continuing the pres-  
19 ent basic day of 5 hours for enginemen and 8 hours for others.

1 It is estimated that based on current wage rates such a change  
2 would save a total amount of \$46.6 million per year in wages  
3 of train and engine crews, plus an additional amount of \$2.4  
4 million in retirement and other payroll taxes, or \$49 million  
5 in all.

6 The railroads were unsuccessful in urging this increase in  
7 mileage. In the settlement of the 1956 wage case, basic wages  
8 were raised in a 3-year contract which will expire in 1959.  
9 Whether the railroads will renew their mileage proposal at that  
10 time is not known, but, if they do, it seems safe to predict  
11 that the labor organizations will strenuously oppose any change  
12 as they have in the past. The fast passenger runs, allotted by  
13 seniority rules, are understood to be very desirable. For that  
14 reason they are subject to spread-the-work arrangements under  
15 which passenger engineers generally are limited to 4,800 miles  
16 per month and conductors and trainmen to 5,500. How this plan  
17 works in practice was explained by a recent writer as follows.<sup>11</sup>

A passenger train on an eastern railroad runs between two points 224 miles apart. The train and engine crew makes a round trip on each day they work. Due to variations in the limitations placed by their organizations upon the different classes of train service employees, the engineer and the conductor do not work the same number of days in a month. The engineer may be assigned to work not more than 10 days a month. His average time on duty per day is 11 hours and 30 minutes and his average running time is 7 hours and 10 minutes. For this, he received in December 1952 an average of \$71.18 per day, or \$711.80 for the month in which he worked on only 10 calendar days. The conductor may be assigned to work on not more than 13 days a month. The conductor's average running time on duty per day is 8 hours and 25 minutes and his average running time is 7 hours and 10 minutes. He received \$45.10 for each day he worked in December 1952, or \$586.30 for the month in which he worked on only 13 calendar days.

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<sup>11</sup>Harry E. Jones, Railroad Wages and Labor Relations, 1900-1952 (1953), p. 235.

The railroads and the NARUC committee have also been concerned over the effect of provisions in State statutes or labor agreements prescribing the number of employees required in the operation of passenger trains. The States having so-called full crew laws at present are Arizona, Arkansas, California, Indiana, Maine, Massachusetts, Mississippi, Nebraska, Nevada, New York, North Dakota, Ohio, Oregon, Texas, Washington, and Wisconsin. In addition, the State commissions of Connecticut, Maryland, New Jersey, Pennsylvania, Rhode Island, and West Virginia have regulatory authority of this kind. In States other than those above named, the statutes are silent on this subject.

Apparently the full crew laws vary considerably, and some of them seem to be comparatively innocuous. Their principal application appears to be to self-propelled cars, also known as RDC or Budd cars, in requiring the employment of more men on such cars than are considered necessary for safe and efficient operation. The NARUC committee in its 1953 report had this to say:

It is likely that the carriers would have found the operation of self-propelled units sufficiently attractive to justify in many more instances the substantial investment required, if the attitude of labor had been more reasonable. We are advised of cases where the labor organizations have demanded and some railroads acquiesced in the addition of another employee on RDC operations when two units are connected. The nebulous need for this additional employee (a fireman) is based upon the weight rules of the rail labor contracts which provide that a fireman must be used on a self-propelled car or car combination if the weight exceeds a specified amount. No provision is made for relaxation of this rule if the additional employee is not reasonably needed for safe and efficient operation. To aggravate an already unreasonable situation, the addition of this fireman to the crew of the two-car unit forces the railroad to rip seats out of one of the cars to provide room for the fireman.



1       The full-crew laws have long been a favorite target of  
2 railroad criticism. They are of interest here solely from  
3 the standpoint of passenger service, but the evidence as to  
4 the statutes or requirements of the same kind in labor agree-  
5 ments is too general in its nature to support a definite con-  
6 clusion as to their impact on passenger-train costs.

7       On the possibilities of an appreciable reduction in rail-  
8 road passenger expenses in the future the railroad witnesses  
9 are not hopeful, and the outlook for continuing inflation  
10 supports their view. An example of the working of inflation  
11 was stated by the New York Central's vice president having  
12 charge of passenger sales and service as follows:

The current wage increase agreements with the various railroad unions were signed during 1956 and 1957. Under the terms of these agreements, we have just had a 4 cents an hour "cost-of-living" increase in our wage rates, and we face a further automatic increase of 7 cents an hour on November 1, 1958, with the possibility of another cost-of-living increase in May 1959.

13 This witness added the following comment, which is amply  
14 supported by the evidence:

High labor costs are one of the major factors responsible for our heavy losses and our inability to maintain prices at a competitive level. They have forced the discontinuance of a great deal of passenger service, which, in turn, has reduced the number of jobs available.

\*\*\*\*\*

The desire of the Railroad Brotherhoods to maintain working rules which are favorable to our employees is understandable. But the Brotherhoods must understand that the uneconomic provisions of labor agreements which have been testified to are helping to force us out of the passenger business, which most certainly is not in the long-term best interests of the passenger service employees concerned.

15       Revenue from Head-End Traffic and Dining Service--Railroad  
16 revenue from express traffic has declined in about the same  
17 ratio as passenger-service revenue as a whole. The railroads

1 received from this source \$97.4 million in 1957, compared with  
2 \$115.8 million in 1947. The reasons are the same as those  
3 heretofore pointed out in respect of passenger service as a  
4 whole, increasing expenses and a shrinking volume of business.

5 The Railway Express Agency carried 189.3 million ship-  
6 ments in 1947 and 80.7 million in 1956. Rate increases pre-  
7 vented a corresponding shrinkage in gross revenue, but rising  
8 expenses of the Agency reduced the amount of money available  
9 to the railroads, as before shown. The Act of Congress which  
10 reduced the size and weight limitations on parcel-post ship-  
11 ments effective on January 1, 1952, resulted in a upturn in  
12 express shipments in 1952, but since then a marked downward  
13 trend has been shown, probably because of increased competi-  
14 tion from air and motor carriers.

15 The evidence relating to express traffic consists princi-  
16 pally of a criticism of the Post Office Department (herein-  
17 after referred to as the Department) for increasing the size  
18 of packages shipped by parcel post to an extent not originally  
19 contemplated at the time when the service was established and  
20 for not making the charges sufficiently high to cover the  
21 expense of transporting parcels. There appears to be little  
22 likelihood that the size and weight limitations will be fur-  
23 ther reduced. It is perhaps more probable that those limita-  
24 tions may eventually be raised in response to the repeated  
25 demands of users of parcel post.

26 It is expected that the railroads in 1958 will receive  
27 about 8 percent less revenue from express traffic than they  
28 did in 1957.<sup>12</sup> The future of the express business is clouded  
29 with uncertainty for that reason and others. The eastern

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<sup>12</sup>Based on evidence of the railroads in Ex Parte No. 212.

1 railroads, which in the past have been critical of the present  
2 express system, have suggested here that one solution "would  
3 be for the Government to take over the express business and  
4 combine it with the parcel post service." The Pennsylvania  
5 appears to be particularly interested in this idea. Such a  
6 plan might be financially advantageous to the railroads. Their  
7 express-privilege payments in 1957, \$97.4 million, were consid-  
8 erably less than the mail pay of \$171.9 million which they  
9 received for carrying fourth-class mail in the fiscal year  
10 1957.<sup>13</sup> It should be remembered in this connection that after  
11 December 31, 1958, any rail carrier which is a party to the  
12 present express contract may withdraw therefrom by giving 18  
13 months' notice. The former agreement of 1929 gave no such  
14 right of withdrawal.

15       Since World War II, railroad revenue from mail transpor-  
16 tation has increased substantially. In the period from 1932  
17 to 1941, this revenue averaged \$97 million per year, 15.8 per-  
18 cent of total passenger-service revenue. For the years from  
19 1947 to 1957 inclusive, the average was 281.7 million, 20.7  
20 percent of total passenger-service revenue. The figure for  
21 1957 was \$291.9 million, 23.6 percent. Comparisons for indi-  
22 vidual years sometimes are not illuminating because of retro-  
23 active payments. Accordingly there are shown below annual  
24 average amounts for 5-year periods:

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<sup>13</sup>Cost Ascertainment Report 1957, United States Post Office Department.

<u>Years</u>	<u>Average Annual Mail Revenue</u> <u>Millions</u>	<u>Ratio to total Passenger-service Revenue</u> <u>Percent</u>
1947-1951	\$259.5	18.6
1948-1952	289.4	20.5
1949-1953	311.3	22.7
1950-1954	328.2	23.2
1951-1955	310.8	22.4
1952-1956	302.0	22.3
1953-1957	296.5	22.8

1 The I.C.C. has recently ordered an increase in the rates  
2 of mail pay for eastern railroads, retroactive to July 3, 1956.  
3 The effect of this action cannot now be predicted. It is  
4 wholly impossible at this time to estimate the amount of reve-  
5 nue which the railroads may expect from mail transportation in  
6 1958 or any future year.

7 Dining and buffet service has produced much higher gross  
8 revenue since World War II than it did before that time, but  
9 the costs of providing the service have increased dispropor-  
10 tionately. Since 1947, the trend in this revenue has been  
11 downward, but there has been no corresponding reduction in  
12 operating costs. In that year, dining and buffet revenue was  
13 \$83.4 million and the direct expense was \$108.9 million, mak-  
14 ing the operating ratio 130. The revenue from this source in  
15 1957 was \$62.3 million and the direct expense \$91 million,  
16 operating ratio 146. These figures do not include the cost of  
17 hauling or maintaining dining cars nor any overhead expense  
18 incident to the service.

