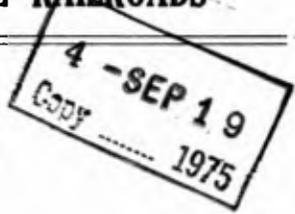


PUBLIC WORKS JOBS ON THE RAILROADS



HEARINGS

BEFORE THE

SUBCOMMITTEE ON TRANSPORTATION AND COMMERCE

OF THE

*U.S. Congress.
" House.*

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE.

HOUSE OF REPRESENTATIVES

NINETY-FOURTH CONGRESS

FIRST SESSION

ON

**H.R. 6808, H.R. 4622 (and all identical bills), H.R. 6962,
H.R. 4850, H.R. 5221, H.R. 5744, H.R. 6563 (and all identical bills), H.R. 6767, H.R. 7487, and S. 1730**

**BILLS TO IMPROVE THE RELIABILITY AND SAFETY OF
RAILROAD TRANSPORTATION SO AS TO PROMOTE THE
EFFICIENT USE OF ENERGY IN SURFACE TRANSPORTA-
TION, AND TO REDUCE UNEMPLOYMENT BY PROVIDING
FUNDS FOR WORK IN REPAIRING, REHABILITATING, AND
IMPROVING RAILROAD ROADBEDS AND FACILITIES**

JUNE 17, JULY 9 AND 10, 1975

Serial No. 94-29

Printed for the use of the
Committee on Interstate and Foreign Commerce

U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1975

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

HARLEY O. STAGGERS, West Virginia, *Chairman*

TORBERT H. MACDONALD, Massachusetts	SAMUEL L. DEVINE, Ohio
JOHN E. MOSS, California	JAMES T. BROYHILL, North Carolina
JOHN D. DINGELL, Michigan	TIM LEE CARTER, Kentucky
PAUL G. ROGERS, Florida	CLARENCE J. BROWN, Ohio
LIONEL VAN DEERLIN, California	JOE SKUBITZ, Kansas
FRED B. ROONEY, Pennsylvania	JAMES F. HASTINGS, New York
JOHN M. MURPHY, New York	JAMES M. COLLINS, Texas
DAVID E. SATTERFIELD III, Virginia	LOUIS FREY, JR., Florida
BROCK ADAMS, Washington	JOHN Y. MCCOLLISTER, Nebraska
W. S. (BILL) STUCKEY, JR., Georgia	NORMAN F. LENT, New York
BOB ECKHARDT, Texas	H. JOHN HEINZ III, Pennsylvania
RICHARDSON PREYER, North Carolina	EDWARD R. MADIGAN, Illinois
JAMES W. SYMINGTON, Missouri	CARLOS J. MOORHEAD, California
CHARLES J. CARNEY, Ohio	MATTHEW J. RINALDO, New Jersey
RALPH H. METCALFE, Illinois	
GOODLOE E. BYRON, Maryland	
JAMES H. SCHEUER, New York	
RICHARD L. OTTINGER, New York	
HENRY A. WAXMAN, California	
ROBERT (BOB) KRUEGER, Texas	
TIMOTHY E. WIRTH, Colorado	
PHILIP R. SHARP, Indiana	
WILLIAM M. BRODHEAD, Michigan	
W. G. (BILL) HEFFNER, North Carolina	
JAMES J. FLORIO, New Jersey	
ANTHONY TOBY MOFFETT, Connecticut	
JIM SANTINI, Nevada	
ANDREW MAGUIRE, New Jersey	

W. E. WILLIAMSON, *Clerk*

KENNETH J. PAINTER, *Assistant Clerk*

Professional Staff

ROBERT F. GUTHRIE	JAMES M. MENDER, JR.
CHARLES B. CURTIS	WILLIAM P. ADAMS
LEE S. HYDE	ROBERT R. NORDHAUS
ELIZABETH HARRISON	BRIAN R. MOIR
JEFFREY H. SCHWARTZ	WILLIAM G. PHILLIPS

KAREN NELSON

SUBCOMMITTEE ON TRANSPORTATION AND COMMERCE

FRED B. ROONEY, Pennsylvania, *Chairman*

BROCK ADAMS, Washington	JOE SKUBITZ, Kansas
RALPH H. METCALFE, Illinois	JAMES F. HASTINGS, New York
W. G. (BILL) HEFFNER, North Carolina	SAMUEL L. DEVINE, Ohio (Ex Officio)
JIM SANTINI, Nevada	
JAMES J. FLORIO, New Jersey	
HARLEY O. STAGGERS, West Virginia	
(Ex Officio)	

WILLIAM L. KOVACS, *Chief Counsel*

LE ROY CORCORAN, *Counsel*

WILLIAM T. DAUHAN, *Economist*

JAMES VAN DEERLIN, *Legislative Assistant*

KF27
 I5589
 1975i
 copy 2

CONTENTS

	Page
Hearings held on—	
June 17, 1975-----	1
July 9, 1975-----	143
July 10, 1975-----	197
Text of—	
H.R. 4622-----	17
H.R. 4850-----	39
H.R. 5221-----	44
H.R. 5244-----	17
H.R. 5744-----	47
H.R. 6563-----	52
H.R. 6654-----	52
H.R. 6767-----	64
H.R. 6808-----	3
H.R. 6962-----	25
H.R. 7487-----	79
H.R. 7630-----	52
H.R. 7845-----	17
S. 1730-----	79
Report of Interstate Commerce Commission-----	95
Statement of—	
Adams, Barbara, research assistant, Schuylkill County (Pa.) Office of Technical Assistance-----	262
Ailes, Stephen, president, Association of American Railroads-----	235
Beattie, Donald S., director of governmental affairs, Railway Labor Executives Association-----	186
Bedell, Hon. Berkley, a Representative in Congress from the State of Iowa-----	165
Briggs, Richard, assistant to the president, and director of the Office of Public Affairs, Association of American Railroads-----	235
Chambers, Ray, Washington representative, Boston & Maine Corp-----	274
Coleman, Hon. William T., Jr., Secretary, Department of Transporta- tion-----	202
Conte, Hon. Silvio O., a Representative in Congress from the State of Massachusetts-----	159
Curran, Jack, legislative director, Laborers' International Union of North America, AFL-CIO; also on behalf of the International Union of Operating Engineers-----	231
Dustin, Alan G., president and chief executive officer, Boston & Maine Corp-----	126
Florlo, Hon. James J., a Representative in Congress from the State of New Jersey-----	100
Gibbons, William M., trustee, Chicago, Rock Island & Pacific Railroad Co. [Rock Island Lines]-----	105
Hail, Asaph H., Acting Administrator, Federal Railroad Administra- tion, Department of Transportation-----	202
Heinz, Hon. H. John, III, a Representative in Congress from the State of Pennsylvania-----	143
Ingram, John, president, Chicago, Rock Island & Pacific Railroad Co. [Rock Island Lines]-----	100
McGlaughlin, J. Raymond (on behalf of Harold G. Crotty, president) national legislative representative, Brotherhood of Maintenance of Way Employees, on behalf of the Railway Labor Executives Associa- tion-----	186

