

*What can be done  
to solve . . .*

THE  
Railroad  
Passenger Train  
Problem

*Recommendations of the*  
INTERSTATE COMMERCE COMMISSION  
*Washington, D. C.*

*More than three years ago the Interstate Commerce Commission began an investigation to determine the nature and causes of the railroad passenger train deficit problem. In reporting its findings in Docket No. 31954 on May 18, 1959, the Commission announced the following conclusions, including recommendations aimed at solving this problem.*

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THIS proceeding and Congressional hearings in 1958 relating to railroad problems, as well as other factors, have attracted much public attention to the declining fortunes of railroad passenger service. There has been considerable and perhaps undue emphasis on statistical trends interpreted as a portent of the eventual disappearance of that service within 10 or 15 years, if railroad passenger-miles (other than commutation) continue to decline at the average rate of reduction between 1947 and 1957.

Whether those trends are indeed so ominous as to signify the eventual demise of railroad passenger service is a matter of opinion. One thing, however, is abundantly clear. For more than a quarter of a century, excepting the brief span of World War II, the expense of performing this service has regularly exceeded associated revenues. The financial loss is real; it is large and appears to be growing; and it endangers the present and future welfare of the railroad industry.

Nothing can be gained by ascribing blame to any particular circumstance or interest. The causes are many and complex — no single one more culpable than any of the rest. Yet, if this threat to realization of the objectives of the national transportation policy is to be substantially lessened, responsible efforts in this direction must reckon with facts as they are. If the statistical trends of 25 odd years prove any one thing, it is the folly of awaiting more fortuitous events.

Though many people still prefer to travel by rail for one reason or another, they clearly constitute a minority — a minority

that grows smaller with each passing year. Figures for 1958 show that for the first time in the 70 years of recorded history of the American railroads, their passengers numbered less than 400 million. This decline has occurred against a background of an expanding population with more time, means, and the desire for travel. In terms of intercity passenger-miles, the "travel market" increased almost 60 percent from 1949 through 1957. Though the total "for-hire" share rose by slightly less than 9 percent, railroad passenger-miles declined 27 percent.

The specific public need and demand for future railroad passenger service cannot be foretold. It is clear, however, that any degree of railroad participation in the travel market on a sound financial basis, requires adjustment of its services and facilities to determined needs.

The impetus given motor and air travel by Federal, State and local government promotional programs has unquestionably operated to the disadvantage of railroad passenger service. Vast highway, airport and airway modernization programs predicated upon anticipated public needs which are now underway, as well as a policy for continued subsidy to air carriers, offer little solace to an industry which is dependent upon private resources and which has witnessed the gradual erosion of its passenger market. It is not suggested that such programs are not meritorious and desirable in the public interest, but the fact is they do exist; they will, as in the past, have a pronounced impact upon railroad passenger service. Yet, there is little evidence of any comparable governmental effort to promote

the public interest in railroad passenger service or to prevent or to take into account competitive inequalities that may be induced by such promotional programs.

The costs of providing railroad passenger service have risen sharply since the end of World War II. This circumstance is not unique to railroading, for wage rates and prices for fuel, materials, and capital goods have also risen and affected all industries during the same period.

The high proportion of labor costs makes it obvious, however, that their reduction is a major target in any attempt at substantial lowering of operating costs. Though this record does not reveal their full import, nor permit us to draw detailed conclusions, there is confirmation of the belief that the railroad wage structure, including work-rules and certain full-crew laws, may unjustifiably involve uneconomic use of labor.

There is a long history of deficit operations and their deleterious impact on the railroad industry, its employees, and the public. There is also general recognition that comprehensive review of labor-management relations, however complex and difficult, is required. We are constrained to comment that failure to give effect to these matters is tantamount to an unwillingness to face up to and grapple with realities.

We may repeat here the statement made earlier that the prescription of fares is not within the scope of this proceeding and that the question of higher or lower fares is not answered by evidence before us. However, it should not be inferred from this comment that we do not regard pricing as a crucial problem. Although certain carriers are mak-

ing serious efforts, there is urgent need for development of sound and imaginative pricing policies capable of fully exploiting whatever potential the railroads may have for sharing in the travel market, and whatever possibilities may exist for reasonable financial returns. More than mere experimentation with increased or decreased fares is called for. The requisite minimum for development of industry-wide pricing policies, it seems to us, is continuous and systematic measurement and analysis of demand for and the costs of providing such service using modern tools of economic analysis.

The evidence supports the general conclusion that many railroads by upgrading and replacing equipment, by experimenting with new types of equipment, and by other means have conscientiously endeavored to improve their standards of service. It is also fair to conclude that railroads generally have not discontinued trains without serious efforts — sometimes prolonged — to make them pay and only after sympathetic consideration of public convenience. The officials and employees of the railroads have a traditional pride in their long record as passenger carriers, and there is little reason to believe that profitable passenger operations have been discontinued. None the less, the record and our correspondence clearly disclose that many avenues toward improving the attractiveness of railroad passenger service remain unexplored. The aggressive service policies of competitors for the travel market in a day of rapid technological and marketing innovations must, at least, be counterbalanced with equally progressive railroad policies.