1        Governmental Aid--This title refers primarily to the  
 2 aid extended by Federal, State, and local governmental units  
 3 to forms of passenger transportation other than railroad as  
 4 well as to the aid received by the various Government agen-  
 5 cies from the railroads as taxpayers. The latter aid directly  
 6 or indirectly has been of material assistance to those agen-  
 7 cies in their support of the railroads' competitors.

8        Among the subjects listed for consideration in this  
 9 proceeding were the following:

9. Study of the extent, amount and effect of Federal, State and local taxation on passenger-train service, equipment, and facilities, including excise taxes.

10. Cost of constructing, maintaining and operating railroad passenger terminal facilities and the influence thereof on the passenger-train service deficit.

11. The extent and competitive effect of:  
     (a) Direct and indirect Federal, State and local aid.  
     (b) Government policies with respect to passenger and head-end traffic.

10        In a number of their aspects these subjects are related  
 11 to each other and may therefore be considered together.

12        The respondents have good reason to believe that the  
 13 principal underlying cause of their loss of passenger traffic  
 14 has been the governmental promotion of air and highway trans-  
 15 portation by financial outlay and other means. One of their  
 16 witnesses, an economist, presented scholarly and exhaustive  
 17 studies of the public aids to each of those forms. Because  
 18 of their length these studies can be referred to only briefly  
 19 in this report.

20        The highway study shows that from 1921 to 1956, \$111  
 21 billion was expended for highways and streets by all units of  
 22 Government, of which about \$49 billion, 44 percent of the total,



1 came from highway-user imposts and toll receipts. The Federal  
2 Government contributed \$14.6 billion, 13 percent, including  
3 4.4 billion as relief funds in 1933-1942. Bond issues and  
4 miscellaneous sources accounted for \$15.2 billion, 14 percent,  
5 and \$32.1 billion, 20 percent, was derived from property  
6 taxes and general revenues. More than half of this amount  
7 was spent in 1947-1956, and in these years the share from  
8 highway-user imposts and toll receipts was 51 percent.

9 The Federal-Aid Highway Act of 1956 authorized the  
10 expenditure of \$24.825 billion from July 1, 1956 to June 30,  
11 1959, subject to a condition that future Federal-Aid Highway  
12 Programs are to be financed on a pay-as-you-go basis from  
13 designated Federal excise taxes on gasoline, tires, trucks  
14 and other articles allocated to a highway trust fund. This  
15 requirement, however, has been relaxed somewhat in the  
16 recently-enacted Federal-Aid Highway Act of 1958, and the con-  
17 clusion expressed in the respondents' study that "the Federal-  
18 Aid Highway Programs are not yet on an assured basis of full  
19 support from highway-user taxes and revenues" appears to be  
20 sound.

21 From 1925 to 1958, the Federal Government spent \$1.6  
22 billion to provide a system of airway facilities and serv-  
23 ices for safe air navigation and traffic control, of which  
24 85 percent has been expended since World War II. It is  
25 indicated that at least 50 percent of the total costs are  
26 attributable to use by commercial airlines and for the fiscal  
27 year 1958 this item would be \$133 million, equivalent to  
28 about 0.5 cent per passenger mile. Concern over recent air-  
29 craft collisions is expected to increase Federal spending on  
30 these facilities.

1           The Civil Aeronautics Act of 1938 directed the Civil  
2 Aeronautics Board in fixing air-mail rates to take into  
3 consideration---

the need of each such air carrier for compensation for the transportation of mail sufficient to insure the performance of such service, and, together with all other revenue of the air carrier, to enable such air carrier under honest, economical, and efficient management, to maintain and continue the development of air transportation to the extent and of the character and quality required for the commerce of the United States, the Postal Service, and the national defense.

4           As of June 30, 1957, the domestic airlines had received  
5 total mail pay of \$830 million in amounts ranging from \$17  
6 million in 1939 to \$67.2 million in 1956. The Civil Aero-  
7 nautics Board has estimated that of this total \$388.7 million  
8 covered service mail pay and \$441.3 million constituted a  
9 subsidy. The estimated cash subsidies to be paid in the  
10 fiscal years 1958 and 1959, respectively, are \$33.9 million  
11 and \$34.1 million. Most of this is going to so-called local  
12 service carriers, all of which are on a subsidy basis. The  
13 trunk lines, however, remain eligible for subsidy under the  
14 "need" provision of the Civil Aeronautics Act before quoted.

15           The Federal Government has contributed more than \$1  
16 billion for the construction of civil airports, of which about  
17 \$385 million was partly for relief of unemployment before  
18 World War II. The Federal Airport Act of 1946, as amended,  
19 authorized the expenditure of \$500 million for aiding the con-  
20 struction of public airports between July 1, 1946, and July 1,  
21 1959. Under this program the Government undertook to con-  
22 tribute as much as one-half of the costs of qualifying projects  
23 The funds are not available for maintenance and operation.  
24 The expected expenditures for the fiscal years of 1958 and  
25 1959, respectively are \$61.2 million and \$73 million.

1 According to authoritative estimates the total investment in  
 2 civil airports was \$4 billion in 1955, and no doubt this  
 3 figure has since increased considerably. The greater part of  
 4 this investment represents capital contributed by cities and  
 5 other municipal agencies.

6 Apparently almost none of these public airports earns  
 7 enough revenue to cover the costs of doing business which a  
 8 privately-owned enterprise would have to take into account  
 9 for profitable operation, namely operating expenses, depre-  
 10 ciation, interest on investment and property taxes. It is  
 11 generally agreed that they cannot be judged by such a  
 12 standard. This was made clear in a staff report on "Federal  
 13 Aid to Airports" submitted to the Commission on Intergovernmen-  
 14 tal Relations [Hoover Commission] in 1955. Therein it was  
 15 stated:

There are many indications that private finances are not available to supply the capital expenditures necessary to build and improve airports on the general and sustained basis required by civil aviation.\*\*\*\*\* In general, the only airports considered capable of relying on private finances for capital expenditures are small airports favorably situated with a small number of based aircraft, a diversity of aviation services offered, and an absence of a need to serve air carriers. It is quite clear that even publicly owned airports which enjoy special privileges such property, income, and other tax exemptions cannot, in general, rely upon their present income to meet capital construction costs. The present operating policy of publicly owned airports is geared to realize sufficient income through user charges, rentals, etc., to meet merely maintenance and operating costs.

\*\*\*\*\*

Any shift at the present time from public to private financing, involving, as it would, the establishment of new costs for all airport users, would violently wrench the economics of the industry and would have booming repercussions upon the development of civil aviation in the United States. There is little informed support for the view that the time is now ripe to commence such a shift. If such a shift should become possible in the future, it is obvious that it must be effected

gradually so that the transfer of airport construction costs from the taxpayer to the airport user will not upset civil aviation.

1 This statement makes it unnecessary to discuss in  
2 detail the numerous instances of this policy described in  
3 the respondents' evidence by individual reference to most  
4 of the larger airports in the country, since this showing  
5 merely corroborates the report above quoted. However, a  
6 few examples are of interest.

7 The most profitable municipal airports in the United  
8 States appear to be those of the City of Los Angeles, Calif.,  
9 the Los Angeles International and Van Nuys Airports, which  
10 for the fiscal year 1957 showed a net profit of \$2,060,524  
11 after depreciation and interest. This figure exceeds an  
12 estimated tax of \$1.2 million which would have been payable  
13 if the airport property were privately owned. The Friend-  
14 ship International Airport, Baltimore, Md., which has been  
15 called the "world's best airport", is the least profitable  
16 of the major airports mentioned in this record. Its operating  
17 loss in 1956 was \$73,000.

18 The National Airport at Washington, D. C., in 1956 had  
19 operating income of \$824,003, somewhat less than the item of  
20 \$896,862 for depreciation as officially estimated for the  
21 fiscal year 1957. The two municipal airports at Chicago,  
22 Midway, said to be the busiest in the world, and O'Hare had  
23 a joint loss of \$308,000 after payment of \$192,000 as rent  
24 to the public agency which owns the land occupied by Midway  
25 and allowance of \$412,056 to cover recorded depreciation at  
26 O'Hare.

27 The tax revenues received from railroad passenger  
28 stations are undoubtedly of much help to the municipalities

1 which have financial burdens due to their airports. At  
2 Albany, N. Y., the tax of \$59,904 on the union passenger  
3 station, owned by the New York Central, a little more than  
4 covered the operating deficit of \$57,784 incurred in the  
5 operation of Albany's municipal airport.

6 The New York Central also has furnished important but  
7 involuntary assistance to Toledo, Ohio, in the same manner.  
8 Some years ago as a result of a civic campaign for a new  
9 passenger station this carrier was forced to spend \$4,856,745  
10 for such a structure, completed in 1950. A land and pro-  
11 perty tax of \$42,745 thereon was paid in 1956. The city of  
12 Toledo in 1955 built an airport costing \$3,865,228, financed  
13 entirely from city funds. The operating deficit from the  
14 airport in 1957 was \$16,366. Unusually complete records  
15 show the additional items of expense, which are \$86,851 for  
16 depreciation, \$96,631 for interest, and \$45,005 for taxes,  
17 which would be payable under private ownership based on an  
18 official assessment. The total deficit as so estimated was  
19 \$244,853.

20 In Montana and North Dakota cities and counties are  
21 permitted to levy special taxes for the support of airports  
22 so that the railroads operating in those States can tell  
23 exactly how much they are contributing for the financial  
24 assistance of their airline competitors. Cut Bank, Mont.,  
25 population 3,721 in 1950, has an airport covering 1,703 acres  
26 which cost \$4.3 million, mostly provided by the Federal  
27 Government perhaps for military reasons. Through the city  
28 and county airport levies the Great Northern in 1956 contributed  
29 \$2,241 for the support of this airport, and the ad valorem tax  
30 of Western Airlines, which serves the airport, was \$22.92.