IV

Statement of—Continued	Page
Mahoney, William G., counsel, Brotherhood of Maintenance of Way Employees, on behalf of the Railway Labor Executives Association	186
Reistrup, Paul, president, National Railroad Passenger Corporation (Amtrak)	167
Scocozza, Matthew, Legal Assistant to Hon. Silvio O. Conte, a Representative in Congress from the State of Massachusetts	159
Snow, John W., Deputy Under Secretary, Department of Transportation	202
Treen, Hon. David C., a Representative in Congress from the State of Louisiana	197
Additional material submitted for the record by—	
Association of American Railroads:	
Appendix A—Increased rail rehabilitation work feasible—and necessary	240
Appendix B—Comments on S. 1730, H.R. 6808, H.R. 4622, and other bills	243
Letter dated August 1, 1975, from Mr. Ailes to Chairman Rooney, re recapture by the Government of value that might be added to railroad properties by the use of such funds	260
Railroad mileage by States (1973)	258
Bangor & Aroostook Railroad, Ray Chambers, Washington representative, statement	274
Boston & Maine Corp.:	
Comparative analysis of legislation which would provide Federal funds for employment to improve railroad roadbeds and facilities, memorandum to Congressman James Santini	123
Exhibit A—Boston & Maine Corp. tax settlement	129
Exhibit B—Putback into the railroad in the form of ties, rail, ballast, and surfacing during 1961 through 1974—chart	130
Exhibit C—Boston & Maine Corp., purchase of maintenance-of-way equipment and property improvements since bankruptcy	131
Exhibit D—Itemization of possible Boston & Maine usage of rail emergency employment funds	132
Commissioner, Alan, Department of Transportation, State of New Jersey, statement	272
Consolidated Edlson Co. of New York, Inc., Robert O. Lehrman, vice president, statement	277
Copperweld Corp., Philip H. Smith, letter dated June 19, 1975, to Chairman Rooney	280
Lehigh Valley Railroad Co., William C. Wieters, senior vice president and chief operating officer, statement	274
National Railroad Passenger Corporation (Amtrak):	
Protection of public funds investment in railroads rights-of-way—Track, right-of-way, roadbed and signaling project	183
Track, right-of-way, roadbed and signaling project	173
O'Neill, Lt. Gov., Thomas P., III, Commonwealth of Massachusetts, statement	271
Railroad Task Force for Northeast Region, Phillip F. Brady, labor liaison representative, statement	276
Railway Labor Executives Association:	
Appendix A—Railroad accidents (caused by defects in, or improper maintenance of way and structures)	189
Appendix B—Use of Federal unemployment funds for railroad right-of-way work	189
Rock Island & Pacific Railroad Co. [Rock Island Lines]:	
Comparative analysis of legislation which would provide Federal funds for employment to improve railroad roadbeds and facilities, memorandum to Congressman James Santini	123
Map of slow order groupings by major line segment reference numbers	111
Schuylkill County (Pa.) Office of Technical Assistance, Anthracite preparation plants in Schuylkill County, map	264
Sierra Club, Christopher Wasitynski, statement	279
Summary of present slow orders by major line segment, May 19, 1974	112
Testimony of John W. Ingram, before the Transportation Subcommittee, Senate Commerce Committee—May 1, 1975	103
Transportation Department, Jobs provided and rehabilitation that could be accomplished with a \$600 million program	216

PUBLIC WORKS JOBS ON THE RAILROADS

TUESDAY, JUNE 17, 1975

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TRANSPORTATION AND COMMERCE,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Washington, D.C.

The subcommittee met at 2 p.m., pursuant to notice, in room 2218, Rayburn House Office Building, Hon. Fred B. Rooney, chairman, presiding.

Mr. ROONEY. The committee will come to order.

Today we begin hearings on H.R. 6962 and several similar bills.

The subject matter is railroad jobs. But more than that, we will discuss jobs which have immediate and long-range benefits for all of us.

Some people have said, only half-humorously, that the problem with railroads is that they don't wear out fast enough. In our throwaway age that type of thinking is all too common.

But the facts are these: A lot of our railroad plant is run down. A marvelous capital asset is being allowed to waste away. Deferred maintenance is a pleasant-sounding term used in the railroad industry. In plain language it means that the place is going ramshackle. It also means that safety is taking a licking; injuries, loss, and damage are running high; railroad service is poor; passengers and freight are going to other types and other modes of transportation and the railroads are the losers.

But we are all poorer as a result. Our railroads are a great national resource. We have neglected this resource. The public's deferred consideration of the railroads is not unlike deferred maintenance on the railroads. We are not paying attention to business when we let the railroads lose their competitive position in the transportation field.

We have built—largely with taxpayer dollars—a fine transportation system by inland waterways. Our highways, and our private and for-hire trucking industry is second to none. Our public R. & D. and air traffic control have given us a reliable air service system. We should not entertain any notions to retard such development. But we should start to build our rail service. Amtrak is making great strides on the passenger side. Our efforts in these hearings can give us a start in pulling rail service back to something resembling first-class rail service.

Our job today is creating jobs. My review of the bills before us indicates that those which provide funds for material and equipment have full protections built in for the Federal taxpayer dollar. Where

taxpayer dollars are used for any such materials and equipment, the Secretary or the Commission can impose necessary safeguards for the recovery of these funds. It has been my concern all along that we not use Federal funds to improve private industry and private property.

