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SUPREME COURT TO RULE ON RAIL MERGER-JOB PROTECTION

ISSUE: - Opposing views of railroads and the Railway Labor Executives Association on a provision in the Transportation Act of 1940, which requires that no employees of merging railroads may be placed "in a worse position with respect to their employment" for four years following such a merger, will be reviewed by the U. S. Supreme Court during the present term, following a recent plea by U. S. Solicitor General Archibald Cox for immediate clarification of the issue by the Court.

At immediate issue in the case is the merger of the Erie and Lackawanna Railroads, which have planned the abolition of nearly 2,000 jobs and the transfer of more than 2,000 others over a five-year period in their consolidation. The plan calls for severance pay for those laid off and compensatory pay for those employees switched to lower-paying jobs. The E-L won approval of a three-judge Federal court in Detroit of its plan, but the unions, which hold that the law requires that no employee can be fired for the statutory four-year period, appealed the verdict to the Supreme Court.

In asking the Supreme Court to squeeze the E-L case into its present schedule, Solicitor General Cox pointed out that the same issue is involved in at least six other railroad merger proposals now pending before the Interstate Commerce Commission, and added that national policy "strongly supports the view that there should be an early resolution of the present controversy..."

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CAB TO USE SUBSIDY POWER TO FORCE AIRLINE MERGERS: -

Working "on the assumption that from its lofty vantage point it can see many things to be done for and by the airlines, far better than the individual airlines can see and do individually," The Civil Aeronautics Board intends to use its authority to grant or to withhold subsidies to force competing airlines to merge, the Wall Street Journal recently reported. The newspaper added that "while CAB officials expect cordial co-operation from management for the most part, they won't hesitate to apply painful pressures if any airlines should balk at Government-prescribed medicine."

The CAB will also "have a lot more to say" about airlines' service, their promotion of cargo business, helicopters, supersonic aircraft, and other matters, the newspaper added.

HIGHWAY TAX PROPOSALS WOULD HIT BIG TRUCKS: - In his special message to Congress on highways, President Kennedy proposed that operators of big trucks pay a larger part of the cost of maintaining the pay-as-you-go financing. He suggested several new tax increases that would fall heavily on big trucks, and he asked retention of the present temporary four-cent-a-gallon Federal tax on gasoline that is now due to drop to three cents.

The President said the suggested tax changes should enable the highway program to be finished on schedule in 1972. Without the added money, the program would have to be stretched out or cut back, and "I am wholly opposed to either," he emphasized.

Besides retaining the four-cent tax on gasoline, Mr. Kennedy's specific proposals included:

--Increase to seven cents a gallon the present four-cent tax on diesel fuel, now scheduled to drop to three cents after June 30.

--Raise to $5 the present annual tax of $1.50 per 1,000 pounds that must be paid by owners of trucks over 26,000 pounds loaded weight.

--Boost the tax on tires from the present eight cents a pound to ten cents.

--Increase to ten cents the nine-cent tax on inner tubes.

--Increase to ten cents the three cents a pound tax on tread rubber.

These increases would take effect July 1 and last the life of the program until June 30, 1972. The President's program is designed to raise some $9.7 billion between now and mid-1972 to make sure the 41,000-mile system is completed by the deadline.

Noting that almost all the revenues from his proposed tax increases, except those resulting from the additional one cent tax on gasoline, would fall on "heavier trucks that use diesel fuel and weigh over 26,000 pounds when loaded," Mr. Kennedy stated:

> "This is only fair; indeed technical experts in the Bureau of Public Roads advise me that even this increase would not charge heavy trucks their fair share of the cost of this program."

As expected, operators of the nation's heavy trucks reacted violently to the proposal. All declared that the plan would add greatly to their costs, might force some out of business, and would effectively cause immediate increases in prices and rates, "since we would have no choice but to pass on to our customers any increase in costs."

Hearings on President Kennedy's proposals will begin March 14 before the House Ways and Means Committee.

<u>ICC ENDORSES RAILROAD ASSISTANCE</u>: - A broad program to help railroads, including tax relief and extension of the Federal loan-guarantee operation, was proposed before the House Commerce Committee on March 1. ICC Chairman Everett Hutchinson, in outlining the recommendations, told the Committee that many railroads, especially in the East, are in a "critical" condition.

