FRISCO Railfax

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A TOUGH QUESTION: - If roads, airways and canals are freed from taxation as precious national assets, why not exempt the railroads too? -- David I. Mackie, chairman of the Eastern Railroad Presidents Conference, raises this question in the August issue of "Reader's Digest."

"Somebody will have to start talking in these stark terms soon," he writes, "for this tax shakedown is inflicting such deep financial wounds that the railroads' very existence is threatened."

Railroads pay huge taxes because they are the largest industrial owners of real estate in the United States, says Mr. Mackie, and their tracks "take them into 96 per cent of our 3,067 counties."

"Whacking the railroad hard with local taxes" is well established tax practice throughout the country, he continues. "In New Jersey the Pennsylvania Railroad paid $5,800,000 in taxes last year while earning only $700,000, and when a railroad serving Jersey City sold 33 acres assessed at $621,296, it could get only $19,472 for the parcel.

"One of the odd results of the multiplicity and overlapping of tax jurisdiction is that the railroad industry contributes more tax money directly to education than does any other private institution," Mr. Mackie says.

Railroads pay the full costs of building, maintaining and administering their rights of way, while airlines and water carriers pay nothing towards them, and, according to Mr. Mackie, the railroads pay about $9,000,000 in taxes on their New York City passenger facilities, some of which goes to support the city's two airports.

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STRIKE COSTLY TO RAILROADS: - It is estimated that the steel strike cost the railroads approximately 87,000 carloads of freight during the first three days of the shutdown. During the last big steel strike in 1956, the industry lost an estimated 150,000 cars a week in steel and related traffic.

NEW PACT APPROVED: - A new standard express operations agreement giving the Railway Express Agency complete freedom to route line-haul express traffic without reference to a "historical distribution" of that traffic set up in the 1920's, and changing the method of payment to the express-carrying railroads, was recently approved by the 178 roads which own REA.

Beginning January 1, 1963, the final step in the transition of the agency to the status of a "buyer" of transportation goes into effect when the agency will purchase transportation from the railroads on the basis of service rendered "in terms of car-foot miles," with the rates determined by a formula related to the average cost of each group of railroads. Any excess funds remaining after payments to the carriers, beginning July 1, 1961, will be divided equally between the agency and the carriers, leaving the agency with funds to reinvest in the business.

Other changes which will be brought about by the new agreement are a slight increase in the agency's share of gross revenue on carload shipments, and amendment of the new agreement by approval of 85 per cent of the railroads rather than by all of them. It is also provided that no railroad may withdraw until after June 30, 1961. After that, 12 months withdrawal notice will be required, or eight months notice if a previous 12-month notice has been given.

William B. Johnson, president of REA, said the agreement would become effective the first of the month, following approval by the ICC, and would run through December 31, 1973.

In asking the ICC to approve its new reorganization plan, the REA simultaneously filed for an increase in rates on less-than-carload shipments.

Mr. Johnson told the ICC the agency's reorganization plan is predicted on the rate increases. He said the railroads using Railway Express service would not have agreed to the reorganization without this understanding.

The proposed new tariffs call for an increase of 25 cents per hundred pounds, or a 25-cent minimum, on all less-than-carload shipments. On such traffic moving solely within the agency's Eastern or Mountain Pacific regions, the increase and minimum would be 35 cents per hundred pounds. The difference would cover higher costs in those two regions.

If the rate increases are permitted to go into effect, Mr. Johnson said, REA plans to make $10.9 million of capital expenditures that would bring about an annual savings of $3.9 million a year.

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NEW FREIGHT CAR DELIVERIES: - Deliveries of new freight cars to the nation's railroads totaled 3,950 in June, compared with 3,358 in May of this year and 2,407 in June 1958, according to a joint announcement made on July 20 by the Association of American Railroads and the American Railway Car Institute. June 1959 orders for new freight cars amounted to 8,054 as compared with 5,253 for May. June 1958 orders totaled 317.