Without objection, the text of the bills we will be considering during this hearing and the agency reports thereon will be placed in the record at this point.

[Testimony resumes on p. 99.]

[The text of the bills and agency reports referred to follow:]

1 ing, rehabilitating, and improving essential railroad road-
2 beds and facilities to increase the public service capabil-
3 ity of railroads are important public service jobs; and

4 (2) unemployment can be reduced significantly by
5 stimulating and expediting the repair, rehabilitation, and
6 improvement of the Nation's railroad roadbeds and facili-
7 ties, because there is a great need for such activity and
8 because such activity is labor intensive.

9 (b) PURPOSE.—It is therefore declared to be the pur-
10 pose of this Act to authorize the Secretary of Transportation
11 in consultation with the Secretary of Labor to provide finan-
12 cial assistance, from funds appropriated and made available
13 under section 10 and in accordance with the provisions of
14 this Act to eligible applicants, for programs aimed at reduc-
15 ing unemployment and at repairing, rehabilitating, or im-
16 proving essential railroad roadbeds and facilities.

17 SEC. 3. DEFINITIONS.—As used in this Act, unless the
18 context indicates otherwise, the term—

19 (1) "eligible applicant" means any (A) State or
20 political subdivision thereof, (B) railroad, (C) regional,
21 State, or local transportation authority, or (D) regional
22 commission;

23 (2) "government" means the Federal Government
24 or the government of a State;

25 (3) "railroad" means a common carrier by rail-

1 road, as defined in section 1 (3) of the Interstate Com-
2 merce Act (49 U.S.C. 1 (3)) and includes the National
3 Railroad Passenger Corporation, and the Consolidated
4 Rail Corporation;

5 (4) "regional commission" means the Appalachian
6 Regional Commission, established pursuant to section
7 101 of the Appalachian Regional Development Act of
8 1965 (40 App. U.S.C. 101), and the Regional Action
9 Planning Commissions, established pursuant to title V of
10 the Public Works and Economic Development Act (42
11 U.S.C. 3181);

12 (5) "roadbeds and facilities" means the physical
13 assets of a railroad, other than rolling stock, that are
14 necessary for the actual movement of rolling stock, in-
15 cluding, but not limited to, tracks, ties, rails, switches,
16 roadbeds, bridges, yards, stations and terminals, ma-
17 chines for loading and unloading, ferries and shoreside
18 facilities for transporting rolling stock over water, signal
19 systems, grade crossings, train monitoring systems, elec-
20 trification and other power transmission systems, and
21 structures and equipment necessary to the functioning
22 of any of the foregoing;

23 (6) "Secretary" means the Secretary of Transpor-
24 tation; and

1 national, regional, or local transportation needs or policies
2 (including the acceleration and expansion of regionally
3 balanced rail rehabilitation programs).

4 In making such a grant, the Secretary shall obtain assurances
5 satisfactory to him that the proposed project will be com-
6 pleted within such reasonable period of time as he may pre-
7 scribe, not to exceed 18 months after the date on which work
8 on the project begins, and that, to the maximum extent
9 practicable, individuals employed on such project will be
10 afforded permanent employment opportunities.

11 (b) GUIDELINES AND PROCEDURES FOR GRANT AP-
12 PPLICATIONS.—(1) To facilitate the rapid initiation of rail-
13 road repair, rehabilitation, or improvement projects, the Sec-
14 retary shall establish and publish, within 30 days after the
15 date of enactment of this Act, guidelines and procedures for
16 making and evaluating applications for financial assistance
17 pursuant to this section.

18 (2) Any such application shall be prepared and sub-
19 mitted to the Secretary pursuant to such guidelines and proce-
20 dures. Such an application shall include, but need not be
21 limited to, the following information and documentation in
22 support thereof, with respect to the project for which finan-
23 cial assistance is requested:

24 (A) A description of the roadbed and facilities to
25 be repaired, rehabilitated, or improved.

1 (B) A statement as to the number of persons to be
2 employed and the date on which work on the project
3 will begin and the date of completion of the project.

4 (C) A description of the relationship between the
5 applicant and such roadbeds and facilities, if such appli-
6 cant does not directly own or control such roadbeds and
7 facilities.

8 (D) An evaluation of such roadbeds and facilities
9 in terms of present or potential significance for national,
10 regional, or local transportation.

11 (E) A statement of the goals set forth in subsec-
12 tion (a) of this section to be achieved by the project,
13 and the manner in which such goals will be achieved.

14 The Secretary shall act upon any completed application
15 under this section within 15 days after it has been received.

16 (c) RAILROAD LEVEL OF MAINTENANCE.—In admin-
17 istering this Act, the Secretary is authorized to establish
18 objective criteria to aid in determining whether the recipient
19 of a grant made pursuant to this Act is maintaining a good
20 faith level of repair and rehabilitation, on the basis of past
21 experience and the present financial capability of the
22 recipient.

23 (d) LIMITATIONS.—Grants made to eligible applicants
24 pursuant to this section shall be used solely to pay the wages,
25 and other benefits earned by individuals employed in pro-

1 grams funded by this Act, and shall not be used by such ap-
2 plicants for any administrative expenses incurred with respect
3 to any such programs. Funds made available under this sec-
4 tion shall be used by eligible applicants only for repair, reha-
5 bilitation, and improvement in excess of the level of mainte-
6 nance described in subsection (c) of this section.

7 **EMPLOYMENT PRIORITIES**

8 **SEC. 5.** The jobs created pursuant to financial assistance
9 provided pursuant to this Act shall, after the recall of fur-
10 loughed maintenance-of-way and signal system maintenance
11 employees pursuant to applicable collective bargaining agree-
12 ments, be made available, consistent with other provisions
13 of this Act, (1) to unemployed persons who have exhausted
14 unemployment insurance benefits, to unemployed persons
15 who are not eligible for unemployment insurance benefits
16 (except for persons lacking work experience), and to un-
17 employed persons who have been unemployed for 15 or
18 more weeks; (2) to unemployed or underemployed per-
19 sons as defined by section 601 of the Comprehensive Em-
20 ployment and Training Act of 1973, as amended (29
21 U.S.C. 801 et seq.). The Secretary of Labor shall promptly
22 establish such procedures, rules, or regulations as necessary
23 to insure that sufficient numbers of such unemployed per-
24 sons are referred to eligible applicants receiving funds pursu-
25 ant to this Act by State unemployment service agencies, by

1 the Railroad Retirement Board, and by prime sponsors desig-
2 nated under the Comprehensive Employment and Training
3 Act. All jobs created under this Act, except those to which
4 furloughed employees are being recalled, must be listed with
5 the State employment service at least 72 hours before such
6 vacancies are filled.

