

Mr. MOLONEY. My name is William M. Moloney. I am general counsel of the Association of American Railroads, and I appear here on behalf of that association in opposition to H.R. 18212.

As this committee will recall, I have appeared on prior occasions when the committee was conducting hearing on other bills that would have amended section 13a of the Interstate Commerce Act. I expressed at those hearings the opposition of our industry to those bills.

I ask that the members of this committee take note of and refer, if possible, to my previous testimony.

H.R. 18212, the bill that we are considering today, would provide for substantial amendment to section 13a of the Interstate Commerce Act and its provisions would delay and would prolong and would make more difficult the elimination of unneeded and losing passenger train service.

It seems to me that this committee should fully appreciate the background in which section 13a of the Interstate Commerce Act was enacted by the Congress in 1958, and possibly some of the statements that this committee itself or the full committee had to make with respect to that legislation.

Now, in 1958, this committee and the Congress, were very much concerned with the economic position of the railroad industry and the alarmingly low level that that economic position had reached. As a matter of fact, it was that economic position which in the main gave rise to the transportation Act of 1958, and section 13a in particular. If we review the economic position of the railroad industry today and compare it with that position of 1958, then it seems to me that it is rather difficult to find any justification for the adoption of the kind of legislation that we are here considering.

For instance, in 1958, the net railway operating income of the class I railroads was \$762 million. In 1967, the last year for which we have complete figures, the net railway operating income dropped to \$677 million, or a decrease of 11 percent below 1958. In 1966 the net income of the class I railroads was \$601 million, and in 1967 it had dropped to \$554 million, or a decrease of 8 percent.

In 1958 the railroad industry's rate of return on average net property investment was 2.76 percent, and in 1967 it fell to 2.45 percent.

Even more important, or rather more significant, is the picture with respect to net working capital.

In 1958 the net working capital of the class I railroads was \$806 million. In 1967 it had fallen to \$276 million, which represents only enough money to meet the cash requirements of operating expenses and taxes for approximately 11 days.

Just about the time of my previous appearance before this committee on bills that would amend section 13a, the Interstate Commerce Commission had issued an interim report and had allowed the railroad industry an interim freight rate increase, the first that had taken place in a number of years. In its report the Commission made a very significant statement, and I would like to quote from that. It is quoted in my written statement but I would like to repeat it for the benefit of the committee.

In our judgment, the recent rapid rise in labor costs, accompanied by recent increases in prices of railroad materials and supplies, has created a situation which, in any practical meaning of the word, constitutes an emergency.