1 There were 587 air passenger loadings at the Cut Bank air-  
2 port in 1957, so that the cost to the Great Northern was  
3 \$3.82 for each of those passengers, compared with a tax  
4 cost to Western Airlines of 4 cents per passenger. A  
5 similar situation exists at Kalispell, Mont., and other  
6 points. In the case of Kalispell, however, the Great  
7 Northern in 1955 and 1957 contributed \$260 of a total of  
8 \$2,558 required for the expenses of representatives of the  
9 chamber of commerce who attended hearings before the Civil  
10 Aeronautics Board in Washington.

11 The NARUC committee in its first report in 1952 and  
12 again in 1954 recommended "the imposition of compensatory  
13 user charges on all forms of commercial passenger transporta-  
14 tion for the use of roadways, airways or other facilities  
15 constructed or maintained at public expense." The president  
16 of the AAR, testifying in this proceeding, expressed similar  
17 views.

18 The President of the United States in his budget message  
19 of January 13, 1958 said:

In the field of aviation the Federal Government provides a wide range of special services benefiting private users of the airspace. As I have previously pointed out, it is increasingly appropriate that these users pay their fair share of the costs.

\*\*\*\*\*

To pay a substantial part of the cost of operating the airways system, I am recommending increased taxes on aviation fuels. I also think we should redouble our efforts to find ways and means to reduce and ultimately eliminate all subsidies for airlines.

20 These suggestions were ignored by the Congress. The  
21 subsidization of air transportation is so firmly embedded in  
22 the national policy that it is much more likely to increase  
23 than to diminish.



1       The question therefore arises as to the possibility of  
2 similar public aids to railroad passenger transportation.  
3 This thought also occurred to the NARUC committee, which in  
4 its 1955 report stated:

      One new suggestion simultaneously proposed by several different committee members was that a plan of tax forgiveness be explored which would provide offsetting relief for substantial passenger deficits. This proposal was promptly frowned upon by the cooperating panel of railroad management representatives who have persistently and vigorously resisted any and all forms of subsidy.

5       The committee went on to quote a recent speech by a  
6 member of the I.C.C. making the same suggestion. With a  
7 proper and natural concern for possible losses of State  
8 revenue on this account, however, the committee questioned  
9 "the practicability of obtaining ad valorem property tax  
10 relief on the local level" but said that "there is precedent  
11 for relief on the national level in the adjustment of  
12 corporate income tax."

13       It is perhaps indicative of despair that some of the  
14 railroads have urged in this proceeding that railroad pro-  
15 perty and facilities devoted to railroad passenger service  
16 be exempted from State and local ad valorem taxation. The  
17 suggestion is chiefly pertinent to the commutation problem  
18 discussed infra. Apart from that aspect the idea, meritorious  
19 as it is, is probably futile for the reason that the railroads  
20 are defenseless against the tax assessors who seemingly are  
21 bent on killing the goose that lays the golden egg. For that  
22 reason the prospect of relief from that direction is dim.  
23 However, it should not be overlooked. Its importance can be  
24 judged by the fact that in 1955 the Pennsylvania, which has  
25 the largest passenger deficit of any class I railroad, paid  
26 \$5,226,996 as property taxes on 260 passenger-station

1 facilities owned or used by it in 12 States. The total  
2 taxes paid by the railroads on their passenger stations in  
3 Cook County, Ill., were \$12,018,985 in 1955. The county in  
4 the same year received property taxes of \$238,360 from 12  
5 major airlines, of which \$174,917 was from real property and  
6 \$63,443 from personal property. Other examples of the  
7 taxation of stations are shown in Appendix C.

8 The railroad State tax situation is particularly bad  
9 in New Jersey, where the railroads justly complain that they  
10 are tax-ridden. As one example, a few years ago the  
11 Pennsylvania was required, presumably by the State regulatory  
12 commission, to install escalators in its passenger stations  
13 at Trenton and New Brunswick, costing respectively \$186,000  
14 and \$90,000. Thereupon these improvements provided the  
15 taxing authorities a reason for increasing the assessments  
16 and thereby raising taxes in the amounts of \$3,926 per year  
17 at Trenton and \$1,248 at New Brunswick.

18 New Jersey has the distinction of leading all the  
19 States in the amount of taxes per mile of road which it  
20 levies against railroads. Its toll in 1956 was \$10,244 per  
21 mile, which was more than 5 times the national average. The  
22 railroads have a long-standing grievance against the New  
23 Jersey taxing authorities for assessing their property at  
24 100 percent of value and recognizing a lower basis for other  
25 taxpayers. The State Supreme Court has found that the rail-  
26 roads have a just cause of complaint,<sup>14</sup> but various adminis-  
27 trative pretexts have been employed to perpetuate the  
28 injustice. The evidence concerning railroad taxation in  
29 New Jersey is too voluminous to permit further discussion here,

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<sup>14</sup>Delaware Lackawanna and Western R. R. Co. v. Neeld,  
130 A. 2d 6, 23 N. J. 561.

1 but it suggests a kind of cold warfare being waged against  
2 the railroads, having extremely serious implications. In  
3 all probability the Senate committee was thinking of New  
4 Jersey when it said:

Representatives of the railroads testified that local and State taxes borne by the rail lines are disproportionately high and bear no relationship to the earnings of the properties and, therefore, constitute an unfair burden on their operations. The subcommittee suggests that State and local governments reexamine taxes now borne by the railroads for the purpose of determining and correcting inequitable tax situations that exist.

5 The Commutation Problem--In the report of the Senate  
6 committee this problem was the subject of the following  
7 comment:

The subcommittee heard much testimony with respect to the problem of continuing commuter service by railroads. It was clear from the testimony that the railroads were operating these services at enormous losses. This is the result of many factors which we will not go into here. It may be said that basically the commuter service problem is a local one having both social and economic implications. However, it is also a matter of deep concern to the Federal Government because of the impact that losing commuter service can have on the ability of an interstate rail carrier to render its interstate service. That this is so, is clearly evident from the fact that there are several large carriers in the East which are faced with the imminent threat of bankruptcy primarily because of the heavy losses from rendering commuter and other local passenger service. Because of the burden that these losing intrastate services are imposing on interstate commerce, the subcommittee feels that the Federal Government can no longer stand aside to the extent it has in the past. The Interstate Commerce Commission already has authority to require increases in intrastate rates where there is an unjust discrimination or burden on interstate commerce, but in many cases the answer to the losses from commuter services does not lie in merely increasing fares. It is evident that fares which would theoretically return a profit to the railroads would generally result in charges substantially greater than commuters are accustomed to paying and, in some instances, prohibitive charges. Accordingly, the solution is not readily apparent. Because the solutions which may be found for this problem are essentially local, the subcommittee deems it desirable to leave to the local government agencies involved the job of seeking specifically tailored solutions to their particular problem.

1       The accuracy of this timely statement is fully supported  
2 by the evidence in this proceeding. The discussion of the  
3 subject here is therefore in the nature of an annotation.

4       Commutation traffic is one of the oldest kinds of rail-  
5 road passenger business<sup>15</sup>, and it probably will be the last  
6 form to disappear for the reason that, despite the tremendous  
7 development of highways and other facilities such as tunnels  
8 and bridges for the benefit of motor transportation, a con-  
9 siderable number of commuters will continue to be dependent on  
10 rail transportation for some time to come. For example, in the  
11 New York-New Jersey metropolitan region complete motorization  
12 of suburban traffic would require the construction of 20 addi-  
13 tional lanes of first-class highway, ten 2-lane tunnels under  
14 the Hudson River, and more than 250 acres of additional parking  
15 space on Manhattan Island. To some extent there are similar  
16 problems at other cities.

17       The difficulties which confront the railroads because  
18 of this situation are strikingly illustrated by the railroad-  
19 owned ferries on the Hudson River. In 1930, the ferries  
20 carried 93.8 million people into and out of New York City  
21 (55.2 million railroad passengers and 38.6 million pedestrians).  
22 The movement in 1947 was 38.4 million persons (28.8 million  
23 railroad passengers and 9.6 million pedestrians), but in 1956  
24 the total was only 19.2 million (17.3 million railroad passen-  
25 gers and 1.9 million pedestrians). The total by automobile  
26 and bus in 1930 was 52,492, which had increased to 206,050 in  
27 1956. The latter movement has been made possible by the  
28 tunnels and bridges built by the Port of New York Authority,  
29 which operates them with financial success and is entirely

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<sup>15</sup>Commutation Rate Case, 21 I.C.C. 428, 438 ff.

1 willing to leave the unprofitable ferry operation in the  
2 hands of the hard-pressed railroads.

3 Commutation passenger-miles in 1957 were about 19  
4 percent of the total for class I carriers as a whole, and  
5 this percentage was 17 percent in 1956, when the total com-  
6 mutation revenue was \$106.8 million, 14 percent of the total  
7 passenger revenue of those carriers. This revenue was  
8 reported by only 20 carriers. Those which received more  
9 than \$1 million each, 97 percent of the aggregate, were the  
10 following:

<u>Railroad</u>	<u>Commutation Revenue (1956)</u>	<u>Ratio to Total Passenger Revenue Percent</u>
Long Island New York, New Haven & Hartford	\$27,313,491	57
New York Central	12,694,968	25
Pennsylvania	11,874,050	12
Illinois Central	10,706,971	9
Chicago & North Western	8,032,105	36
Delaware, Lackawanna and Western	7,272,309	42
Central of New Jersey	5,199,039	53
Southern Pacific	3,692,719	62
Boston & Maine	3,026,331	9
Reading	2,865,275	27
Erie	2,831,205	40
Chicago, Burlington & Quincy	2,815,644	39
Chicago, Rock Island & Pacific	2,208,879	11
Chicago, Milwaukee, St. Paul & Pacific	2,048,851	12
	1,474,073	9

11 These are the railroads which principally serve New York  
12 City, Boston, Philadelphia, Chicago, and San Francisco and  
13 their suburbs, where commutation traffic is of chief impor-  
14 tance. It is for that reason that commutation is considered  
15 a special or local problem.