7 ELIGIBLE ROADBEDS AND FACILITIES

8 SEC. 6. Roadbeds and facilities are eligible for project
9 grants pursuant to section 4 if such roadbeds and facilities—

10 (1) have been included in the preliminary system
11 plan, or in any subsequent plan, that has been approved
12 by the United States Railway Association under the
13 Regional Rail Reorganization Act of 1973;

14 (2) are used to provide rail commuter passenger
15 service;

16 (3) are used by the National Railroad Passenger
17 Corporation pursuant to the Rail Passenger Service Act
18 for providing rail passenger service or are part of either
19 the basic system or the experimental routes established
20 pursuant to the Rail Passenger Service Act, or by any
21 other railroad providing intercity rail passenger service;

22 (4) have been subject to track usage of at least five
23 million gross ton-miles per mile of road per year, during
24 at least one calendar year following January 1, 1970;

1 (5) have been identified to the Secretary by any
2 State, political subdivision thereof, or regional com-
3 mission as needed to restore, improve, or continue
4 present or anticipated transportation needs, if the Secre-
5 tary concurs in such identification; or

6 (6) are owned by a State or public entity.

7 **MATERIALS AND EQUIPMENT ASSISTANCE**

8 **SEC. 7. (a) GENERAL.**—To the extent necessary to carry
9 out a project receiving financial assistance pursuant to section
10 4, the Secretary may provide financial assistance to eligible
11 applicants, in accordance with this section, for the acquisition
12 of materials and equipment necessary and appropriate to such
13 project. Such financial assistance shall not be made available
14 until the Secretary receives adequate assurances that it will
15 not be used, directly or indirectly, as a substitute for financial
16 resources which would otherwise have been expended for
17 such purposes by the applicant. Financial assistance pursuant
18 to this section may be provided by the Secretary in the form
19 of guarantees by the United States of the payment of the
20 principal amount of, and the periodic interest obligation on,
21 loans, or in the form of grants, subject to such reasonable
22 conditions as he may prescribe. In the case of a grant under
23 this section, which adds, or may add, value to the rail proper-
24 ties or other assets of a railroad other than a Government
25 corporation, the Secretary may require that adequate and

1 binding assurances be made for compensating the Federal
2 Government for any such value added, through a mechanism
3 such as reduced user fees for rail passenger service operated
4 by the National Railroad Passenger Corporation or other
5 compensatory device. In the event of any transfer of railroad
6 roadbeds or facilities to the Government or to any corporation
7 established by the Government, the transferring railroad shall
8 not receive compensation for that portion of the value of such
9 roadbed or facilities which was added by materials and equip-
10 ment obtained with the proceeds of grants under this section.
11 At any time after the completion of such a project, the Sec-
12 retary and the railroad involved may enter into a stipulation
13 as to amount of such value added, or as to the absence thereof,
14 and such a stipulation shall be binding in any subsequent
15 negotiation or proceeding.

16 (b) **LIMITATION ON AMOUNT.**—The aggregate unpaid
17 amount of outstanding obligations, including principal and
18 interest thereon, that may be guaranteed under this section
19 shall not exceed \$100,000,000. No guarantee shall be issued
20 under this section after July 1, 1977.

21 **LABOR PROTECTION**

22 **SEC. 8. (a)** All work in connection with the projects
23 funded under this Act which has been performed by practice
24 or agreement in accordance with provisions of the existing
25 contracts in effect with the representatives of the employees

1 of the classes or crafts involved shall continue to be per-
2 formed by the employees of the railroad on which the project
3 is located, including employees on furlough. If such railroad
4 lacks a sufficient number of employees, including employees
5 on furlough, and be unable to hire additional qualified em-
6 ployees from among the unemployed and underemployed
7 persons specified under section 5 of this Act, to perform the
8 work required, it shall be permitted to subcontract that part
9 of such work which cannot be performed by its employees
10 consistent with applicable collective-bargaining agreements.
11 Before contracting out work under this subsection, such rail-
12 road shall be required to secure certification from the Depart-
13 ment of Labor that there is an insufficient number of fur-
14 loughed maintenance of way employees, or of unemployed
15 persons referred pursuant to section 5 of this Act, to perform
16 the work required. In the event that such work is subcon-
17 tracted, in accordance with this subsection, wages and bene-
18 fits paid shall be not less than those provided for in collective-
19 bargaining agreements in effect and negotiated pursuant to
20 the Railway Labor Act for similar jobs and classifications.
21 Such rates shall be considered in compliance with the Davis-
22 Bacon Act (40 U.S.C. 267 (a) ; Walsh-Healy Act (41
23 U.S.C. 35), or Service Contract Act (41 U.S.C. 35)),
24 whichever is applicable.

1 (b) Work to be performed with financial assistance
2 received under this Act, which has not traditionally been
3 performed by employees of the railroad, may continue to
4 be performed by a contractor of the railroad: *Provided,*
5 *however,* That the railroad shall take such action as may
6 be necessary to insure that all laborers and mechanics em-
7 ployed by such contractor or subcontractors in the perform-
8 ance of work done with the aid of such financial assistance
9 shall be paid wages and benefits at rates not less than those
10 prevailing on similar work in the locality, as determined
11 in accordance with the Davis-Bacon, Walsh-Healy Act, or
12 Service Contract Act, as applicable. No contract or agree-
13 ment for the performance of work receiving Federal financial
14 assistance shall be entered into under this subsection without
15 first obtaining adequate assurances that required labor stand-
16 ards shall be maintained in the performance of such work
17 and that persons employed, whether by the railroad, con-
18 tractor or subcontractor of the railroad, shall be hired in
19 accordance with the priorities and procedures set forth in
20 section 5 of this Act.

