

Train Talks

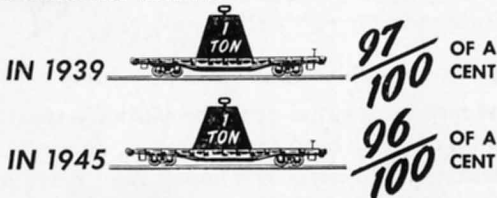
Informal discussions by the Pennsylvania Railroad with its patrons on matters of mutual interest and concern.

OCTOBER, 1946

Vital Fractions of a Penny Mean Better Railroads

To meet higher costs, industry raised prices; so must railroads

FOR HAULING THE AVERAGE TON OF FREIGHT ONE MILE
THE RAILROADS RECEIVED —



FOR HAULING THE AVERAGE TON
ONE MILE, THE REQUESTED RATE
INCREASE WOULD ADD **ONLY**



To paraphrase a famous slogan of the war, so little has never before meant so much to so many. Railroad freight rates have become one of the

most important and one of the most pressing of industrial and economic questions before the public. That is because the welfare of so many people and so many interests is involved.

Railroads an Economic Stepchild

Railroads are not immune to the basic laws of the American economic system. Yet, unlike other industries, they have not had the benefit of adequate relief in meeting higher costs as the Nation turns to peacetime production. The paradox is that the railroads, when the war closed, were actually receiving a little less for hauling the average ton of freight one mile than when war began. Other industries have been allowed to charge higher prices to meet higher costs they could not absorb. That, too, is the only way railroads can solve their problem.

Higher Costs on Every Side

The menacing cloud over the Nation's railroads is made up of these hard facts:

Railroad wages are 51.1% higher than in 1939. Railroad workers, always among the best paid in the country, have had three wage increases since 1939.

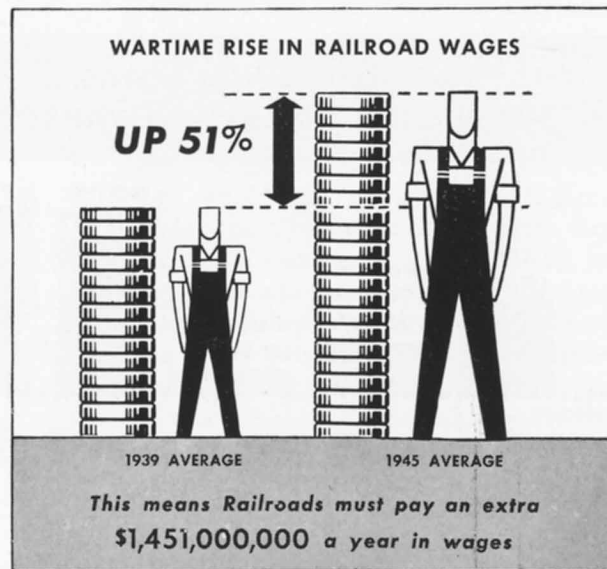
It will take an extra \$1,451,000,000 a year just to meet these wage increases; that is more than \$3,900,000 a day.

Materials and supplies today are costing the railroads far more than in 1939. That means a half-billion dollars more a year. For example, the railroads are paying today 128.6% more for crossties;

168.5% more for freight car linings; 22.3% more for steel rails; 91% more for commissary items, such as food served in dining cars and coaches.

Coal is a special example that everyone will appreciate. The railroads are the largest users of coal in America. The cost of the coal they use has jumped \$1.50 a ton. Yet for handling a ton of coal for the average haul of 330 miles the railroads are getting only 7½ cents more, under a 6½% emergency increase in freight rates recently granted.

It all sums up to a simple economic fact. The money to pay the higher wages granted railroad



employees . . . to pay the higher prices for materials . . . to pay Federal, state, county and local taxes . . . to pay for the repair of the tremendous wear and tear of the war years . . . and to pay for improvements and modernization . . . simply cannot be earned at present freight rates.

