

for the relief of railroads from the debilitating drain of passenger operations. It was never intended as a means for preserving a particular quantity or quality of service.

In 1958, when Congress was considering the needs of the transportation system, it recognized that while there had been a tremendous growth in the demand for transportation, the regulated surface carriers (rail and truck) were not maintaining their relative position among the several carriers. In addition, a slow-down in the economy's growth during the middle and late 1950's had hurt the railroads badly. Working capital of Class I railroads had fallen from \$934 million in 1955 to \$326 million in early 1958, and the rate of return declined from 4.22 percent in 1955 to 2.76 percent in 1958.

Developments in the patterns of business locations and practices favoring other modes, growth of non-regulated carriage, great advancement in the technology of other modes, and the increasing public investment in facilities for other modes worked against the railroads.

The worsening rail situation was viewed with some alarm. It was felt that if major railroads went into receivership, the impact would be serious not only to the industry but to the country as well. The House Committee on Interstate and Foreign Commerce stated:

A major cause of the worsening railroad situation is the unsatisfactory passenger situation. Not only is the passenger end of the business not making money—it is losing a substantial portion of that produced by freight operations * * * It is unreasonable to expect that such service should continue to be subsidized by the freight shippers throughout the country.⁴

⁴ H. R. Rep. No. 9222, 85th Cong. 2nd Sess. 11-12 (1958).