21 MISCELLANEOUS PROVISIONS

22 SEC. 9. (a) RECORDS AND AUDIT.—Each recipient of
23 Federal financial assistance pursuant to this Act, regardless
24 of form, shall maintain such records as the Secretary shall
25 prescribe, including records which fully disclose the amount

13

1 and disposition by such recipient of the proceeds of such
2 assistance, the total cost of the program or project in con-
3 nection with which such assistance was given or used,
4 and such other records as will facilitate an effective audit.
5 The Secretary and the Comptroller General of the United
6 States, or any of their duly authorized representatives shall,
7 until the expiration of three years after the completion
8 of such program or project, have access for the purpose of
9 audit and examination to any books, documents, papers, and
10 records of such receipts which, in the opinion of the Secre-
11 tary of the Comptroller General, may be related to or per-
12 tinent to any such Federal financial assistance.

13 (b) COST AND BENEFIT ASSESSMENT.—The Secretary
14 is authorized to conduct, or to cause to be conducted, cost
15 and benefit assessment studies of various programs and proj-
16 ects receiving Federal financial assistance pursuant to this
17 Act and of proposed projects to the extent necessary to
18 assure that funds appropriated for purposes of this Act are
19 expended in the manner most cost-beneficial to carry out the
20 provision of this Act.

21 (c) REPORTS AND OVERSIGHT.—The Secretary shall
22 submit to the Congress and the President periodic reports on
23 his actions taken pursuant to this Act, including statements
24 as to progress made in reducing unemployment and in im-

1 **AUTHORIZATIONS FOR APPROPRIATIONS**

2 **SEC. 10.** There are authorized to be appropriated, not
3 to exceed \$600,000,000 to the Secretary for purposes of
4 providing financial assistance pursuant to section 4, of which
5 not more than \$7,000,000 shall be available to the Secre-
6 tary for administrative expenses in implementing this Act,
7 such sums to remain available until expended.

[H.R. 4622, introduced by Mr. Heinz (for himself, Mr. Hastings, and Mr. Skubitz) on March 11, 1975;
 H.R. 5244, introduced by Mr. Heinz (for himself, Mr. Moorhead of Pennsylvania, Mr. McDade, Mr. Myers of Indiana, Mr. Santini, Mr. Yatron, and Mr. Cohen) on March 20, 1975; and
 H.R. 7845, introduced by Mr. Flood on June 12, 1975,
 are identical as follows:]

A BILL

To amend the Interstate Commerce Act to provide assistance in rebuilding the Nation's railroad rights-of-way, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
 2 *tives of the United States of America in Congress assembled,*
 3 That this Act may be cited as the "Railroad Right-of-Way
 4 Improvement Act of 1975".

5 SEC. 2. Part V of the Interstate Commerce Act is
 6 amended by adding at the end thereof the following new
 7 section:

8 "RAILROAD RIGHT-OF-WAY IMPROVEMENT

9 "SEC. 520. (a) (1) The Congress hereby finds and
 10 declares that (A) there is at the present time and in the

1 "TITLE IV—EMERGENCY RAIL EMPLOYMENT

2 "SEC. 401. (a) To carry out the purposes of this title,
3 the Secretary of Transportation, in accordance with the
4 provisions of this title and notwithstanding any provisions
5 to the contrary, is authorized from funds appropriated and
6 made available under this title to provide financial assist-
7 ance to common carriers engaged in transportation by rail-
8 road, as defined in the Railway Labor Act (45 U.S.C.
9 51), for wages of persons employed in programs and
10 projects to maintain and improve their rights-of-way and
11 structures, including mainline tracks, sidetracks adjacent
12 thereto, roadbed, culverts, fills, tunnels, and other structures.

13 "(b) The Secretary shall provide financial assistance
14 for any program or project under this title only upon applica-
15 tion by the carrier under regulations to be prescribed by
16 the Secretary.

17 "(c) The Secretary shall not provide financial assistance
18 for any program or project under this title unless it is deter-
19 mined under regulations to be proscribed by the Secretary
20 that the program or project (1) will not result in the dis-
21 placement of currently employed workers (including partial
22 displacement such as reduction in the hours of overtime work
23 or wages or employment benefits), and (2) will not result
24 in the substitution of Federal for other funds in connection
25 with work that could otherwise be performed by the carrier

1 during the twelve months following application by the
2 carrier.

3 “(d) All persons employed under the program or proj-
4 ect shall be considered employees of the carrier working un-
5 der any applicable labor contracts and subject to the same
6 managerial control as all existing employees of the carrier:
7 *Provided, however,* That persons employed under such pro-
8 gram or project shall not attain interests entitled to protec-
9 tion or the imposition of protective arrangements under the
10 Interstate Commerce Act (49 U.S.C. 5) or any other pro-
11 vision of law.

12 “(e) The provisions of title I shall apply as to eligi-
13 bility: *Provided, however,* That to the extent the carrier had
14 employees on furlough at the date of enactment, such em-
15 ployees shall be first employed.

16 “(f) Persons employed under such program or project
17 shall receive benefits and be paid wages in accordance with
18 the terms of applicable labor agreements existing between
19 the railroad applicants and the railroad labor brotherhoods at
20 the time funds authorized by paragraph (a) are expended.

21 “(g) The Secretary may require reports or by other
22 means insure that assistance authorized under this title is
23 expended by the carrier consistent with its application.

24 “SEC. 402. There is authorized to be appropriated the
25 sum of \$500,000,000 to carry out the provisions of this title.

1 “SEC. 403. (a) The Secretary of Transportation is
2 authorized, on such terms and conditions as he may prescribe,
3 to make loans on behalf of the United States to common
4 carriers engaged in transportation by railroads, as defined in
5 the Railway Labor Act (45 U.S.C. 51), to be used for
6 equipment, materials, and supplies necessary for rehabilitat-
7 ing, maintaining, and improving their rights-of-way and
8 structures, including mainline tracks, sidetracks adjacent
9 thereto, roadbed, culverts, fills, tunnels, and other structures.
10 The maturity date of any loan, including all extensions and
11 renewals thereof, shall not be later than thirty years from
12 its date of issuance.

