

# **Our Stake In The Future of the Railroads**

**By H. C. MURPHY**  
President, Burlington Lines

It is a pleasure to be afforded the opportunity to speak to you today, particularly to a group of men who have devoted all, or the major portion, of their working lives to the railroad industry. I have known many of you over the years and have been closely associated with one of your presidents, Mr. Tracy. I am aware of your interest in the problems of our industry and your concern for its future.

Those of us who pursue our respective careers in railroading have a very real stake in its future, as should millions of other Americans-whether they realize it or not. Operating efficiency, and the extent to which our industry is permitted to function in a truly competitive fashion, has a definite bearing upon the health and vigor of our national economy. More importantly, the preservation of a rugged rail transport system is vital to the safety of the Nation.

## **In Handicapped Struggle**

At present we are engaged in a fiercely competitive struggle-one beset with unfair and unnecessary restrictive handicaps. To the best of my recollection, we have never before been confronted with competition of such magnitude, nor so sorely harassed in our efforts to meet it.

In the 19th and the early part of the 20th century, we faced vigorous competition service-wise and rate-wise, but it was almost wholly competitive between railroads.

During the depression days of the 30's, we faced truck competition, which was even then expanding at an accelerated pace, but the highway vehicles then in use were primitive as compared with the high-powered tractors and box-car trailers presently operated. Also, the road mileage, alinement and capacity were far inferior to that of the highway network of today.

And I think you probably saw in the morning's Tribune the 60-foot articulated semi-trailer that is being exhibited here either today or tomorrow. It is permitted to operate over several of the expressways or tollways in the east and an attempt will be made to obtain approval to operate it here. Now the implication in that, as I see it, is that once given the right to operate semi-trailers of that length on the expressways and tollways, it will give a great shot in the arm to the so-called long distance haulers and a great many pious platitudes on the part of some of our legislators about the various forms of transports being allowed to exercise and utilize and exploit to the full their inherent advantages.

I say that the railroads are logically the long-haul carriers and the trucks are logically the short-haul carriers. They didn't define nor could they define what is a short-haul. We have no fault with that, but the only reason some of these lines that operate from Chicago to the West Coast and Chicago to the East Coast are possible, and there are several who are nation-wide, coast-to-coast operators, is because they are able to use the right-of-way, the highways, that the taxpayers have provided and that they are able to use on practically the same basis that we do. They pay full taxes, lubricating oil taxes, tire taxes, a license on their vehicle and that is what we pay. The only difference is not in principle, but in degree. So that is what we are up against today as against what we were up against, say, in the early '20's when the trucks first started.

Today the railroads compete desperately for the available traffic, not only among themselves, but with trucks, buses, barges, pipe-lines, lake, coastal and inter-coastal vessels, and aircraft. No industry, however essential, may validly complain of effective competition resulting from scientific achievement, so long as all the competing agencies are permitted to operate under the same ground rules.

Unfortunately, that is not the case in America as regards transportation. Since the close of World War 1, a condition has developed wherein the competitive position of the railroads, indispensable as they were and are, has grossly deteriorated as compared with the position of their competitors. A large segment of competitive transport-and this is highly significant-is not regulated as a public utility at all in that they are not subject to the strict controls which have characterized railroad regulation since the passage of the Interstate Commerce Act in 1887.

To an alarming extent, the most dangerous competitors of the railroads - and for that matter all modes of common carrier service - are the virtually unregulated contract and private carriers, some of which hold themselves out to serve and do serve the public, yet are substantially free of the limitations imposed by law upon the true common carriers, chief of which are the railroads. In the field of passenger transport, the private automobile is by far the major operator. So long as its operations remain truly private, public transport has no just complaint. But the impact of unregulated competition upon the genuine common carrier-notably the railroads-is most unfair and most severe in the field of truck and barge transportation. That is what I propose to discuss with you briefly today.

### **Competitors Show Gains**

Since World War 11, private intercity truck carriage has increased about five times, from 30 to 143 billion ton-miles annually. During the same period, "regulated for hire" common carriage increased better than three times, from 25 to 84 billion ton-miles annually. During the same period the river and canal barges increased from 29 to 113 billion ton-miles annually-or nearly four times greater.

Less than 10 per cent of the barges operating on the inland waterways are regulated. Not more than 30 per cent of the trucks operating on our highways are regulated. The rest are privately owned and privately operated. And one wonders why the government in dispensing such huge sums of the taxpayers' money wouldn't look beyond the question of comparative economics of barge operation versus rail operation and see just who gets the benefit of these lower ton-mile costs afforded the barge lines.