16 The causes of the increasing unprofitability of commuta-  
17 tion service are essentially the same as those affecting  
18 passenger traffic generally, namely a decrease in business

1 and an increase in operating expenses, which because of the  
2 adverse conditions peculiar to this service are abnormally  
3 high.

4       The increase in motor travel between cities and their  
5 suburbs is of course the principal but not the sole reason  
6 for the decline in commutation traffic. The widespread  
7 adoption of the five-day week has made Saturday a non-business  
8 day along with Sunday. The decentralization of retail busi-  
9 ness with the commercial growth of the suburbs has lessened  
10 the demand for off-peak train service by housewives on  
11 shopping trips to the city. Night trains for suburbanites  
12 seeking amusement in the city have become unnecessary because  
13 of television, so it is said.

14       For the most part, therefore, the commutation traffic is  
15 concentrated in two morning hours and two evening hours 5 days  
16 a week. For example, at New York City the New York Central  
17 requires 304 coaches in handling its rush-hour traffic and  
18 263 coaches for the evening traffic which extends over a  
19 somewhat longer period. For its off-peak period 70 coaches  
20 are sufficient. Hence this carrier is able to use its entire  
21 commutation fleet for only about 15 percent of the time and  
22 only 20 percent of its equipment during the remaining 85 per-  
23 cent. During the idle period the cars not only earn no  
24 revenue but must be stored on tracks in metropolitan areas  
25 which are expensive to own and maintain.

26       The concentration of traffic also has the effect of  
27 requiring the railroads to pay compensation to their engine  
28 and train employees engaged in this service during periods  
29 of the day when they are necessarily off duty. A round-trip  
30 in a morning commutation run usually requires only a few hours,



1 but since a crew is entitled to a minimum of 8 hours pay,  
2 it is usually called on for service also in the afternoon  
3 or evening. This service commonly terminates some 10 or 12  
4 hours after the time of starting work in the morning, and  
5 the total period is called the "spread of assignment."

6 The engine and train employees in commutation service  
7 are paid according to a special rule for what is known as  
8 short turnaround passenger service, "no single trip of which  
9 exceeds 80 miles, including suburban and branch-line service."  
10 There are basic day's wages for these employees, based on an  
11 8-hour day, but overtime, which is very important for reasons  
12 before indicated, is computed according to what is familiarly  
13 known as the "8 within 9 hour overtime rule." This rule in  
14 substance requires that all time within the spread of assign-  
15 ment from first report to final release must be paid for at  
16 the regular hourly rate, unless within the first 9 hours  
17 there is a period of continuous release in excess of one hour.  
18 In that event one hour may be deducted from total time paid  
19 for. If the release period of more than one hour extends  
20 beyond the 9-hour limit, only the period within the first 9  
21 hours may be deducted. Release periods of one hour or less  
22 are paid for in all cases.

23 The effect of this rule is illustrated by the following  
24 actual example: An assistant conductor reports for duty at  
25 a New York Central suburban station at 5:14 a. m. for a run  
26 to New York City, and is released from duty at 8:03 a. m.  
27 with nothing to do thereafter until 4:10 p. m. when he  
28 reports for work on an afternoon run to the same suburban  
29 station, where he is released from duty at 7:50 p. m. The  
30 spread of assignment is 14 hours and 36 minutes, involving

1 6 hours and 29 minutes of time actually worked and 8 hours  
2 and 7 minutes of uninterrupted release time in the middle  
3 of the day. Under the present rules the compensation for  
4 this service consists of one basic day's pay and 5 hours  
5 and 36 minutes of overtime.

6 Another example pertains to ticket collectors on  
7 suburban trains of the Pennsylvania to and from Philadelphia,  
8 who in the summer of 1956 had an average daily spread of  
9 assignment of 9 hours and 40 minutes. The average time  
10 actually worked was 6 hours and 40 minutes. Their average  
11 time paid for but not worked was 2 hours and 22 minutes and  
12 their average earnings per day were \$17.92, based on a basic  
13 daily wage rate of \$15.15. However, their compensation was  
14 also subject to a monthly guarantee rule providing for pay-  
15 ment of \$454.50 per month (30 times the basic daily rate of  
16 \$15.15) regardless of the number of days worked per month,  
17 paid also without regard to the amount of overtime earned  
18 during the month.

19 In the 1956 emergency-board proceeding the railroads  
20 unsuccessfully urged the adoption of an "8 within 10-hour  
21 overtime rule" in lieu of the "8 within 9" rule. Such a  
22 change would have permitted a deduction of two hours of  
23 "dead time" instead of one in computing overtime, and there  
24 would have been an annual saving of \$3 million under current  
25 wage rates. The 3-year contract which ended the controversy  
26 before mentioned provided for a wage increase of 10 cents  
27 per hour on November 1, 1956, and 7 cents per hour each on  
28 November 1, 1957, and 1958, and in addition there have been  
29 cost-of-living raises of 3 cents per hour on May 1, 1957, 5  
30 cents per hour on November 1, 1957, and 4 cents per hour on  
31 May 1, 1958.

1       At one time many years ago commutation trains were used  
2 as a sort of training ground for less experienced employees,  
3 since the operation was simpler than that of the through  
4 trains. Now they are preferred runs, available to senior  
5 employees who recognize them as advantageous from many stand-  
6 points. Those advantages have also led to charges of dis-  
7 crimination from railroad employees in other kinds of service.

8       It is impossible to segregate the cost of commutation  
9 traffic from that of passenger traffic as a whole, but in a  
10 number of cases involving commutation fares special studies  
11 have been presented, all indicating the abnormally high  
12 operating expense of handling this traffic. Such a one was  
13 Chicago Intrastate Suburban Fares, Milwaukee Railroad, 297  
14 I.C.C. 353, decided in 1955, in which the I.C.C. said:

Summarizing, the total revenues from the passenger-  
carrying portion of the suburban service were \$1,799,140,  
the out-of-pocket cost not including nonpayroll taxes  
or return, was \$2,269,404, and the credit for nonrevenue  
passengers \$164,226, resulting in a total out-of-pocket  
deficit of \$306,038.

15       Additional indications of this fact are the operating  
16 results of carriers having a large proportion of commutation  
17 traffic. An example is the Chicago North Shore and Milwaukee  
18 Railway, which recently filed an application to abandon its  
19 entire line. This carrier derives 78 percent of its revenue  
20 from passenger traffic, much of which is commutation business  
21 in a rapidly growing suburban region. Some of its problems  
22 were mentioned by one of its officials in testimony in this  
23 proceeding as follows:

While our commutation traffic has been progressively  
increasing, the through traffic and non-rush hour traffic  
has been declining, primarily due to the increased use of  
the private automobile, which has been accentuated by  
the construction of expressways and improved highways in  
the entire area.\*\*\*\*\*The use of the private automobile  
has also created an unusual demand for parking facilities,

particularly at suburban stations, and it has been necessary to follow a continual program of expansion. At most stations, all available railway property has been improved for parking, and the continued increase in use of automobiles will necessitate passengers finding elsewhere to park in many instances.

1       It has been reported that if this carrier is permitted  
2 to discontinue operation, its line may be taken over by the  
3 Chicago Transit Authority. This possibility is of  
4 interest as indicating a growing realization that some kind  
5 of public aid is becoming increasingly necessary to assure  
6 continued operation of railroads deemed indispensable to  
7 suburban transportation. The most recent example of this  
8 kind is the grant of \$900,000 by the State of Massachusetts  
9 to the New Haven in order to keep the Old Colony line in  
10 operation.

11       About 4 years ago the plight of the Long Island Railroad  
12 became so serious that a plan was devised for giving it aid  
13 through a New York statute referring to "railroad redevelop-  
14 ment corporations." Qualifying as such a corporation, the  
15 Long Island paid property taxes in the years 1953-1957  
16 ranging from \$1,730,711 to \$1,978,910. Without the benefit  
17 of this statute its taxes would have been between \$3,498,000  
18 and \$4,586,000. It has also been relieved of certain other  
19 State and local taxes. It is noteworthy that the Long Island  
20 in 1957 had net railway operating income of \$982,000 from  
21 its passenger service, as shown in Appendix A, and was unique  
22 among all large railroads in having a passenger operating  
23 ratio lower than 100.

24       The tax relief of the Long Island will end in 1963 unless  
25 there is further legislation, and this fact may have some  
26 bearing on a statement by one of the respondents' witnesses  
27 referring to the Long Island on the last day of the hearings

1 that "there was evidence at the last session of the New York  
2 State Legislature that the State of New York is weakening in  
3 its belief in and support of a previously agreed upon plan  
4 for the rehabilitation of that important commuter railroad."

5 The president of the Long Island, testifying previously,  
6 said:

In this respect, however, it is my belief that if the tax relief had been withheld the current \$65 million improvement and rehabilitation program which the Long Island is carrying out would not have been undertaken or realized. The cornerstone of the program was the purchase of over 200 new passenger cars. In view of the credit standing which the Long Island could command at the close of the reorganization proceedings if the tax relief had not been provided under the law, I seriously doubt whether any bank would have lent us the necessary funds to finance the purchase of these new cars. Without the purchase of the new cars, that part of the improvement and rehabilitation program covering the modernization of the existing Long Island car fleet would have been a useless gesture since by itself it would not provide the necessary passenger capacity.\*\*\*\*\*It might very well be that in those States where commutation transportation is an acute problem and local taxes constitute a heavy burden, tax relief such as has been accorded to the Long Island might prove to be a solution by which adequate commuter service can be provided with modern equipment.