Railroads Ask 19% Increase

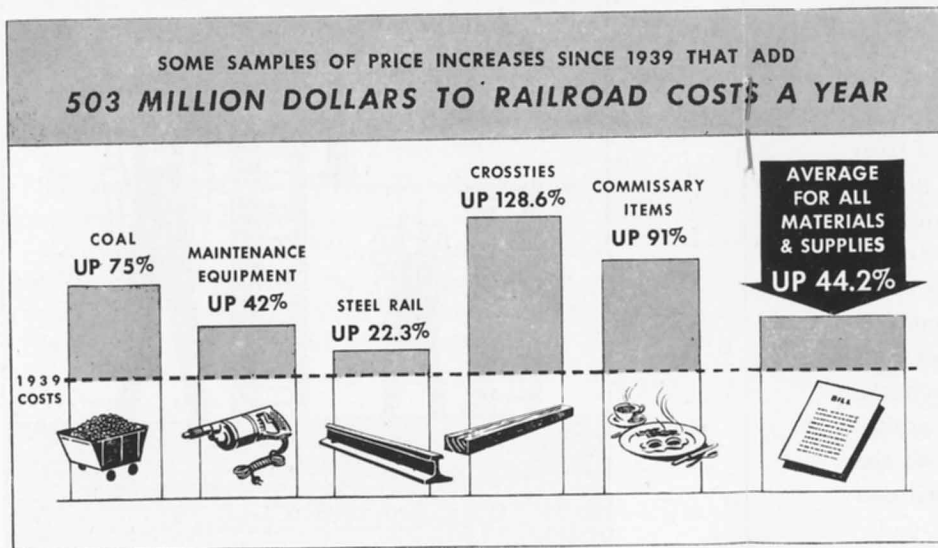
To meet today's high costs of doing business, the railroads petitioned the Interstate Commerce Commission, early this year, for increases in freight rates adequate to meet the urgent needs which confront them. The increases asked for averaged 19%. As an

emergency measure, increases averaging 6½% were granted. Further action remains under consideration.

The emergency increase of 6½% will produce, of course, a little more revenue, but, even so, this will fall far short of the \$1,000,000,000 added to railroad costs since January 1, 1946.

It means, in brief, that present freight rates fall by \$1,865,000 every day to meet increased costs of daily operations and provide means to satisfy the Nation's need for a continually progressing and improving railroad system.

This estimated shortage takes into account the extraordinary added costs imposed by the Crosser Act, passed by Congress since the 19% was asked. The Crosser Act loads immediately upon the railroads extra costs of \$90,000,000 a year for additional social security taxes no other industry has to bear. Social security taxes on railroad pay rolls were already 50% higher; under the Crosser Act these taxes immediately become 119% higher, and in the future will be 131% higher, than any other industry is required to pay. How can these extra higher costs be paid? Only through more revenue which, in turn, can come only from increased rates.



Peak Business

The railroads are doing a peak business, and, as in all periods of peak

TO MEET INCREASED COSTS AND MAKE IMPROVEMENTS,
THE MONEY THE RAILROADS TAKE IN

**FALLS SHORT EVERY DAY
BY MORE THAN**



**AT TODAY'S FREIGHT RATES IT ADDS UP TO
A SHORTAGE OF \$680,000,000 A YEAR!**



business, should be making peak profits in order to keep pace with the country's growth.

Railroads are never finished improving their cars and locomotives, their roadway, other parts of their physical plant and their services to the public. People expect this and railroad men themselves wish to make their services increasingly attractive to travelers and shippers. During the war this could not be done. Even a great deal of ordinary maintenance had to be deferred. Consequently, a lot of wear and tear, aggravated by intensive war use, must be made up—in addition to the new plant and equipment which are necessary to keep pace with the country's growth and the new things that railroad research is always developing.

Now is the time the railroads should be permitted, by proper rates, to go forward instead of having to pinch pennies to stay solvent. The railroads are meeting their responsibilities to the country, but the country is not meeting its responsibility to the railroads.

As the aftermath of World War II, the railroads will have to spend about as much for wear and tear and improvements as they did after World War I, when they had to borrow \$10,000,000,000 to put the roads back in shape. Unfortunately, the earnings which, during World War II, might have been set aside for these essential purposes were siphoned off in wartime taxes. It will not again be possible to borrow on an enormous scale, as was done after the first World War, nor would it be desirable. So the railroads, this time, will have to rely chiefly upon adequate revenues to provide the money needed for restoration of facilities and continued progress.

No. 1 Asset of Nation

It is important to all America that the railroads move forward. Financially sound railroads are the backbone of a financially sound, industrial, home-owning America. The railroads were the No. 1 asset of the Nation during the anxious hours of the war, when the greatest needs for transportation in all history arose. The country must preserve this asset that ties all the Nation together, and must encourage

its enhancement for the future prosperity of all sections of the country.

Only through increased rates can the railroads of America establish the economic basis that will enable them to get better cars, better engines, better equipment of all kinds, and perform better and increasingly attractive service for the American public.

What do the railroads need to make this possible? They asked for what amounts to an average increase of 19% in freight rates. That, if granted in full, would give them 18/100ths of a penny more for hauling the average ton of freight one mile.

OTHER INDUSTRIES which were engaged in the war effort were allowed to adjust their prices to meet rising costs, and are now returning to peacetime production with price levels higher than pre-war. Not so with the railroads. Their scale of freight rates remained substantially unchanged, and actually, when the war closed, revenue for hauling the average ton of freight one mile was a little lower than at the opening of the war.