13 “(b) Any loan by the Secretary under this Act shall be
14 made within one year of enactment; shall not be terminated,
15 canceled, or otherwise revoked; and shall be conclusive
16 evidence that such loan complies fully with the provisions of
17 this Act.

18 “(c) Before making any loan pursuant to this Act, the
19 Secretary must consider whether the prospective borrower is
20 responsible and whether adequate provision will be made for
21 repaying the loan. The Secretary may not make a loan under
22 this Act unless he finds that:

23 “(1) the loan is needed to provide employment
24 opportunities for unemployed and underemployed per-
25 sons;

1 “(2) the loan will provide funds for needed rehabili-
2 tation, maintenance, and improvement of the Nation’s
3 railroads; and

4 “(3) the activity to be financed will promote the
5 efficiency of rail operations.

6 “(d) The Secretary may prescribe, as he deems neces-
7 sary and appropriate, rules and regulations for the adminis-
8 tration of this Act.

9 “(e) The rate of interest to be charged the borrowers
10 shall not be more than 3 per centum per annum. The aggre-
11 gate unpaid principal amount of loans made by the Secretary
12 under this Act may not exceed \$2,000,000,000.

13 “(f) Loans authorized under this Act shall be for pro-
14 grams and projects to be performed by the carrier during the
15 twelve months following the carrier’s application.”.

94TH CONGRESS
1ST SESSION

H. R. 5221

IN THE HOUSE OF REPRESENTATIVES

MARCH 19, 1975

Mr. DEVINE introduced the following bill; which was referred to the Committee on Interstate and Foreign Commerce

A BILL

To provide employment opportunities for unemployed and underemployed persons and to promote safe and efficient service by rail, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Rail Emergency Employ-
4 ment Act of 1975".

5 SEC. 2. The Emergency Jobs and Unemployment As-
6 sistance Act of 1974 is amended by the addition of the
7 following title IV.

8 "TITLE IV—EMERGENCY RAIL EMPLOYMENT

9 "SEC. 401. (a) Notwithstanding any other provision
10 of law, the Secretary of Transportation is authorized to

2

1 provide financial assistance in accordance with the pro-
2 visions of this title to common carriers engaged in trans-
3 portation by railroad, as defined in section 1 of the Railway
4 Labor Act (45 U.S.C. 151), for wages of persons employed
5 in programs and projects to maintain and improve their
6 rights-of-way and structures, including mainline tracks, side
7 tracks, adjacent thereto, roadbed, culverts, fills, tunnels, and
8 other structures.

9 “(b) The Secretary shall provide financial assistance
10 for any program or project under this title only upon appli-
11 cation by the carrier under regulations to be prescribed by
12 the Secretary.

13 “(c) The Secretary shall not provide financial assist-
14 ance for any program or project under this title unless it is
15 determined under regulations to be prescribed by the Secre-
16 tary that the program or project (1) will not result in the
17 displacement of currently employed workers (including
18 partial displacement such as reduction in the hours of over-
19 time work or wages or employment benefits), and (2)
20 will not result in the substitution of Federal for other funds
21 in connection with work that could otherwise be performed
22 by the carrier during the twelve months following applica-
23 tion by the carrier.

24 “(d) All persons employed under the program or project
25 shall be considered employees of the carrier working under

3

1 any applicable labor contracts and subject to the same man-
2 agerial control as all existing employees of the carrier: *Pro-*
3 *vided, however,* That persons employed under such program
4 or project shall not acquire interests entitled to protection
5 or the imposition of protective arrangement under the Inter-
6 state Commerce Act (49 U.S.C. 5(2) (b)) or any other
7 provision of law.

8 “(e) The Secretary may require reports or by other
9 means insure that assistance authorized under this title is
10 expended by the carrier consistent with its application.

11 “SEC. 402. There is authorized to be appropriated \$250,-
12 000,000 to carry out the provisions of this title.”

94TH CONGRESS
1ST SESSION

H. R. 5744

IN THE HOUSE OF REPRESENTATIVES

APRIL 8, 1975

Mr. EVANS of Indiana introduced the following bill; which was referred to the Committees on Education and Labor and Interstate and Foreign Commerce

A BILL

To provide employment opportunities for unemployed and underemployed persons and to promote safe and efficient service by rail, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Rail Maintenance Im-
4 provement and Employment Act of 1975".

5 SEC. 2. Section 601 of the Comprehensive Employment
6 and Training Act of 1974 (29 U.S.C. 961) is amended by
7 striking out "\$2,500,000,000" and inserting in lieu thereof
8 "\$3,000,000,000".

9 SEC. 3. The Emergency Jobs and Unemployment As-

1 sistance Act of 1974 (88 Stat. 1845) is amended by adding
2 at the end thereof the following new title:

3 **“TITLE IV—EMERGENCY RAIL EMPLOYMENT**

4 **“SEC. 401. (a)** The Secretary of Transportation shall
5 provide financial assistance through grants to common car-
6 riers for wages of persons employed in programs and projects
7 to maintain and improve their rights-of-way and structures,
8 including mainline tracks, sidetracks adjacent thereto, road-
9 bed, culverts, fills, tunnels, and other structures.

10 **“(b)** The Secretary shall provide such financial assist-
11 ance for any program or project under this section only
12 upon application by the carrier under regulations to be
13 prescribed by the Secretary.

14 **“(c)** The Secretary shall not provide financial assistance
15 for any program or project under this section unless he deter-
16 mines that the program or project (1) will not result in the
17 displacement of currently employed workers (including par-
18 tial displacement such as reduction in the hours of overtime
19 work or wages or employment benefits), and (2) will not
20 result in the substitution of Federal funds for funds held by
21 the carrier in connection with work that could otherwise be
22 performed by the carrier during the twelve months following
23 application by the carrier.

24 **“(d)** All persons employed under any program or proj-
25 ect financed under this section shall be considered employees

1 of the carrier working under any applicable labor contracts
2 and subject to the same managerial control as all existing
3 employees of the carrier; except that persons employed under
4 such program or project shall not attain interests entitled
5 to protection or the imposition of protective arrangements
6 under the Interstate Commerce Act (49 U.S.C. 5) or any
7 other provision of law.