A recent study of shipping practices of scores of large shippers provided sobering news for the railroad industry. For example, of 221 companies surveyed, 101 spent proportionately less on rail freight shipments and more on truck shipments during the 1955-1960 period. Forty-one of these companies spent more on freight transportation, but in their own trucks, instead of using common carrier service as they had done prior to 1955. This is an extremely serious trend because common-carrier service is, and will continue to be, the backbone of the Nation's transport.

As doubtless you know, trucks are permitted to haul agricultural and horticultural commodities completely free from economic regulation. This provision of the Motor Carrier Act, enacted in 1935, is based upon the assumption that it helps the small farmer. It probably was the intention of its sponsors that it would apply only to farm-to-market hauls, a concession to which no one could reasonably object. But, as so often happens when law-makers create special privileges, the ultimate results differ greatly from those contemplated. Actually, this exemption is chiefly beneficial to large concerns which previously shipped their products mainly over the lines of regulated carriers, but now operate their own fleets of trucks or barges to distribute a substantial portion of their products.

For example, a shipper, after delivering a truck load of its products at destination, will load the truck for the return trip with exempt products, transporting them to retail stores or other business enterprises in the vicinity of his plant. Since the truck otherwise would have returned empty, the owner is able to transport the exempt lading for a fraction of the rate which a certificated common carrier would be obliged to charge-and still be the gainer. The injustice of such a short-sighted and unfair law is obvious. It is a threat to the whole common-carrier industry upon which the economy of the country, in large measure, predominantly depends.

### **Regulation Revisions Needed**

In contrast railroads are subject to complete and rigid regulation, placing them at a pronounced competitive disadvantage for important traffic. Clearly what is needed-and soon-is a drastic revision of regulations so that rules applying to one type of public carrier apply to all public carriers. Not only does elementary fairness demand this, but in the long run the public is sure to suffer from a policy which stifles free enterprise on the part of essential public transport.

Why railroads should not be able to compete for transportation of exempt freight at a rate which would yield a fair return over and above actual costs is beyond comprehension.

Since you are accustomed to taking the initiative when faced with problems, I know you are probably asking: "Well, what can I do about it?" In my opinion, the answer is simply this. Seek out every possible opportunity to do your job ever more efficiently and effectively than before.

Fortunately, the railroad industry has many capable people on its team. Your job of building and maintaining the track, bridges and roadway structure is a very important one. How well the industry meets the competitive pressures and discrimination presently facing it will depend in large measure on how well all of us do our job. Every dollar saved on railroad operations enhances our ability to improve both property and service. Upon you particularly, falls the responsibility of using the funds available to build necessary and the maximum ruggedness and strength possible into the railroad structure.

And it is important that you keep management informed of new tools and procedures that will enable you to do an ever better job. It is also your responsibility to get the maximum use from these tools. Some of the newer equipment, as you are aware, can be used on a double shift, thus affording greater utilization and efficiency, and assuring a higher per cent return on the investment. But what must be a great satisfaction to you is that the provident use of manpower, improved materiel, tools and equipment enables you to do more of the things you want to do to improve the property under your charge.

### **Plan for "Rainy Day"**

Management looks to you for help in planning ahead. Because of your comprehensive knowledge of the property, you are particularly well qualified to look into the future and program what should be done to strengthen and improve it. There may be times when, because of reduced revenue, management will be unable to carry out all you recommend, but you may be sure your recommendations will not be forgotten. In a word, yours is the all-important trust of safely maintaining the property with the funds allotted to you. In good times adjust your programs to build up the extra strength and ruggedness in the roadway structure so as to be prepared for a "rainy day" when revenue falls off and you are compelled to lower your sights. Then you will be able to do so because of your provident use of what you had in the good years.

While you are devoting your energies and know how to your particular job, you may rest assured of the untiring effort and cooperation of your fellow team members. For example, traffic officers are experimenting with rate adjustments and introducing new rates that have attracted much new business, as well as retained traffic that might otherwise have left the rails. We are answering the challenge of truck flexibility with piggyback freight service. TOFC, as it is also called, is not only growing at a healthy rate but, more important, is winning back business from the highways.

