

are likely to prefer such an alternative, people in low-income brackets and people who are retired.

People in low-income brackets become successively better off, fortunately. The present generation of the aged which is retired, on the one hand has a low valuation of time as retired people typically do; but on the other hand such people often have a view of the risks of flying based on the experience of early aviation.

People in low-income brackets will get into higher income brackets, and people presently in high-age brackets will die. Therefore, one can predict, with as perfect confidence as I think anything can be predicted in economics, that the volume of rail travel will fall. Similarly, one can predict with perfect confidence that the costs of providing the service will increase.

As evidence brought forth in the Southern Pacific's efforts to get rid of the Lark in 1966 indicates, the cost of moving passengers by rail are approximately double those of moving them by jet aircraft or by bus. In part, this is a consequence of union rules; but too much is made of this.

More important, this is a service-intensive activity which shares with hospitals and with other service-intensive activities the characteristic that is impossible to generate an improvement in the productivity of employees to match the productivity of employees in manufacturing, with which such activities must compete for employees.

As a consequence, the costs of such industries become successively greater relative to the rest of the economy. This is all the worse in railroading, because the demand is decreasing and will become successively worse, because the next generation of jet aircraft will move people for perhaps a third less than the present generation. I would estimate that by the mid 1970's cost disadvantage of the passenger train will have gone from about 2 to 1 to 4 to 1.

A further conclusion from the analysis which I have drawn is that there is no way of making the service profitable. The great majority of passengers evaluated it as intermediate in quality between plane and bus, since its costs are approximately double those of either, there is no way it can be made profitable.

Similarly, I would argue there is no way in which regulatory proceedings can preserve it, partly because neither the Interstate Commerce Commission or State regulatory bodies will engage in outright confiscatory behavior.

I have argued in my statement that the Interstate Commerce Commission pursues two policies simultaneously as the learned chairman argued today: that the institution of the passenger train as a whole ought to be preserved; but, on the other hand, in its very first case concerning a Great Northern discontinuance in North Dakota and Montana, it stated, consistent with its doctrine on branchline abandonments, that it would not require the indefinite continuation of a passenger train which lost money simply because the railroad as a whole is profitable.

If it pursues the latter course of action, which it may not do on the first examination of a case but which it will do ultimately on either the second or the third presentation of a discontinuance application, then it is in fact following a market test; and, if it is following a market test, it will allow this institution to pass out of existence.