8 “(e) The provisions of title I shall apply as to eligi-
9 bility; except that to the extent the carrier had employees
10 on furlough at the date of enactment, such employees shall
11 be first employed.

12 “(f) Persons employed under any program or project
13 financed under this section shall receive benefits and be paid
14 wages in accordance with the terms of applicable labor
15 agreements existing between the railroad applicants and the
16 railroad labor brotherhoods at the time funds authorized by
17 paragraph (a) are expended.

18 “(g) The Secretary may require reports or by other
19 means insure that assistance authorized under this section is
20 expended by the carrier consistent with its application.

21 “(h) There is authorized to be appropriated the sum
22 of \$500,000,000 to carry out the provisions of this section.

23 “SEC. 402. (a) The Secretary of Transportation is
24 authorized, on such terms and conditions as he may prescribe,
25 to make loans on behalf of the United States to common

1 carriers to be used for equipment, materials, and supplies
2 necessary for rehabilitating, maintaining, and improving their
3 rights-of-way and structures, including mainline tracks, side-
4 tracks adjacent thereto, roadbed, culverts, fills, tunnels, and
5 other structures. The maturity date of any loan, including
6 all extensions and renewals thereof, shall not be later than
7 thirty years from its date of issuance.

8 “(b) Any loan by the Secretary under this section shall
9 be made within one year of enactment; shall not be termi-
10 nated, canceled, or otherwise revoked; and shall be con-
11 clusive evidence that such loan complies fully with the
12 provisions of this section.

13 “(c) Before making any loan pursuant to this section,
14 the Secretary must consider whether the prospective bor-
15 rower is responsible and whether adequate provision will be
16 made for repaying the loan. The Secretary may not make a
17 loan under this section unless he finds that—

18 “(1) the loan is needed to provide employment
19 opportunities for unemployed and underemployed per-
20 sons;

21 “(2) the loan will provide funds for needed rehabili-
22 tation, maintenance, and improvement of the Nation’s
23 railroads; and

24 “(3) the activity to be financed will promote the
25 efficiency of rail operations.

5

1 “(d) The Secretary may prescribe, as he deems neces-
2 sary and appropriate, rules and regulations for the adminis-
3 tration of this section.

4 “(e) The rate of interest to be charged the borrowers
5 shall not be more than 3 per centum per annum.

6 “(f) Loans authorized under this section shall be for
7 programs and projects to be performed by the carrier during
8 the twelve months following the carrier's application.

9 “(g) There is authorized to be appropriated the sum
10 of \$2,000,000,000 to carry out the purposes of this section.

11 “SEC. 403. For the purposes of this title, the term
12 ‘common carrier’ means a common carrier by railroad subject
13 to regulation by the Interstate Commerce Commission under
14 part I of the Interstate Commerce Act.”.

1 ing, rehabilitating, and improving railroad roadbeds and
2 facilities to increase the public service capability of rail-
3 roads are public service jobs.

4 (2) Unemployment can be reduced significantly by
5 stimulating and expediting the repair, rehabilitation,
6 and improvement of the Nation's railroad roadbeds and
7 facilities, because there is a great need for such activity
8 and because such activity is labor intensive.

9 (b) PURPOSES.—It is therefore declared to be the pur-
10 pose of the Congress in this Act to authorize the Secretary
11 of Transportation to provide financial assistance, from funds
12 appropriated and made available under section 11 and in
13 accordance with the provisions of this Act to railroads,
14 States, political subdivisions, and regional commissions, for
15 programs aimed at reducing unemployment and at repairing,
16 rehabilitating, and improving railroad roadbeds, and facilities.

17 (c) USE OF FUND.—The Federal share of any program
18 funded under this title shall be 100 per centum. Except with
19 respect to financial assistance under section 8 for the pur-
20 chase of materials, such funds shall be made available solely
21 to pay the wages, salaries, or other benefits earned by in-
22 dividuals employed in programs funded under this title.

23 SEC. 3. DEFINITIONS. As used in this Act, the term—

24 (1) "railroad" means a common carrier by railroad
25 as defined in section 1 (3) of the Interstate Commerce

1 Act (49 U.S.C. 1 (3)); the term includes the National
2 Railroad Passenger Corporation, the Consolidated Rail
3 Corporation, and the Consolidated Facilities Corporation;

4 (2) "roadbeds and facilities" means the physical
5 assets of a railroad other than rolling stock that is neces-
6 sary for the actual movement of rolling stock, including,
7 but not limited to, tracks, ties, rails, switches, roadbeds,
8 bridges, yards, and terminals, machines for loading and
9 unloading, ferries and shoreside facilities for transport-
10 ing rolling stock over water, signal systems, train moni-
11 toring systems, electrification and other power transmis-
12 sion systems, and structures and equipment necessary to
13 the functioning of any of the foregoing;

14 (3) "rolling stock" means any new or rebuilt
15 locomotive, caboose, or railroad car capable of being used
16 in the carriage or transportation of any freight or pas-
17 sengers;

18 (4) "Secretary" means the Secretary of Trans-
19 portation;

20 (5) "State" means any State, and the District of
21 Columbia.

22 SEC. 4. MAINTENANCE-OF-WAY EMPLOYEES.—(a)
23 Within sixty days after enactment the Secretary shall make
24 funds available to any railroad which has laid off, furloughed,
25 or otherwise reduced the number of maintenance-of-way

1 and signal system maintenance employees between the
2 period from June 1, 1974, through April 15, 1975, to the
3 extent necessary to enable such a railroad to hire and main-
4 tain until June 1, 1976, sufficient numbers of such employees
5 at prevailing wages to restore the size of its repair and
6 rehabilitation work force to the maximum level maintained
7 between June 1, 1974, and April 15, 1975: *Provided, That*
8 such a railroad gives adequate and binding assurances to
9 the Secretary (1) that such additional employees shall be
10 utilized by the railroad for priority categories of work as set
11 forth in section 6; and (2) that the railroad plans, intends,
12 and will take sufficient steps to meet substantially the objec-
13 tives set forth in section 7.