And no small credit for this remarkable achievement goes to the operating departments who have speeded up schedules and otherwise improved performance to make our service ever more attractive to shippers. On the Burlington, as just one example, new 2400-hp turbo-supercharged diesels haul freight trains between Chicago and Denver at speeds not long ago considered a respectable passenger train schedule. New communications and signaling have played a part in this speedup, and they resulted from resourcefulness and hard work by your fellow railroad team members.

One thing I think we should all try to do. It pays to spend a little more money initially on any project and do it well, keeping in mind the service life expected of it, than merely to meet the requirements of the present day traffic. I have in mind rail. I am one of those who believes of all the things we buy, I feel we get more out of our rail than we do anything else. In the first place, the price we pay for it, even though the manufacturers do charge us on a short-ton as against a long-ton basis, the fact that we pay what we do for it now shouldn't hamper our going ahead, if earnings will permit, and spending a little more for rail of greater girder strength. This is because the rail we are laying today on most of our lines is going to be there at the very least for 25 of 30 years, and some of it longer than that. Who knows what the volume of traffic will be? Or it may increase in a period of that time. In the meantime, the extra girder strength you get from the increased height will do much to enable you to maintain the property more economically because the greater the girder strengths, the less flexing of the rail under traffic. That, coupled with the speed of the traffic that most railroads are getting into now, will mean a great deal towards economical maintenance.

It is unfortunate that a surprising large number of people believe that the railroads want to get out of the passenger business. Such a conclusion implies to us a disregard for that segment of the public who prefers this form of transport; also for the small army of commuters who have made substantial investments in their suburban homes confident in the belief that the rail transportation upon which they depend is there to stay.

### **Beefs Up Passenger Service**

The concept that railroads generally desire to abandon passenger service is not true. Certainly it is not true of the Burlington. Currently Burlington passenger revenues are running ahead of last year by some 8 per cent. This is due, I believe, to high-quality passenger equipment, schedules and service, combined with intense solicitation. We have a creative sales force in our passenger department to organize, publicize and operate excursions of various kinds to many points of interest, and the special service provided contributes materially to Burlington passenger revenue. I am convinced that it adds genuine prestige to our railroad and, I hope, to the railroad industry. The fact that we are doing these things is irrefutable proof that we are deeply interested in conserving and expanding our passenger business.

One of my fears is that, if the railroads in general would ever go entirely out of the passenger business, I think many of the things that are permitted today, such as faster speeds through towns and things of that sort, we might find would be restricted on freight service. These are restrictions which we don't have today because of the need for maintaining those tracks and the protection provided for the crossings, and so forth. The states would not feel they should contribute what they do contribute now to the cost..

You may wonder why, if everyone on the railroad is doing a good job, the railroads' share of intercity freight business slipped from 66 per cent of the total in 1946 to about 45 per cent of the total based on the latest estimate. Or why trucks increased their share from 9 per cent to about 22 per cent, pipelines from 10 per cent to 18 per cent, and waterways from 13 per cent to 15 per cent during the same period.

In large part the answer lies in the massive handicaps imposed upon the railroads by various levels of government.

### **Spend Huge Sums on Maintenance**

Our competitors would be much less formidable if they did not enjoy the benefits of substantial expenditures and promotional aids by the federal government. In recent years the Burlington has spent about \$33 million annually for maintenance of way and structures. Last year's expenditure exceeded \$36 million. Maintenance-of-way outlays by the Nation's Class One railroads approached \$1-1/4 billion last year. The Class One railroads' average maintenance expenditures over the past decade would be in the neighborhood of \$1-1/2 billion a year.

On the other hand, the Association of American Railroads reported recently that spending by federal government for highways, waterways, and air facilities during the past ten years totaled \$15 billion. This is about the same amount the railroads have spent on maintenance of way alone. But while the railroads were spending \$15 billion of private funds on their properties, the government was spending \$15 billion of tax money to build and maintain transportation facilities for our competitors on the highways, waterways and airways. The railroads paid \$11 billion in taxes of all kinds, including \$4 billion in federal income taxes.

Tax payments by the Class One railroads to state and local governments run to about \$400 million a year, which is 27 times the amount of such taxes paid by Class One trucking companies, 80 times the amount paid by the domestic air-lines, and 400 times that paid by regulated water carriers.

Very little of these huge governmental outlays for transportation facilities used by our competitors have been repaid, through taxes or use fees, by the profit, making transportation companies that benefit from them. The most flagrant example is that of the barge lines, which pay nothing for their use of waterways, locks, navigation aids, ice breaking and other services and facilities provided for them by the general taxpayers-who have almost no opportunity to control such use of their tax dollars.

