Now, it seems to me that the economic situation of the industry, in the light of the figures that I have given you, and in light of the emergency to which the Commission referred, is, if anything, worse today than it was in 1958 when Congress was so greatly alarmed and disturbed and when the present statute was placed on the books.

In 1958 the passenger service deficit was a substantial contributing factor to the low economic level of the railroad industry. And this full committee in its report of the legislation that became the Transportation Act of 1958, said that the passenger end of the business was not making money and that it was losing a substantial portion of the money that was produced by the freight operations.

The statement that your committee made then is equally true today, and as we see it, it will probably continue to increase; that is, the consumption of the freight earnings by the passenger service deficit. I have set out in my written statement some figures that can be compared.

I started off with the year 1957, that being the year, of course, that preceded the Transportation Act of 1958. In 1957 the passenger train deficit was $723 million and consumed 44 percent of the net railway operating income from freight service.

In 1967, the passenger train service deficit was $485 million and it consumed 42 percent of the net railway operating income from freight service. We feel that when you have a situation where two-fifths of the net railway operating income from freight service is being consumed by the passenger train service deficit, that this committee, nor the Congress, nor the railroad industry, nor anyone else would be justified in having any complacency or adopting any attitude that we have now reached the limit of reduction in passenger train service and that the problem has largely been solved. It has not been solved. The economic situation in the industry today does not justify the imposition upon that industry of the tremendous burden of the passenger train service deficit.

I point out also that since 1946, and based upon the Interstate Commerce Commission cost allocation formula, our industry has borne a total passenger train service deficit of $11.5 billion and that this serious drain on railroad earnings has been and is a major reason for the railroads' inability to acquire adequate capital funds for the improvement and modernization of its freight services, certainly to the extent that we would like to improve and modernize them.

I also point out that in 1958 the passenger train service deficit was $610 million and in 1967, as I have said $485 million. However, since 1962 the passenger service deficit has sharply increased and we estimate that on the present level of passenger train service such deficit for this year, 1968, will again approach or exceed $600 million.

Now, I do not wish to appear as an alarmist, but I did feel compelled to point out to you gentlemen that there is nothing in the financial picture of the railroad industry today, as compared to 1958, that would justify substantial amendment of the law that Congress put on the books in that year. That on the contrary there is everything in that economic picture today that points to an increasing need for the protection of that law. To the extent that any particular passenger train service may be required by the public convenience and necessity and will not constitute an undue burden on interstate commerce, the Inter-