

STATEMENT OF GEORGE HILTON, PROFESSOR OF ECONOMICS, UNIVERSITY OF CALIFORNIA, LOS ANGELES (ACTING CURATOR OF TRANSPORTATION, SMITHSONIAN INSTITUTION)

Mr. HILTON. First, as I mention in my statement, I speak only as an individual and do not purport to represent any group or institution. In particular, I do not purport to represent the Smithsonian Institution which does not concern itself with problems of this character.

I should also say, in connection with my statement, that I discussed a subsidy at some length but I am aware that the bill at hand concerns only changes in regulatory procedures and the proposal for a further inquiry; however, I interpret the final clause in it on page 8 beginning at line 21 as indicating that a subsidy is one of the principal considerations expected to come before an inquiry. Therefore, I think it is relevant to discuss a subsidy explicitly.

Briefly, to summarize my statement, I urge that the passenger train has had a typical secular decline. It has been declining since the 1890's, first relative to other forms of transportation, and then following 1921 absolutely. Secular declines are usually of this character; in particular the declines of the interurban and the streetcar were of this character.

First, the decline was relative, then it was absolute; and, finally, they passed out of existence, because they had no alternative sources of revenue on which to draw. The decline of the passenger train is distinguished from them substantially only in this respect.

The reasons for the decline are clear. The passenger train has been replaced by superior alternatives which became available. It was slow, inflexible, and expensive. The hopelessness of it, I think, is most clear in looking at the income elasticities of demand which economists have found for the various forms of transportation. Minus 0.6 for passenger trains; plus 1.2 for automobiles, and plus 2.5 for airlines, which is to say that the typical American family will reduce its expenditures on passenger trains by 0.6 of 1 percent, but increase its expenditures on automobiles by 1.2 percent, and on airlines by 2.5 percent in response to a 1-percent increase in income.

Briefly, it is impossible to preserve anything with as strong a negative income elasticity as that, unless one can prevent the population from becoming richer, and obviously that is something which no one can do, nor would anyone want to do it.

I argued that the reason for the negative income elasticity of rail passenger transportation is apparent from a study of the alternatives available to a traveler. I urged that in considering a trip between Chicago and Los Angeles, the train with a very high standard of service—and the Santa Fe has probably the highest standard of service of which this form of transportation is capable—will enable a traveler to save somewhat under \$20 at the expenditure of somewhat over 35 hours in time.

It is rational for a person to do this only if he evaluates his time at less than 60 cents an hour, or holds an erroneous view of the relative risks of the two forms of travel, or secures some form of consumption value from rail value.

One can predict with perfect accuracy that the number of people who will opt for such an alternative will fall. Only two major groups