

this Committee's attention the circumstances under which Section 13a of the Interstate Commerce Act was enacted as a part of the Transportation Act of 1958. At that time Congress found the economic position of the railroad industry to have reached an alarmingly low level.

When, in light of today's situation, one reviews the economic condition of the railroad industry, a matter with which Congress was so vitally concerned in its passage of the Transportation Act of 1958, the question immediately arises as to why any serious consideration should be given to proposed legislation to amend that Act and that would delay and make more difficult the elimination of unneeded and losing passenger train service.

May I compare the economic situation of the railroad industry in 1958, with respect to which this Committee and the Congress was so deeply concerned, to the industry's present economic situation.

In 1958 the net railway operating income of Class I railroads was \$762,296,000. In 1967 net railway operating income dropped to \$677,405,000, a decrease of 11 percent.

In 1958 net income of the Class I railroads was \$601,737,000 and in 1967 dropped to \$554,741,000, 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.

In 1958 the net working capital of Class I railroads was \$806,537,000 and in 1967 it had fallen to \$276,143,000, which represents only enough money to meet cash requirements for operating expenses and taxes for approximately 11 days.

In its approval of an interim freight rate increase last year the Interstate Commerce Commission stated that:

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." (Report of the Interstate Commerce Commission, Ex Parte No. 256—Increased Freight Rates, 1967, Decided July 31, 1967.)

Thus, the economic situation of the railroad industry today is even more acute than the situation with which Congress was so greatly concerned in 1958, at which time it enacted the Transportation Act of 1958, including Section 13a.

A large contributing factor in 1958 was the annual passenger train service deficit incurred by the railroad industry. Your Committee, in its Report on H.R. 12832 (85th Congress, 2d Session—House Report No. 1922) stated that:

* * * Not only is the passenger end of the business not making money—it is losing a substantial portion of that produced by freight operations. (p. 11)

This statement by the Committee is true today.

In 1957, the year before passage of the Transportation Act of 1958, the passenger train service deficit was \$723.7 million and consumed 44 percent of the net railway operating income from freight service. The passenger train service deficit for the year 1967 was \$485 million and consumed 42 percent of the net railway operating income from freight service. Certainly, when two-fifths of the net railway operating income from freight service is today being consumed by the passenger train service deficit, there is no room for complacency, nor for any attitude that the passenger train deficit problem has been largely solved and that it now should be made more difficult and costly to discontinue unneeded and losing passenger train service.

Since 1946 the passenger train service deficit has totaled the staggering sum of eleven and one-half billion dollars. This serious and persistent drain on railroad earnings has been and is a major reason for the railroad's inability to acquire adequate capital funds for improving and modernizing freight-carrying facilities which the public needs.

During the last nine years, while Section 13a has been on the statute books and its remedies available, the passenger train service deficit totaled \$3.9 billion and consumed 36 percent of the total net railway operating income from freight service during those years.

The passenger service deficit in 1958 was \$610,424,000 and in 1967 was, as I have pointed out, \$485,000,000. However, since 1962 the passenger service deficit has increased sharply and we estimate that on the present level of passenger train service such deficit for 1968 will again approach \$600,000,000.

I do not wish to appear an alarmist but I am compelled to point out to this Committee 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