FRISCO Railfax

ISSUED BY THE PUBLIC RELATIONS DEPT., ROOM 339 FRISCO BLDG., ST. LOUIS 1, MO.

No. 377 September 1, 1959

BUSINESS INCREASE DEPENDS ON RATE FREEDOM: - Speaking before a meeting of the American Institute of Cooperation at the University of Illinois recently, Clair M. Roddewig, president of the Association of Western Railways, said the railroads could increase their business substantially if they were free to compete "on a price and service basis" for traffic that is being moved by unregulated trucks and barges.

He said there is a "tremendous volume" of traffic moving by highway and waterway that is not regulated as to rates, and added that this traffic "is growing by leaps and bounds. It includes exempt motor carriers that haul agricultural products and private shippers who operate their own transportation. Today two-thirds of all intercity freight transportation by highway is unregulated; ninety per cent of the freight moving on the inland waterways is unregulated. The only way the railroads can compete for this potential traffic, or even halt the swing from regulated to unregulated transportation, is to offer services and rates that will attract this business to the rails."

Roddewig declared that the railroads are the "low cost" form of transportation and "could participate in a substantial share of this business if they were free to compete for it on a price and service basis." The reason they can't, he said, is that "when they propose rates that they believe would interest these shippers, the regulated motor carriers and barge lines protest to the ICC."

"The railroads do not seek preferential treatment of any kind. They do not want, nor expect, to put their competitors out of business. All they want and all they need is the opportunity to do business on even terms," he concluded.

* * * * * * * * * * * *

NO OPPOSITION to the Railway Express Agency's "survival plan" developed at a recent hearing before ICC Examiner Howard Hosmer.

William B. Johnson, president of the REA, urged the ICC to give prompt approval to the new railroad-approved express agreement. He noted that ICC approval could lead to REA reorganization by October 1.

RAILROADS' STRIKE INSURANCE PLAN WINS ACCEPTANCE: - The AAR recently announced that American railroads have "overwhelmingly accepted" the proposed service interruption insurance plan and "practically the entire industry has applied for a policy." The plan, which would insure carriers against specified financial losses resulting from work stoppages, would go into effect "very shortly," the announcement disclosed.

Under the proposed plan, participating railroads would pay to Imperial Insurance Company of Nassau, B.I., an initial "premium" amounting to one day's cost of operation. Further payments would depend on the duration of the strike and could amount to a maximum of 20 times the initial payment of one day's expenses. Imperial would receive an annual fee of $150,000 a year for administering the insurance fund. Carrier losses resulting from a work stoppage would be paid if less than 50 per cent of the nation's railroads were involved. Under the terms of the contract circulated for signature by the railroads, those railroads accounting for 65 per cent of the gross operating revenues of the railroads must approve it before it could go into operation.

Daniel P. Loomis, AAR president, said "the railroads felt it was not only in their interest, but also in the broad public interest, to seek protection from huge financial losses that are an inevitable consequence of work stoppages. The insurance plan is in the public interest as it guards a railroad against complete financial collapse and, therefore, is protection for the public and the nation."

Questions were beginning to arise regarding whether or not the plan would have to win ICC approval before it goes into effect. While the AAR itself asserted that no approval is necessary, since the contract in question is one between an individual railroad and an insurer, objection to the "industry-wide" nature of the plan was almost certain to arise from the brotherhoods, against which the insurance is primarily aimed.

* * * * * * * * * * *

RETAILERS WANT TAX "WIPED OUT": - The enactment into law of H.R. 7523, a federal tax revision measure embodying a provision reducing the excise tax on the transportation of persons from 10 per cent to 5 per cent, effective June 30, 1960, is "welcome news," says the National Retail Merchants Association, but it expressed disappointment that the tax has not been "wiped out entirely."

In a bulletin to its members, the Association said:

"When Congress reconvenes in January, 1960, NRMA and others will work to eliminate the remaining 5 per cent tax. This tax came into being during World War II to discourage travel. It is most unfair and discriminatory against common carriers, in addition to being an expense to our stores. With passenger common carrier travel shrinking, it should be repealed entirely, and it is NRMA's policy to bring about that result."

TOFC SCORES AGAIN: - The fast-growing industrial and agricultural centers of the South comprise one of the last major markets still to be tapped in a big way by equally fast-growing piggyback services. Now, there are signs that the barriers to TOFC service in the South are coming down.