Chairman Hutchinson said the ICC's immediate recommendation was a two-year extension of the law authorizing the Commission to guarantee loans to railroads. The present law expires March 31. Mr. Hutchinson also proposed:

--Repeal of the excise tax on passenger fares.

--Revision of Federal income tax laws so that local or state tax relief to railroads would not be absorbed by Federal income taxes, to encourage localities and states to extend relief.

--Faster depreciation of railroad property and equipment.

--Steps to let the Federal Government make immediate payment of loan guarantees instead of waiting for a Congressional appropriation; this, he said, would probably enable railroads to obtain better terms on guaranteed loans.

"The enactment of measures such as these," Chairman Hutchinson stated, "would enable railroads to accelerate programs for modification of, and additions to, their facilities, with resulting improvement in their ability to serve the public and meet the needs of the national defense."

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<u>BILL IN CONGRESS AIMS AT PIGGYBACK DAMAGE</u>: - A bill aimed at preventing damage to piggyback movements was introduced in the House recently by Representative Oren Harris of Arkansas.

The bill would provide penalties for malicious damage to or destruction of shipments moving in interstate commerce. The measure is aimed particularly at the malicious damage of automobiles being transported by piggyback.

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<u>RAIL TRAVEL SAFEST AGAIN IN 1960</u>: - Railroad travel in 1960 was nearly seven times safer than by domestic airlines and fifteen times safer than on the highways, according to a preliminary report on travel safety released recently by the Association of American Railroads.

Rail passenger fatalities numbered 32. Of these, 15 were so-called "train service" accidents -- those due to traveler carelessness such as in cases of people attempting to board or leave moving trains. In contrast, the AAR noted that accidents involving private cars and taxis in 1960 resulted in an estimated 25,000 fatalities. Civil Aeronautics Board statistics indicate that 326 persons lost their lives in domestic airplane travel during the year.

<u>$272 MILLION TO TRUCKS FOR HAULING NEW AUTOS:</u> - Hauling of new automobiles on highway trucks brings in a big chunk of revenue to Class I common and contract motor carriers each year, according to ICC statistics. Here's how much:

In 1957, truckloads of new automobiles hauled totaled 1,056,110. Revenue from this was $218.6 million, about 14 per cent of gross revenues from all Class I truckload business. -- In 1958, a total of 784,996 truckloads of new automobiles were hauled, with revenue totaling $178 million, nearly 12 per cent of gross revenues. -- In 1959, total truckloads of new automobiles was 1,096,066. Revenue totaled $272.6 million, roughly 15 per cent of gross revenues.

The figures for 1960 are not available.

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<u>FEC EMERGES FROM 30-YEAR RECEIVERSHIP; NAMES PRESIDENT:</u> William Blaine Thompson, Jr., for the past three years assistant to the vice-president of the AAR, was recently elected president of the Florida East Coast Railway at a stockholders reorganization meeting, as the line emerged from a 30-year receivership. Edward Ball of Jacksonville, Florida, trustee of the Alfred I. du Pont estate, was named board chairman.

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<u>BANKRUPTCY RECOMMENDED FOR NEW HAVEN:</u> - The New York, New Haven & Hartford Railroad could better serve the public interest by going into receivership immediately under Section 77 of the Bankruptcy Act, than by retaining its present management and financial structure, the New England Council, a regional development group, declared recently in a report which attacked the ICC as bolstering the present corporation through a series of guaranteed loans without considering other alternatives available.

The group declared also that bankruptcy of the railroad would not necessarily mean cessation of service, as the railroad stated it would.

The Council's report was immediately assailed by New Haven President George Alpert as showing a "public be damned" attitude. Both he and Governor Dempsy of Connecticut declared that it would be a mistake to let the road go into bankruptcy.

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<u>SAC TO USE RAILROAD CARS AS TRAINING TARGETS:</u> - The Strategic Air Command is utilizing radar bomb scoring equipment mounted in railroad cars to train its crews, the Federal Aviation Agency and the U. S. Air Force recently announced. The railroad cars, which will be operated in three trains over the nation's rail network, will act as simulated targets for the SAC planes, and with their special equipment will measure the accuracy of simulated bombing runs; the cars will also contain equipment designed to "jam" the radars of the attacking aircraft.