Though the burden of unprofitable railroad passenger service falls heaviest on the railroad industry, the millstone is not exclusively its property. Labor, which has witnessed with concern the gradual reduction in number of jobs, may now be threatened with virtual extinction of employment opportunities. Shippers are or should be keenly aware of the potentially destructive effects of the continuing and mounting passenger deficit on railroads' ability to serve their freight-carrying requirements. Such destructive effects should also be of vital importance to State and local governments concerned with transportation service needs on behalf of the public within their jurisdictions. Of particular significance to certain communities is their need for solution to commutation problems. Congress has forcibly expressed its interest by defining its objective in the declaration of national transportation policy of "developing, coordinating, and preserving a national transportation system . . . adequate to meet the needs of the commerce of the United States, of the Postal Service, and of the national defense."

A stake in the solution of the problem implies responsibility for pursuing every possible means of effecting a remedy. We are convinced that a solution will be found only when these responsibilities are accepted and there is a combined, coordinated, and sustained effort by the railroad industry, labor organizations directly concerned, legislative bodies, public regulatory and planning agencies, and other groups that may be involved.

In view of the changed demand occasioned by the growing preference for service pro-

vided by other forms of transportation, it appears that railroad management should develop, on an industry-wide basis, policies and plans for reconstituting railroad passenger service into a less extensive network more closely tailored to the needs of the public. These should be based on exacting analyses utilizing the best available information and coordinated and developed through regional and national conferences. The resulting policies and plans should be supported by complete data and unacceptable plans should also be stated with reasons. Adoption of these plans would not only permit the improvement of passenger earnings, but would permit the industry to improve service to its patrons at more attractive prices.

This record does not indicate that the railroad industry has the financial ability to retain any of its service or facilities solely as standby capacity. Those who benefit from any standby capacity that should be maintained must assume the obligation of financing such standby service to the extent of their needs.

We hope the results of this investigation may serve to acquaint the public more fully with the serious nature of the problem and the causes thereof. The information to be found in the record, which necessarily has been only summarized in this report, deserves studious attention on the part of all who seek to preserve needed railroad passenger service. From the standpoint of our responsibilities, we believe it has been worthwhile in eliciting facts which may afford a helpful background for the exercise of our regulatory functions relating to railroad passenger service, chiefly in respect

to service discontinuances and the prescription of fares.

Our responsibilities, however, oblige us to recommend specific courses of action which we feel may help alleviate the problem.

Specifically we recommend:

- 1 That the 10 percent Federal excise tax on passenger fares be repealed.
- 2 That Federal tax laws be amended to encourage local and State tax relief, at least to the extent of disregarding State and local provided "pre-tax net income" for Federal tax purposes.
- 3 That State and local governments take such steps as may be required to effect a greater degree of equity in respect to tax burden on railroad property in relation to taxpayers generally and consistent with the desire of their communities for retention of commuter and other passenger train service.
- 4 That where the railroads are unable to operate a particular local or commuting service at a profit, and where such service is essential to the community or communities served, that steps be taken by state and local authorities, or both, to provide the service paying the carrier the cost plus a reasonable profit.
- 5 That the executive departments of the Federal Government consider the implications of the national transportation policy in connection with the procurement of passenger train services by the Post Office Department, Department of Defense and other agencies of the Government.

- 6 That railroad management take steps to eliminate duplicate passenger trains, terminals and other facilities insofar as will be consistent with the law and the public interest.
- 7 That experimentation by the railroads with new types of coaches, sleeping cars, dining and other facilities be continued.
- 8 That railroad management should continue its efforts to improve the attractiveness of railroad passenger service as a means of stimulating more adequate volume of traffic.
- 9 That railroad management make studies of the elasticity of demand (effect of price on volume of traffic) for railroad passenger service so as to provide a basis for adjustment of fares, adjustment of schedules for convenience of prospective passengers, and systematic, continuous, and higher quality advertising and promotion generally designed to improve public acceptance of rail travel. Every possibility of developing additional patronage should be fully and continually explored.

On this record, we are convinced that inequalities exist which discriminate against rail carriers in their attempt to meet the public need for rail service at equitable charges, and that a comprehensive review and revision of the working rules for railroad employees should be made. We note that Senate Resolution 29, 86th Congress, 1st Session, provides for a comprehensive study of transportation policies in the United States, including "policy considera-

tions for the kind and amount of railroad service necessary to serve the public and provide for the national defense." We believe that it would serve the public interest for this study to incorporate the following areas of inquiry:

- 1 An exploration of labor-management relations, including a review and revision of working rules for labor employees. Consistent with our recommendation to the Congress in March 1958, we believe that the investigation should not be limited to the narrow issues of the working rules but should cover other phases of labor-management relations.
- 2 An exploration of those public expenditures which operate to the disadvantage of the railroads. We adhere to the principle previously expressed, that this country's several forms of transportation should be treated equitably and that no one form should be preferred.

We are of the view that the complete elimination of passenger-train service would not be a solution in the public interest. Economic railroad passenger service is, and for the foreseeable future will be, an integral part of our national transportation system and essential for the Nation's well being and defense. That a solution is neither easy nor immediate does not make it any less necessary. A sense of urgency, therefore, compels us to advocate strongly the adoption of the recommendations outlined herein.

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