### **Railroad Taxes Not Equitable**

Railroads are burdened with discriminatory state and local tax policies, not only in relation to our competitors but to general industry as well. Here in Illinois, for example, rail property is taxed on the basis of its full value, while other industrial property is assessed at only about 45 per cent of its value. As a result, it is estimated that railroads operating in Illinois were overtaxed by almost \$19 million in 1957 as compared with other industries in the state. And Illinois is not unique in this respect. Some 40 other states were recently cited by the Association of American Railroads as also being guilty of over-assessing railroad property for tax purposes.

The area which gives us great concern because of its threat to continued progress toward full utilization of the inherent advantages of railroad transportation, is that of regulation. An increasingly large number of Americans now seem convinced that "something should be done" about railroad over-regulation. But progress has been discouragingly slow in coming. Government and presidential appointed study groups, so numerous it is difficult to remember them all, have analyzed the problem of unnecessary and outdated railroad regulations since the

time of World War I. The industry has literally been "studied to death," but most of the findings and recommendations of these committees have been ignored.

Many, if not most, of the leaders of the industries are strongly sympathetic, and aware that something needs to be done to lift the yoke of red tape and regulation from the railroads. But a major problem is encountered with our elected Congressmen who, over the years, have given us some small measure of relief in one session, only to saddle us with burdens or costs at the next that set us back even farther than before.

So you can readily appreciate that one of our pressing needs is to educate people to the needs for a realistic, modern, framework of public interest regulation that not only permits but encourages development and full utilization of the modern day railroad plant. The average citizen would find it difficult to believe that such standards of discriminatory treatment presently applying to the railroads are permitted in this land of "equal" opportunity in the year 1960.

This suggests that you and I and every member of the railroad team - assume the added responsibility to inform himself about what needs be done to restore our railroads to the growth position to which they are entitled. We must acquaint others of the need for a modern set of transportation laws. Eventually, and soon, let us hope our lawmakers will become aware of the fact that Americans really do want a square deal for railroads, as I believe the majority of them do. Once our lawmakers are convinced of this they will act. Only then will our industry resume its former role as the pace setter for a growing America. (Applause)

**President Tracy:** Thank you very much, Mr. Murphy, for taking time out of your busy schedule to address us at this joint session. It is gentlemen like you who give so unselfishly of your time and knowledge who make these joint sessions really worth while. We appreciate it very much.

It is now my pleasure to turn the meeting over to the President of the American Railway Bridge & Building Association, Mr. B. M. Stephens.

**Mr. Stephens:** Thank you, Mr. Tracy. Mr. Murphy and Mr. Brown, may I also add the thanks of the American Railway Bridge & Building Association for your appearance before us this morning and your address to us this morning. I think we got some very good points from it.

### **Introduction of Mr. Wright**

Gentlemen and ladies of the Convention, for many years we have gathered in Chicago to discuss the various things that bother us. We hear wonderful addresses from our people. And we have generally had the pleasure of being addressed by a member of the staff of the Association of American Railroads. This year is no exception because we have with us today an executive of the Association of American Railroads who will carry on that tradition.

It was in 1958 that our speaker from the A.A.R., for better or for worse, became a railroad man and however it was for him, it certainly was for the better of our industry.

Born in Nashville, Tennessee, and graduated from Vanderbilt University Law School, by some strange procedure our speaker started his business career by working on newspapers in Tennessee and Florida for a while and then joining the Associated Press staff in New York.

With a few years of newspapering under his belt, our speaker changed over to the public relations field by joining the field of public relations in New York. Subsequently he served as assistant director of public relations

for the National Association of Manufacturers and as executive vice-president of the Associated Industries in Alabama.

In 1943 to 1951 he was connected with Monsanto Chemical Company and executive vice-president and midwest partner of Savage & Lee.

In 1951 and '52 he joined the Association of American Railroads. So you can see he has served many years as a consultant in public relations to some of the country's largest corporations. In his position as vice-president of public relations of the A.A.R., our speaker has exerted great influence upon the public relations aspects and concepts of our industry.. His dynamic approach to the problem of educating the public with respect to the problems besetting the railroads of the country has won the complete confidence of the industry.

It is my distinct pleasure and a privilege to present to you the Vice-President and Public Relations officer of the A.A.R., Mr. J. Handly Wright. Mr. Wright. (Applause)