7 The most serious and complicated commutation problem  
8 necessarily is that of the New York-New Jersey region and  
9 it is not a crisis which has arisen suddenly. In May 1957,  
10 a bi-State agency, the New York-New Jersey Metropolitan  
11 Rapid Transit Commission, which for some time had been  
12 studying the problem from the standpoint of those States,  
13 rendered a report expressing the conclusion that some form  
14 of public aid was necessary to the continuance of rail com-  
15 mutation service. That Commission also recommended the  
16 establishment of a bi-State transit district, which the rail-  
17 roads actively support. The New York Legislature provided  
18 for creation of such a district, but the plan encountered  
19 difficulties in New Jersey.

1       The latter circumstances may have some connection with  
2 developments in the final days of the 85th Congress which  
3 indicated disagreement with the view of the Senate committee  
4 that enactment of the Transportation Act of 1958 "will lead  
5 to the prompt finding of appropriate solutions by local  
6 authorities." Now it appears that the committee may be  
7 forced to take up the problem anew in its coming investiga-  
8 tion, contrary to the committee's conclusion that "solutions  
9 to this problem cannot be longer delayed."

#### THE NATIONAL TRANSPORTATION POLICY

10       It is appropriate in this proceeding to consider the  
11 relation of the passenger deficit to the objective of  
12 "developing, coordinating, and preserving a national  
13 transportation system by water, highway, and rail, as well  
14 as other means, adequate to meet the needs of the commerce  
15 of the United States, of the Postal Service, and of the  
16 national defense."

17       Commercial Needs--The railroads' declining share in  
18 the intercity transportation of persons is so small today  
19 that the commercial need for its continuance, if any, is  
20 imperceptible. The extensive curtailment of rail passenger  
21 service which has taken place in the past 10 years apparently  
21 has caused little or no hardship except perhaps temporarily.

22       On the other hand, unless the passenger deficit is elimi-  
23 nated or greatly reduced in the near future, the ability  
24 of the railroads to transport freight efficiently and economi-  
25 cally is certain to be seriously impaired. It is in this  
26 field that they are most necessary to the commerce of the  
27 country, for which their continued development and preserva-  
28 tion is essential.



1       Discussing the relation between passenger fares and  
2 freight rates in 1914, the I.C.C. said:<sup>16</sup>

      We know of no provision of law under which we should be justified in increasing freight rates to provide a return upon property used exclusively in the passenger service, much less to take care of losses incurred in such service. In our opinion each branch of the service should contribute its proper share of the cost of operation and of return upon the property devoted to the use of the public.

3       That principle has largely been discarded. In insti-  
4 tuting this investigation the I.C.C. expressly stated that  
5 "freight rates are now bearing a portion of the passenger  
6 deficit" and therefore invited "shippers and receivers of  
7 railroad freight" to participate in the proceeding. The  
8 National Coal Association and the Koppers Company, a large  
9 shipper, accepted this invitation and presented testimony  
10 reflecting what the NARUC committee calls "their own selfish  
11 reasons for participating in this investigation." However,  
12 selfish the reasons may be, they are completely valid.

13       The continuing injustice to the freight shippers caused  
14 by the passenger deficit is so generally conceded that a  
15 lengthy discussion of the point in this report would be a  
16 waste of space.

17       The Postal Service--The respondents and the NARUC  
18 committee undertook to assign the villain's role to the  
19 Post Office Department, which vigorously and justifiably  
20 refused to be so cast. Most of the criticism of the Depart-  
21 ment is in the form of argumentative statements with little  
22 or no evidence to support them.

23       The chairman of the NARUC committee charged that the  
24 Department "has arbitrarily diverted mail to other forms  
of transportation with admitted total disregard for the

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<sup>16</sup>The Five Per Cent Case, supra, 391-2

1 resultant cumulative reduction in rail transportation facili-  
2 ties available for the national defense," and that there has  
3 been "outright removal of the mail from a number of passenger  
4 trains without service or economic justification." These  
5 assertions rest on nothing in the record more substantial  
6 than a vague reference to discontinuance of a train on the  
7 Central of Georgia and a conference between the NARUC committee  
8 and an assistant postmaster general which the committee regarded  
9 as unsatisfactory.

10 The Eastern Railroad Presidents' Conference in February  
11 1958 issued a statement of policy, also referring to the  
12 passenger deficit and criticizing the Department, presented as  
13 evidence here. It contains the following unsupported assertion:

At recent hearings in the Interstate Commerce  
Commission's Passenger Deficit Investigation, it  
was brought out that frequently the railroads have  
been forced to discontinue passenger trains because  
the Post Office Department has taken the mail away.

14 On the contrary, the respondents' witnesses who described  
15 their procedure in planning the discontinuance of trains men-  
16 tioned the necessity of arranging for substituted mail service  
17 afterward and did not emphasize prior substitution as a cause.

18 The hearings in this proceeding were held at about the  
19 same time as those involving the mail pay of the eastern  
20 railroads. Inevitably, therefore, some of the heat emanating  
21 from the mail-pay controversy was reflected in this record.  
22 That controversy must be regarded as extraneous here. Most  
23 of the other questions raised or implied in the evidence  
24 relating to the postal service are operational in nature  
25 rather than regulatory and need be mentioned only briefly here.

26 The policy statement of the eastern railroad presidents  
27 before mentioned states:

On top of this, the Post Office Department has been diverting the more profitable mail to airlines and truckers wherever it feels that it will be to its advantage. This leaves the railroads responsible for all of the mail their competitors do not wish to take which of course, costs the most to handle or produces the lowest revenue. ~~\*\*\*\*~~the diversion of the more profitable mail traffic away from the railroads will eventually weaken the railroads' ability to provide a national system of mail service, and have already caused or helped to cause the discontinuance of many passenger trains.

1 This statement is also unsupported, and if it is to receive  
 2 consideration, the pertinent facts must be found in sources  
 3 which can be officially noticed. What the railroads consider  
 4 the least profitable mail traffic is not shown. Perhaps it is  
 5 the second-, third-, and fourth-class mail, from which in the  
 6 fiscal year 1957 they received about \$238 million in mail pay,  
 7 81 percent of their total. The remainder, \$54.1 million, from  
 8 other kinds of mail should be compared with \$6.9 million  
 9 received by domestic air carriers for carrying mail other than  
 10 domestic air mail and second-, third-, and fourth-class mail,  
 11 and \$8 million received by motor carriers for carrying mail  
 12 other than second-, third-, and fourth-class mail.<sup>17</sup>

13 Whether the Department has wronged the railroads by its  
 14 use of air and highway transportation is not a question  
 15 which can be adjudicated in this proceeding, but since the  
 16 railroads and the IARUC committee have raised the question,  
 17 the extent of the diversion, so far as it can be determined,  
 18 should be shown. For that reason the mail revenues received  
 19 by the rail carriers, domestic airlines, and motor carriers  
 20 in the fiscal years 1952<sup>18</sup> and 1957<sup>17</sup> are set forth below:

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 17 Cost Ascertainment Report 1957, U. S. Post Office Dept.  
 18 do. 1952 do.

<u>Carriers</u>	1952		1957	
	<u>Revenue Millions</u>	<u>Percent of Total</u>	<u>Revenue Millions</u>	<u>Percent of Total</u>
Star Route, Highway) Post Offices, ) Short Haul Truck )	\$43	10	\$59.8	15
Railroad	359	82	292.1	75
Airline	36 <sup>1</sup>	8	37.8	10
	<u>\$438</u>	<u>100</u>	<u>\$389.7</u>	<u>100</u>

<sup>1</sup> Subsidy payments excluded.

1 Both the respondents and the NARUC committee criticize  
2 the Department for the "flying of 3-cent mail", which was  
3 involved in litigation and is outside the jurisdiction of  
4 the I.C.C. In this connection it is perhaps worth noting  
5 that in the fiscal year 1957 the railroads received \$39,219,301  
6 from first-class mail, 13 percent of their total, while the  
7 domestic airlines were paid \$3,027,006 for carrying first-class  
8 mail (not airmail), 8 percent of their total.

9 In view of the continuing reduction in passenger-train  
10 service it is difficult to find fault with the efforts of  
11 the Department to develop other means of transportation. Its  
12 assertion that it is concerned over the present railroad sit-  
13 uation and "would like to see continued its many years of  
14 pleasant association with the railroads" is entitled to  
15 acceptance as a sincere expression.

16 The report of the Senate committee had the following  
17 comment on "Mail Transportation Legislation":

From the testimony the subcommittee believes that the statutes for transporting mail are obsolete and should be amended. Consequently it is urged that the Post Office and Civil Service Committee reexamine present laws to provide fair and impartial treatment for hauling mail by all forms of transportation. For instance, the railroads are required to haul the mail as directed by the Post Office Department under threat

of fine for not performing. Consideration should be given to removing this compulsion. Modern legislation is likewise needed to provide for hauling mail by highway carriers.

1 Before the broad question here raised is discussed,  
2 the "threat of fine" should be noticed. This reference springs  
3 from a widely-held misconception which was also voiced by some  
4 of the witnesses in this proceeding. The chairman of the NARUC  
5 committee said:

The unfairness of the entire mail transportation picture is highlighted by the fact that the railroads by Federal law are required to transport, on any train they operate, such mail as may be offered, in the manner, under the conditions, and with the service prescribed by the Postmaster General - and refusal to comply with the provisions of this law subjects the railroads to a penalty of \$1,000 per day for the duration of such refusal.