<u>ICC CONTROL OF ALASKAN TRANSPORTATION URGED</u>: - Enactment of legislation which would give the ICC jurisdiction over Alaskan surface transportation was urged by ICC Chairman Tuggle at a hearing before a subcommittee of the House Interstate and Foreign Commerce Committee on July 22. He said that the Commission favored this legislation giving it control over surface transportation in and to and from Alaska because "effective protection of the public interest requires regulation of all modes of interstate surface transportation by a single agency."

Chairman Tuggle said that for "all practical purposes" only motor transportation became subject to ICC jurisdiction on the admittance of the state to the Union, giving rise to what he said were a number of unusual and complete problems with the movement of traffic between Alaska and the other states.

"With the competitive struggle between the Alaska Railroad and motor carriers for the limited amount of traffic moving in Alaska," Commissioner Tuggle continued, "we feel that there can be no effective or equitable regulation of surface transportation in the new state as long as one of the major competitive modes is subjected to a full measure of regulation while its chief competitor remains completely free from regulatory control, either Federal or state.

"To be perfectly frank, the situation, as we view it, is unfair. To allow it to persist would not, in our opinion, be in the public interest since it would encourage and tend to perpetuate alleged discriminatory and destructive competitive practices, contrary to the national transportation policy, with attendant adverse effects on the Alaska economy."

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<u>TRUCK TONNAGE</u>: - Intercity truck tonnage in May was 20.4 per cent above that of May 1958, but down 1.1 per cent from April of this year, the American Trucking Association, Inc., reported on July 20. The Association said that for the five months of this year, intercity tonnage increased 20 per cent over the same five months in 1958.

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<u>AIRPORTS TO COST U.S. $126 MILLION</u>: - Taxpayers won't have to furnish air travelers with any more cocktail lounges, newsstands, garages and the like - at least for the next two years. But they will have to cough up another $126 million for such as airport runways and airline terminals.

The two-year expenditure is called for in a compromise bill President Eisenhower signed after insisting on a trimming of what started out as a four-year, $465 million airport program.

Individual states will match the federal expenditures, socking the taxpayers twice for the benefit of air travel. Additional millions are being spent to provide air traffic control, weather services, etc.

ICC NOT RAILS TO BLAME IN SHIFT TO PRIVATE TRUCKS: - Regulated carriers were recently urged by ICC Commissioner Anthony F. Arpaia to "drastically overhaul their methods" in order to meet "their real competition, private carriage."

Reasoned Commissioner Arpaia: "The extent to which public carriers are unable to meet present standards of cost and service of private carriage is the real root of the present plight of public transportation."

But what happens when the railroads try to meet competition? Example: A Western railroad recently wanted to offer reduced rates to private shippers so they would send their trailers between Chicago - Minneapolis - St. Paul by piggyback. The railroads offered an attractive rate. The shippers liked the rate. But, the ICC said "No." So, naturally, the private shippers will continue to send their freight in their own trucks on the highways, although they would have preferred the rails, and the railroad wanted to offer the costs and services desired.

Again, Eastern railroads wanted to offer reduced rates on paint. Extensive research showed that the reduced rates would give the railroads a profit, and would be newly competitive with other forms of transportation. They would also attract the business of many a shipper who would otherwise be forced by higher costs to turn to private transportation, buying and operating their own trucks. But the proposed rail rates, again, were suspended by the ICC - last year - and they are still awaiting the Commission's decision.

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LAUDS RAILROADS: - Senator Carlson, of Kansas, praised the railroads for the successful movement of this year's wheat harvest.

"This is the first year in many years that we have not had a serious shortage of railroad cars for the movement of this grain and I want to pay tribute to the railroad industry, and particularly to the Car Service Division of the AAR," the Senator declared in a statement inserted in the Congressional Record.

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FRISCO LOADINGS: - For the period June 25 to July 31, 1959, inclusive, Frisco revenue freight loaded on-line and received from connections totaled 13,327, compared with 13,514 for the previous 7-day period and a total of 13,452 for the corresponding period last year.

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BRIEF: - Trailer-on-flat-car loadings in 1959, up through the week ended June 6, totaled 172,990 cars compared with 106,621 during the comparable period of 1958, an increase of 62.2 per cent.