

operating revenues declined from an average of 8 percent in the 1953-56 period of 7.3 percent in the 1962-66 period, and to 5.3 percent in 1967.

The railroads have experienced an accelerating rate of financial deterioration since the early 1950's. The ratio of debt to total capitalization is 36 percent. For a high fixed-cost industry which has demonstrated little or no growth and has steadily lost its share of the market, this high debt ratio is cause for concern. Moreover, the weakening financial conditions of the railroads, coupled with the present historically high-interest rates will seriously handicap their ability to add new debt, or even to refund their existing debt.

The railroads' share of the intercity freight market has also been declining steadily. In 1958 the railroads' share in ton-miles was 46 percent. In 1967 their share had dropped to 42 percent. The decline of the railroads' dollar share, however, has been much more dramatic. In 1958, the railroads' share of the U.S. intercity freight bill was approximately 32 percent; by last year this figure had dropped to 24 percent, and is still going down.

I can only advise the committee that if we want our railroads to continue doing their job for the public, then we have to start taking their circumstances and their problems seriously.

Everyone who has a particular interest in the problem of intercity passenger service should also be aware that the competitive squeeze which long since began pushing our railroads out of this business is now being felt by the railroads in virtually every developed country in the world. As highways improve, as disposable income and thus automobile ownership rise, and as commercial air service comes into its own, the intercity railroad passenger train as we have known it will lose out. It has happened in this country; it is very clearly beginning to happen, despite the high quality of rail service available, in all of the developed countries abroad. I might also point out here that virtually all railroads in the Western World run a fiscal deficit on their passenger operations. This passenger deficit has in all cases been a principal contributor to the deepening overall financial problems of railroads everywhere. In fact, since the Dutch and Swiss national railways first went into the red in 1966—and I might add parenthetically they are going deeper into the red as time goes on—the only major railroads in the Western World which do not run an overall operating fiscal deficit are the privately owned, taxpaying railroads of the United States and Canada.

Mr. Chairman, that concludes my statement. I shall be most happy to answer any questions the committee may have.

Mr. FRIEDEL. I want to thank you, Mr. Lang, for a very fine statement.

Mr. Adams, any questions?

Mr. ADAMS. Yes, sir.

Mr. Lang, the problem that we seem to be dealing with here is the fact that we have granted to certain rail lines certificates of public convenience and necessity which gives them monopoly on rail service between various points in the United States as the map has shown, and I am sure you are well aware of.

There are many areas in the United States that the rail transportation in and out is controlled by one line. When it shuts down,