This iron-clad statute has forced the railroads, in addition to performing the line-haul transportation as prescribed by the Post Office Department to furnish many facilities and services for caring for and handling the mail while in their custody - facilities and services they would not otherwise require.

6 The statute referred to presumably is the following para-  
7 graph in the Railway Mail Service Pay act (39 U.S.C. sec. 563)  
8 as follows:

It shall be unlawful for any railroad company to refuse to perform mail service at the rates or methods of compensation provided by law when required by the Postmaster General so to do, and for such offense shall be fined \$1,000. Each day of refusal shall constitute a separate offense.

9 The significance of this provision has been greatly  
10 exaggerated. On behalf of the Department it is testified  
11 that there is no record of a single instance of its use. There  
12 is no reason to doubt this testimony or the following explana-  
13 tory statement:

The Post Office Department has accepted what the railroads had to offer. When such offerings did not meet its needs, it so informed the railroads and gave them the opportunity to fill those needs. If they declined, the Department either reconciled itself

to accepting what the railroads would offer or sought other means of transportation. In no instance has it used its statutory prerogatives to compel the railroads to add trains, change schedules, or make additional station stops.

1 The respondents had ample opportunity to refute this  
2 statement.<sup>19</sup> Instead of doing so they offered the policy  
3 expression of the eastern presidents before referred to, stat-  
4 ing that "all railroads performing passenger service are  
5 required by law to handle mail in accordance with detailed  
6 Post Office Department regulations."

7 The fines which have been discussed supra should not be  
8 confused with those referred to by the I.C.C. on sheet 4 of  
9 its recent report in No. 9200, Railway Mail Pay--Application  
10 of Eastern Railroads, 1956, as follows:

As common carriers, applicants are, in effect, insurers of the property they carry, while in the handling of the mail, they are subject for any delinquencies to fines imposed by their principal shipper, the Department. However, these fines have been negligible in recent years, amounting, for example, in 1955 to \$15,421, as compared with applicants' total revenue from the mail of over 100 million dollars.

11 Fines of this kind imposed on all the railroads in the  
12 period 1953-57 amounted to \$495,859 which was 0.03 percent  
13 of revenue payments to those carriers. There were also  
14 fines of \$242,881 against domestic air carriers, 0.15 percent  
15 of their revenue.

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<sup>19</sup>The chairman of NARUC committee, the last witness in the hearings as well as the first, in his final appearance appeared to back away from some of his previous criticism of the Department saying:

I want to say this: In reading Mr. Siedle's [assistant postmaster general] statement it looks like he might have corrected some of the things we have complained about. I take it that is true or he wouldn't have made those statements, and certainly the Post Office ought to be alert to preserve the passenger train service of this country.



1       The present statutes relating to railway mail pay.  
2 date from 1916 when transportation conditions were far  
3 different from those of the present. The Senate committee  
4 has good reason to suggest that they are obsolete. Some  
5 bills were introduced for that purpose in the 85th Congress  
6 and were mentioned briefly by some of the witnesses here.  
7 Probably the next Congress will take up the problem anew.  
8 One question likely to arise is whether the I.C.C. shall con-  
9 tinue to have the duty "to fix and determine from time to  
10 time the fair and reasonable rates and compensation for the  
11 transportation of such mail matter," etc. The railroads  
12 complain of the time-consuming burden of this litigation.  
13 At least some of them would prefer that the obligatory action  
14 by the I.C.C. be abolished and that mail be subject to its  
15 rate-making power in the same manner as freight. This was  
16 proposed in one of the bills in the last Congress. The  
17 Department favors the present plan and would like to see  
18 it extended to motor carriers.

19       There is clearly a continuing need of good railroad  
20 transportation for the postal service, as the Department  
21 itself emphasizes, and this fact is not controverted by the  
22 moderate diversion of mail to other available agencies which  
23 has taken place thus far. However, it appears to be not  
24 essential to the needs of the postal service that the rail-  
25 roads continue to carry passengers.

26       The Department looks forward to the establishment of a  
27 new method of operation under which mail and express would  
28 be carried in trains exclusively devoted to that service  
29 without passengers. The railroads apparently are sympathetic  
30 with that suggestion, which seems logical in view of the

1 likelihood that there will be further extensive discontinuance  
2 of passenger trains. Such a plan might facilitate the  
3 determination of the cost of the service and remove the  
4 complicating element of the Department's reputed responsi-  
5 bility for the passenger deficit.

6 The National Defense--This aspect is the most critical  
7 of all those to be considered and the one as to which the  
8 evidence is most deficient. The problem is accentuated by  
9 the following observation in the report of the Senate Committee:

The subcommittee believes, however, that the  
railroads should retain a certain amount of passenger  
service, whether profitable or not, as part of the  
railroads' obligation to serve the public and to pro-  
vide for the national defense. This subject of declin-  
ing railroad passenger service is recommended for  
further study.

10 This raises the question: What is the "certain amount  
11 of passenger service" which must be retained in the public  
12 interest, particularly from the standpoint of national  
13 defense, and how much unprofitability resulting from that  
14 service can the railroads--or perhaps more accurately the  
15 freight shippers--be fairly required to bear? The record  
16 in this proceeding furnishes no help toward an answer. Much  
17 further intensive study, probably by the Congress, will be  
18 necessary.

19 The Department of Defense originally announced that it  
20 would offer no evidence in this proceeding. Later, however,  
21 after its assistance had been specially requested by the  
22 Chairman of the I.C.C., it presented as a witness a Navy  
23 captain serving as director of policy and plans for the  
24 Military Traffic Management Agency. His statement was much  
25 the same as one before the Senate committee on March 27, 1958  
26 by the deputy chief of transportation. The latter statement may  
27 properly be noticed here, as the respondents request.

1 Both of those statements dwell upon the military impor-  
2 tance of transportation with particular emphasis on the  
3 value of the railroads and their service during World War II  
4 and express concern "over the decline of the rail transpor-  
5 tation plant." To that extent they are no doubt gratifying to  
6 the respondents.

7 The military witnesses mentioned the obvious difficulty  
8 of forecasting future needs. It is stated that the Depart-  
9 ment of Defense "has developed some requirements for railway  
10 equipment under war conditions ~~\*\*\*~~ based on classified  
11 war plans which cannot be discussed in open session." How-  
12 ever, it is possible to disclose that "using World War II  
13 criteria, for passenger movements we estimate that the mob-  
14 ilization requirements of the military departments will be  
15 1,047 coaches and 5,684 sleeping cars, or a total of 6,731  
16 passenger cars." The railroads had 14,000 coaches in 1956,  
17 and therefore should be able, in the near future at least,  
18 to supply the necessary coaches. In that year, however, they  
19 had only 4,504 sleeping cars, since from 1952 to 1956 the  
20 number had been going down at the rate of 400 per year.

21 Accordingly, faced with the possibility that it might  
22 not have enough sleeping cars to accommodate its military  
23 personnel on some future M-day, the Department of Defense  
24 has stockpiled 1,222 used pullman cars on its own storage  
25 tracks "as mobilization reserve" and it plans to add 300  
26 more. No doubt is voiced as to whether locomotives will  
27 be available to pull these cars. Perhaps the Government has  
28 enough of these in storage also.

1       The defense witnesses agree that "the railroads must  
2 possess sufficient capacity to meet an immediate surge of  
3 passenger traffic in event of emergencies" and say further  
4 that--

          The Department of Defense fully supports the objective of this proceeding and of Congressional inquiries into this serious problem, and therefore, will continue to cooperate in any feasible way designed to strengthen the potential of our railroads as a measure of national defense.

5       In conclusion, they point out that "the complex prob-  
6 lems of economic adjustment of the passenger deficit, which  
7 is now being considered, are largely outside the purview  
8 of the Department of Defense" and are the "primary responsi-  
9 bility of management together with the legislative and  
10 regulatory bodies that are in the best position to evaluate  
11 and pass upon them."

12       Some other matters connected with the relations between  
13 the Department of Defense and the railroads may be noticed.  
14 It is stated that in peacetime the Department must avoid  
15 preference of one mode of transportation as against another  
16 "in the routine procurement of transportation." Therefore,  
17 in the fiscal year 1957, 30.5 percent of its passengers  
18 traveled by rail, 25.8 percent by air, and 43.7 percent by  
19 bus, and the respective percentages of the total charges  
20 paid were 36.1, 58.0, and 5.9. Also in peacetime "next to  
21 meeting the logistics requirements of the military services,  
22 cost is the dominant factor." Perhaps this explains why  
23 the Department has promoted or acquiesced in competition  
24 between the railroads and the airlines to such a degree that  
25 they have been embroiled in litigation, requiring the judicial  
26 branch of the Government to determine whether the railroads

1 in their dealings with an executive department, have trans-  
 2 gressed the rules of fair competition laid down by the legis-  
 3 lative branch.<sup>20</sup>

4 When the eastern railroads undertook to raise their  
 5 fares in 1956, their request for approval of an increase  
 6 of 45 percent in their first-class fares was opposed by the  
 7 Department of Defense for the stated reason---

that it was believed that approval of the pro-  
 posed fare increase would adversely affect the  
 military departments and the public interest,  
 particularly during a national emergency, and  
 the diminishing rail traffic resulting there-  
 from would result in the rail carriers not  
 being in a position to support future military  
 requirements and provide essential service  
 required during a national emergency.