The Louisville & Nashville has become the 14th railroad member of Trailer Train Company, and the Seaboard Air Line, whose directors have applied for membership in Trailer Train, has announced that it will begin through piggyback service between New York and Miami and intermediate points, starting November 1. Meantime, piggyback carloadings across the nation are up 60 per cent over last year's figures.

* * * * * * * * * * * *

PROPOSAL WOULD HURT RAILS: - Arbitrary shipments of large volumes of mail by air - even when the sender's own expenditure for postage indicates he wants his mail to go by surface transportation - will hurt both railroad mail service and the interests of a large part of the population.

That was the prediction of Herbert B. Brand, director of the AAR's railway mail transportation division. He was testifying before the Senate post office subcommittee against a bill, S. 2402, which would make permanent and expand the present experimental airlift program.

Brand pointed out that the proposed air service would be for long-haul, inter-city movements. Surface carriers would be left with the low-volume mail to smaller, intermediate points not served by air. "If the airlines are permitted to take these high volume, concentrated movements between major population centers," he said, "the railroads cannot long be expected to continue to be able to render, at a moment's notice, the comprehensive nation-wide mail service that they render today. The smaller communities will be left with a reduced and skelentonized mail transportation service."

* * * * * * * * * * * *

BARGE OPERATORS OBJECT TO REDUCED RATES: - Barge operators have objected to the ICC's approval of reduced rates on sugar from Gulf and South Atlantic ports. Even though reduced, the Commission found, the new rail rates still exceed all the costs of performing the service, plus overhead costs. Even so, the barge lines argue, the rail reduction should not be allowed. Instead, the barge operators claimed, it is the ICC's duty to force the railroads to keep their rates higher than the barge lines', regardless of cost.

The ICC noted that the reduced rail rate is designed to recapture sugar traffic...lost to competitive barge lines...and to prevent further loss of traffic to those carriers. "There appears no warrant," the Commission ruled, to force railroads to maintain a rate higher than wanted just to protect competitors. "If the barges are the low-cost carriers in fact, they should have no difficulty in maintaining a proper differential under the rail rate."

RAILS NOT OBLIGED TO PROTECT COMPETITORS: - One of the ICC's examiners recommends that the railroads be permitted to reduce a rate even though competitors argue the railroad rates should be held at higher levels just to protect them.

A new rate on beer between Missouri, Illinois and Nebraska points to Oklahoma was proposed by the railroads. Motor carriers objected. They were the only ones who did, since, as the ICC examiner put it, no shipper, receiver or community has complained. The motor carriers said the reduced rail rate should not be allowed by the ICC because the truckers couldn't meet it. Trucking costs are too high.

To that, ICC Examiner Edward H. McMahan retorted: "The railroads are the low cost transportation, and they have the right to take advantage of same." Also, he ruled, "the railroads cannot be expected to sit idly by and allow all the traffic to be diverted" to truckers.

McMahan found that the railroads "have the ability to reduce rates to a point that will regain and keep the traffic on a basis compensatory" to themselves. And, the railroads "have no obligation to hold the rates on a basis that will assure the trucker the ability to keep the traffic it has been receiving, at the expense of their own traffic."

* * * * * * * * * * * *

MONORAIL UNVEILED: - The first monorail trains to operate on a daily basis in the United States are now in service on the Disneyland-Alweg monorail system at Anaheim, California.

The two three-car articulated trains, each with a capacity of 82 passengers, are expected to carry more than 1,000,000 Disneyland visitors this summer on a line about one mile long. More importantly, they may demonstrate the practicability of this type of equipment as a possible solution to mass transportation problems in American cities.

Electrically operated and moving on rubber tires, the trains move over a concrete beamway, supported by cement pylons at heights up to 34 feet. The beamway and pylons are substantially the same size as those which would be used for any metropolitan single-track system. The basic design of the two trains, including motive power, braking and safety systems, is also said to be essentially the same, except that somewhat larger trains would be required for baggage, mail and standing passengers not handled at Disneyland. In metropolitan transit, speeds up to 80 mph are anticipated.

The trains, made of aluminum, plastic and stainless steel, are driven by two 50-HP DC traction motors. Braking is accomplished by air brake equipment similar to that used on heavy highway vehicles.

* * * * * * * * * * * *