8 Whether the Department feels that its attitude on  
 9 that occasion furnished constructive assistance to the  
 10 railroads is not indicated. Much more revealing than any  
 11 evidence in this record bearing on the relation between  
 12 railroad passenger service and the national defense is  
 13 some testimony before the Senate committee on March 27,  
 14 1958 by Major General Edmund C. R. Lasher, retired, former  
 15 executive director of the Military Traffic Management Agency.  
 15 The following quotation therefrom with emphasis supplied is  
 16 highly significant:

Another point I would like to bring to your atten-  
 tion has to do with the movement of passengers. In time  
 of war, the hundreds of millions of passenger-miles  
 required to recruit, organize, and train a military  
 force is staggering. The potential that we had for pas-  
 senger movement at the beginning of the World War II  
 is no longer present on the railroads.

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Atchison, Topeka & S.F.Ry.Co. v. Aircoach Transp. Ass'n,  
 253 F. 2d. 877.

Now we can say that more people are traveling today than traveled in 1941, that is very true, and we ask: But how are they traveling? They are traveling by Genet's buses, they are traveling by air, they are traveling by private automobile. But what happens when and if we go into a mobilization emergency? Some 375 of the biggest and largest and best airplanes on the airlines today are earmarked for reserve air force fleet operations under the so-called Kraft plan, civil reserve air fleet. Those are aircraft capable of over-ocean travel, but they are also the aircraft which are carrying the bulk of the people today. So when we get into this emergency, where are we going to carry all these people, not only the military, but the added civilian requirements that go on top of it. I don't know. Some say put them in boxcars. This soldier sometimes expects a little more, but what of our boxcar situation? The situation on class A box cars is not too good today either and in time of war those are the cars we use for the movement of ammunition. I don't know how we are going to move troops if we should have an emergency tomorrow. We do not have the capacity. The army has done considerable in setting aside a reserve of passenger cars and is trying to do more. But the situation on the railroads, the carrier on which we will have to depend, is serious in my opinion.

\*\*\*\*\*

I believe, further, that all present modes must be placed on equal footing so far as the promotional role of the Government is concerned. In the promotional role I put everything which is not regulatory, including the subject of subsidization and so forth which have come up at least this morning in your questioning.

1 This statement directly or impliedly suggests the fol-  
 2 lowing questions: (1) Is there in the foreseeable future a  
 3 possibility of some emergency of a military nature which  
 4 might produce a volume of travel, military and civilian,  
 5 such as that which occurred in 1941-1945? (2) Do the experts  
 6 in the field of military transportation generally agree with  
 7 statements which have been made by individuals of recognized  
 8 competence in this field to the effect that the railroads do  
 9 not now have the capacity for such a volume of travel? (3)  
 10 Are the facilities for highway and air transportation adequate  
 11 to carry the load satisfactorily without substantial help  
 12 from the railroads? (4) Are the present promotional policies



1 of the Government in respect of transportation, including  
2 subsidization, well adapted to the needs of national defense?

3 These questions, as before indicated, are promotional  
4 in nature and not regulatory. Authoritative information  
5 requisite to the answers is not to be found in the record  
6 in this proceeding.

#### CONCLUSION

7 For more than a century the railroad passenger coach  
8 has occupied an interesting and useful place in American  
9 life, but at the present time the inescapable fact--and  
10 certainly to many people an unpleasant one--seems to be  
11 that in a decade or so this time-honored vehicle may take  
12 its place in the transportation museum along with the stage-  
13 coach, the sidewheeler, and the steam locomotive. It is  
14 repetitious to add that this outcome will be due to the  
15 fact that the American public now is doing about 90 percent  
16 of its traveling by private automobile and prefers to do so.  
17 The percentage of travel by public carriers is bound to  
18 diminish as more highways continue to be build.

20 The railroads' share of the 10 percent of total travel  
21 by public carriers is roughly 30 percent thereof compared  
22 with a combined percentage of about 40 percent for air and  
23 bus. The railroad percentage seems certain to shrink when  
24 the new jet transports, capable of flying from coast to  
25 coast in less than 5 hours, are placed in service.

26 If railroad passenger-miles (other than commutation)  
27 continue to decline at the average rate of reduction between  
28 1947 and 1957, the parlor and sleeping-car service will have  
29 disappeared by 1965 and the coach service by 1970. It is  
30 of course possible that some development may stop the decline

1 and stabilize the traffic at some level lower than that of  
2 the present time, but no such development is now in sight.

3 In this report 1947 figures have been used as a bench  
4 mark in measuring the current decline in the railroad passen-  
5 ger position. The railroads in that year earned about \$200  
6 million above solely-related costs. In 1957 they failed to  
7 cover those costs by \$113.6 million. There were prophecies  
8 of a new era for passenger transportation in 1947, of which the  
9 symbols were Train X and through sleeping cars from coast to  
10 coast. These symbols have recently vanished and no others  
11 have taken their place.

12 Railroad presidents occasionally are quoted as saying  
13 publicly that their companies are not going out of the pas-  
14 senger business, which they are hopeful of continuing without  
15 an out-of-pocket loss, but those executives did not testify  
16 in this proceeding nor send subordinate officials to make  
17 rosy predictions. The president of the AAR in his statement  
18 did not express any optimism. Almost the only official who  
19 did was a vice-president of the Pennsylvania who predicted  
20 continued profitable passenger service between New York City  
21 and Washington and intermediate points. This service, he  
22 said, "is about 40 percent of our total and it does meet its  
23 full costs." Another vice-president of the same company  
24 pointed out that the traffic between these points had declined  
25 from more than 60,000 passengers per day in 1947 to less  
26 than 30,000 per day in 1957, and said that the operation is  
27 not profitable today "on the total cost basis."

28 If railroad passenger service can be said to have  
29 any future, some bits of evidence here point to operations  
30 between the larger centers of population for distances from

1 100 to 900 miles using nonluxury equipment perhaps including  
2 cars such as the slumbercoach, but this is only a speculative  
3 guess. None of the suggested means of reducing the deficit,  
4 such as revision of labor agreements, lower taxes, discon-  
5 tinuance of subsidies for motor and air transportation, and  
6 more revenue from mail can be considered promising. The  
7 president of the AAR was probably correct when he said:

When every other resource has failed, the  
railroads have reduced passenger train operations  
to avoid further loss. Unfortunately the latter  
course is more and more proving the only remedy.

8 The I.C.C. receives numerous letters from critics of  
9 the railroads as well as sincere well-wishers who would like  
10 to see their passenger service continued. These writers  
11 usually urge that the railroads run more trains with improved  
12 equipment, serving less expensive and better meals, and  
13 charging lower fares. Sometimes they accuse the railroad  
14 executives of wanting to get rid of their passenger business  
15 regardless of its profitability and charge that the passen-  
16 ger deficit is a kind of phantom produced by archaic or dis-  
17 honest accounting.

18 These are mistaken ideas. The evidence here supports  
19 the conclusion that the railroads generally have not dis-  
20 continued trains without serious efforts--sometimes prolonged--  
21 to make them pay and only after sympathetic consideration  
22 of public convenience. The officials and employees of the  
23 railroads have a traditional pride in their long record as  
24 passenger carriers, and there is no reason to believe that  
25 profitable passenger operations have been abandoned. Finan-  
26 cial needs in themselves, which have been more or less pressing  
27 for many years, should disprove that charge.

1 Few, if any, railroads are in a financial position to  
2 experiment on a large scale with new kinds of passenger  
3 motive power and equipment. Such experiments would be  
4 questionable in view of the contracting share of the travel  
5 market available to the railroads today. Almost the only  
6 advantage which railroad passenger service now has to offer  
7 in competition with motor and air travel is an incomparably  
8 better safety record. This factor is of negligible  
9 value, as few people probably would admit even to themselves  
10 that they prefer rail service for this reason. The fact shown  
11 in appendix D that the largest percentage of rail passengers  
12 are persons above the age of 45 may be significant in this  
13 connection.

14 The passenger deficit is not something which can be  
15 conjured away by statistical legerdemain. It is real and  
16 serious. Unless a good start toward reducing it can be  
17 promptly made the future welfare of the railroads will be  
18 gravely endangered. In fact there is here a disturbing  
19 overtone due to an implication that the passenger deficit  
20 may be a symptom of more deep-seated infirmities for which  
21 some remedy must be found if the railroads are to survive.

22 Finally, if it be true that the preference of the  
23 American public for motor and air travel is undermining  
24 the potential value of railroad passenger transportation  
25 to the national defense, this situation should be fully dis-  
26 closed so that it may be recognized as a calculated risk.

## APPENDIX A

Statistical Record of the Railroad Passenger Deficit

<u>Year</u>	<u>Passenger service revenue (thousands)</u>	<u>Passenger service operating expenses taxes, and net rents (thousands)</u>	<u>Deficit (thousands)</u>	
1936	\$ 627,689	\$ 861,016	\$233,327	
1937	664,669	906,260	241,591	
1938	610,807	866,070	255,263	
1939	632,036	882,970	250,934	
1940	634,858	896,916	262,058	
1941	751,397	977,456	226,059	
1942	1,347,563	1,258,234	89,329	Income
1943	2,079,659	1,799,869	279,790	do.
1944	2,248,142	2,014,039	234,103	do.
1945	2,173,466	1,943,406	230,060	do.
1946	1,643,644	1,783,380	139,736	
1947	1,400,107	1,826,633	426,526	
1948	1,434,992	1,994,774	559,782	
1949	1,295,810	1,945,437	649,627	
1950	1,394,007	1,902,515	508,508	
1951	1,449,048	2,129,870	680,822	
1952	1,496,689	2,139,079	642,390	
1953	1,416,214	2,120,752	704,538	
1954	1,312,008	1,981,541	669,533	
1955	1,266,828	1,903,521	636,693	
1956	1,282,391	1,979,329	696,938	
1957	1,238,116	1,961,794	723,483	

Passenger Deficits of Large Railroads in 1957

<u>Eastern District</u>	<u>Passenger Deficit Thousands</u>	<u>Ratio of Passenger Deficit to Freight Net Railway Operating Income</u>	<u>Passenger Operating Ratio Percent</u>
Baltimore & Ohio R.R. Co.	\$34,041	47	187
Boston & Maine R.R.	12,590	69	160
Central R.R. Co. of N.J.	7,054	68	156
Delaware, Lackawanna & Western R.R. Co.	5,543	62	130
Erie R.R. Co.	12,375	53	180
Lehigh Valley R.R. Co.	4,777	84	174
Long Island R.R. Co.	982	Income	90
New York Central R.R. Co.	52,283	64	125
New York, Chicago & St. Louis R.R. Co.	3,997	17	198
New York, New Haven & Hartford R.R. Co.	15,225	98	102
Pennsylvania R.R. Co.	57,531	57	121
Reading Co.	9,047	36	179
Wabash R.R. Co.	6,117	36	143
<u>Pocahontas Region</u>			
Chesapeake & Ohio Ry. Co.	14,832	16	185
Norfolk & Western Ry. Co.	11,666	21	236

	Passenger Deficit Thousands	Ratio of Passenger Deficit to Freight Net Railway Operating Income Percent	Passenger Operating Rati Percent
<u>Southern Region</u>			
Atlantic Coast Line R.R. Co.	\$13,191	59	138
Gulf, Mobile & Ohio R.R. Co.	5,817	53	158
Illinois Central R.R. Co.	20,014	49	147
Louisville & Nashville R.R. Co.	18,340	44	168
Seaboard Air Line R.R. Co.	10,884	34	136
Southern Ry. Co.	18,934	32	153
<u>Western District</u>			
Atchison, Topeka & Santa Fe Ry. Co. and System Lines	53,258	49	150
Chicago & North Western Ry. Co.	19,591	78	149
Chicago, Burlington & Quincy R.R. Co.	24,738	54	146
Chicago, Rock Island & Pacific R.R. Co.	20,547	59	155
Chicago, Milwaukee, St. Paul and Pacific R.R. Co.	24,195	60	162
Denver & Rio Grande Western R.R. Co.	5,451	25	193
Great Northern Ry. Co.	26,151	51	202
Missouri-Kansas-Texas R.R. Co.	5,374	70	165
Missouri Pacific R.R. Co.	17,726	33	150
Northern Pacific Ry. Co.	17,549	50	199
St. Louis-San Francisco Ry. Co.	9,795	47	179
St. Louis Southwestern Ry. Co.	854	8	221
Southern Pacific Co.	47,316	51	174
Texas & New Orleans R.R. Co.	3,962	31	127
Texas & Pacific Ry. Co.	6,300	50	154
Union Pacific R.R. Co. and System Lines	43,585	53	167



APPENDIX BIntercity Passenger-Miles and Percentages of Total  
Source: Annual Reports of I.C.C.

<u>Year</u>	<u>Rail</u>	<u>%</u>	<u>Motor bus</u>	<u>%</u>	<u>Automobile</u>	<u>%</u>	<u>Air</u>	<u>%</u>
1945	93,535:	30.6	26,927	8.8	179,837:	58.8	3,362:	1.1
1946	66,262:	18.7	25,576:	7.2	253,570:	71.7	5,910:	1.67
1947	46,752:	13.3	23,948:	6.8	272,958:	77.6	6,075:	1.73
1948	41,894:	11.6	23,529:	6.5	287,423:	79.7	5,941:	1.65
1949	35,975:	9.4	22,411:	5.8	316,774:	82.7	6,770:	1.8
1950	32,481:	8.1	21,254:	5.3	337,339:	84.3	8,030:	2.0
1951	35,306:	7.9	22,299:	5.0	379,324:	84.5	10,600:	2.4
1952	34,710:	6.2	30,063:	5.4	475,946:	85.5	14,222:	2.6
1953	32,261:	5.3	28,397:	4.7	529,194:	86.9	17,430:	2.9
1954	29,467:	4.7	25,614:	4.1	548,763:	87.8	19,568:	3.1
1955	28,695:	4.3	25,519:	3.8	585,817:	88.2	22,741:	3.4
1956	28,541:	4.1	25,189:	3.6	617,713:	88.4	25,523:	3.6
1957	25,888:							

(The foregoing figures do not include small numbers  
of water-borne passengers)

## APPENDIX C

Property Taxes on Representative Railroad Passenger Stations

<u>Station</u>	<u>Tax</u>	<u>Year</u>
New York, N. Y. Grand Central Pennsylvania	\$6,600,000 1,480,000	1956 1957
Boston, Mass. South	1,051,075	1957
Washington, D. C. Union	298,892	1957
Chicago, Ill. Union	917,564	1956
Cleveland, Ohio Union	508,080 <sup>1</sup>	1957
Cincinnati, Ohio Union	412,641 <sup>1</sup>	1956
Pittsburgh, Pa. Pennsylvania	194,000	1957
Toledo, Ohio New York Central	42,745	1956
Buffalo, N. Y. same	216,736	1956
Rochester, N. Y. same	36,377	1956
Syracuse, N. Y. same	53,230	1956
Watertown, N. Y. same	11,435	1956
Albany, N. Y. same	59,504	1956
Detroit, Mich. same	51,280	1956
Louisville, Ky. Union Central	18,619 11,862	1957 1957
Kansas City, Mo. Union	588,466 <sup>1</sup>	1957
Los Angeles, Calif. Union	293,735	1957

<sup>1</sup>This figure may also include taxes on equipment.

<u>Station</u>	<u>Tax</u>	<u>Year</u>
San Francisco, Calif. Southern Pacific 3rd & Townsend	112,530	1957
El Paso, Tex. Union	10,803	1957
Denver, Colo. Union	58,939	1957
Wichita, Kans. Union	82,546	1957

## APPENDIX D

Extracts from  
Preliminary Report on 1957 Travel Survey  
 (U. S. Department of Commerce, Bureau of the Census)  
 September 1957.

This is believed to be the first survey undertaken to measure systematically the total volume of travel by essentially the entire civilian population on trips that involve either being out of town overnight or one-day trips to a place that is at least 100 miles (one way) from home. The basic information is being obtained by personal interviews monthly at samples of households selected on a probability basis so that the results can be expanded to national totals and the reliability of the data (i.e. "sampling errors") can be measured.

The preliminary results for midwinter travel (trips that ended between January 1 and April 13, 1957) are presented in this report. They are based upon personal interviews at 6,000 different households in February, March and April--a separate panel of 2,000 households in each of 3 months. Similar interviews are scheduled for monthly panels of 2,000 households each for the balance of 1957.

During the first 15 weeks of 1957, the American public took about 48 million round trips which involved 207 million trip-days and averaged about 4.3 days per round trip. About 22 million round trips were taken to visit friends and relatives. About 14 million other round trips were taken primarily for business reasons. About 7 million trips were taken for other vacation and pleasure purposes, and the balance, about 6 million, involved personal travel in which pleasure was not a prime element.

Travel by automobile accounted for 40 million out of the total of 48 million round trips by all means of transportation. Since the period covered was in the winter and early spring, it seems probable that the figures for the entire year may show a somewhat larger proportion for automobile travel.

By means of transport:	Number of round trips (millions)
Automobile	39.9
Bus	1.5
Rail	2.2
Air	1.7
Combinations and other	2.4
	47.7

ROUND TRIPS: Percent Distributions by Reason for Trip

Means of transport	Total	Business	Non-business		
			Friends and relatives	Other va- cation and pleasure	Other per- sonal
Automobile	83	75	86	84	94
Bus	3	1	5	3	3
Rail	5	5	4	6	2
Air	4	6	3	4	1
Combinations and other	5	13	2	3	-
	100	100	100	100	100

**ROUND TRIPS: Percent Distributions by Length of Trip**  
Straight-line miles to major destination  
(one way)

	Under 50	50 - 100	100 - 150	150 - 200	200 - 500	500 and over
Means of transport	50	99	149	199	499	
Automobile	92	91	88	77	69	62
Bus	4	3	2	3	6	3
Rail	2	3	4	8	10	8
Air	-	-	2	2	7	19
Combinations and other	2	3	4	10	8	8
	100	100	100	100	100	100

**ROUND TRIPS: Percent Distributions by Annual Income of Household**

	Under \$3,000	\$3,000 - \$5,999	\$6,000 - \$9,999	\$10,000 and over
Means of transport				
Automobile	87	87	82	75
Bus	6	3	2	3
Rail	1	5	5	5
Air	2	2	2	11
Combinations and other	4	3	9	6
	100	100	100	100

**ROUND TRIPS: Percent Distributions by Age Group**

	Under 18 years	18 - 24 years	25 - 44 years	45 years and over
Means of transport				
Automobile	91	88	86	75
Bus	4	2	2	5
Rail	3	2	2	9
Air	1	4	5	3
Combinations and other	1	4	5	8
	100	100	100	100

**ROUND TRIPS: Percent Distributions by Regional Origin**

	Northeast	North Central	South	West
Means of transport				
Automobile	69	88	87	82
Bus	3	1	4	5
Rail	12	5	2	2
Air	9	2	3	3
Combinations and other	7	4	4	8
	100	100	100	100

**Northeast:** Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, New York, Connecticut, New Jersey, and Pennsylvania

**North Central:** Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, and Kansas

**South:** Delaware, Maryland, District of Columbia, Virginia, West Virginia, North Carolina, Georgia, Florida, Kentucky, Tennessee, Alabama, Mississippi, Arkansas, Louisiana, Oklahoma, and Texas

**West:** Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, Nevada, Oregon, Washington and California