14 (b) In hiring new employees with any funds made
15 available to it pursuant to this Act, a railroad shall accord
16 the highest priority to furloughed maintenance-of-way and
17 signal system maintenance employees, the second highest
18 priority to other furloughed railroad employees, and the
19 third highest priority to other unemployed persons who have
20 sought work without success for more than three months.

21 SEC. 5. GRANTS TO STATES AND REGIONAL COMMIS-
22 SIONS FOR SPECIFIC PROGRAMS.—(a) In order to assure
23 the implementation of an expanded nationwide program of
24 emergency railroad roadbed, and facility repair and rela-
25 bilitation, the Secretary is authorized until December 31,

1 1976 to provide financial assistance in the form of grants
2 to States, political subdivisions or combinations thereof, the
3 Appalachian Regional Commission, or Regional Action
4 Planning Commissions established pursuant to title V of the
5 Public Works and Economic Development Act (42 U.S.C.
6 3181) for a rehabilitation program involving a facility
7 within the categories set out in section 6 of this Act. In re-
8 viewing the applications for financial assistance under this
9 section, the Secretary shall consider:

10 (1) The extent to which the proposed project
11 meets the objectives set out in section 6 of this Act,

12 (2) How the proposal contributes to a regionally
13 balanced rail rehabilitation effort;

14 (3) The severity of unemployment in the affected
15 area and the impact that the proposed project is likely
16 to have on that unemployment; and

17 (4) The coordination of the proposed project with
18 other government transportation priorities such as the
19 elimination of grade crossings and other safety problems,
20 the enhancement and improvement of rail passenger
21 service, the modernization of facilities, including electri-
22 fication; and other such priorities.

23 (b) There is hereby established an Advisory Commis-
24 sion to assist the States, political subdivisions, and regional
25 commissions in identifying eligible roadbeds and facilities,

1 and in formulating and submitting appropriate grant appli-
2 cations. The Advisory Commission shall consist of the Secre-
3 tary, or his designee; the Director of the Rail Services
4 Planning Office of the Interstate Commerce Commission, or
5 his designee, the Chairman of the United States Railway
6 Association, or his designee; and the Chief of Engineers of
7 the U.S. Army Corps of Engineers, or his designee. The
8 purpose of the Advisory Commission shall be to facilitate
9 decisionmaking and to expedite the allocation of funds to
10 facilitate employment and improve rail transportation.

11 SEC. 6. CATEGORIES OF ELIGIBLE FACILITIES.—The
12 following roadbeds and facilities are priority categories for
13 purposes of section 4 and are eligible for grants under sec-
14 tion 5: Roadbeds and facilities which—

15 (1) have been included in the preliminary system
16 plan or any subsequent plan developed by the United
17 States Railway Association and reviewed by Congress to
18 be administered by the Consolidated Rail Corporation, a
19 Consolidated Facilities Corporation, or any corporation
20 established pursuant to Public Law 93-236, as amended;

21 (2) are used in a substantial way in a rail commuter
22 passenger service;

23 (3) are utilized by the National Railroad Passenger
24 Corporation pursuant to the Rail Passenger Service Act
25 for providing rail passenger service;

1 (4) are subject to track usage of at least five million
2 gross ton-miles per mile of road per year, and which are
3 determined by the Secretary to be useful and desirable
4 for present and future rail service needs on a national or
5 regional basis;

6 (5) have been identified to the Secretary by any
7 State, political subdivisions or combination thereof, or
8 regional commission as useful and desirable for present or
9 anticipated transportation needs, if the Secretary concurs
10 in such identification; or

11 (6) are in such condition, as a consequence of
12 deterioration or because of the method of original con-
13 struction, that they constitute a significant risk to public
14 health or safety.

15 SEC. 7. OBJECTIVES.—The objectives which are referred
16 to in sections 4 and 5 are as follows:

17 (a) the roadbeds and facilities must contribute sig-
18 nificantly to essential national or regional transportation
19 needs and must be consistent with established national
20 and/or regional transportation policy;

21 (b) the proposed project must be capable of com-
22 pletion within twelve months after the date of approval
23 by the Secretary;

24 (c) the application must contain a sufficient show-
25 ing by, or on behalf of any railroad which will be af-

1 fected by the project involved, that the Federal funds
2 made available or granted will not be used to replace,
3 or as a substitute, for any other money which such rail-
4 road would have been reasonably expected to utilize for
5 roadbed or facility rehabilitation or maintenance in the
6 absence of this section;

7 (d) the proposal should maximize the chances for
8 the permanent employment of the individuals hired for
9 the project involved; and

10 (e) the Secretary shall consider the competitive
11 position of any railroad involved as compared with other
12 railroads in the approval of a project.

13 **SEC. 8. MATERIALS AND EQUIPMENT ASSISTANCE.—**

14 To the extent necessary to carry out railroad roadbed and
15 facility repair, rehabilitation, and improvement work in con-
16 nection with the increase in the number of maintenance-of-
17 way employees pursuant to section 4, or in connection with
18 the carrying out of a specified program granted financial
19 assistance pursuant to section 5, the Secretary may provide
20 financial assistance, in accordance with this section, for
21 assistance to be expended solely for the acquisition of ma-
22 terials or equipment necessary or appropriate for implement-
23 ing or carrying out a repair, rehabilitation, or improvement
24 program or project receiving or approved to receive Federal
25 financial assistance pursuant to section 4 or 5. Financial

1 assistance under this section shall not be made available
2 until the Secretary receives adequate and binding assurances
3 that such financial assistance will not be used, directly or
4 indirectly, as a substitute for financial resources which would
5 otherwise have been expended for such purpose by the
6 railroad. Financial assistance under this subsection may be
7 provided by the Secretary in the form of (1) loans by the
8 United States bearing no obligation to pay interest or an
9 obligation to pay interest at a market or a lower-than-market
10 rate; (2) guarantees by the United States of the payment of
11 the principal amount of, and the periodic interest obligation
12 on, loans; or (3) grants, with or without conditions. In the
13 case of a grant under this subsection, which adds, or may
14 add, value to the rail properties or other assets of a railroad
15 other than a Government corporation, the Secretary shall
16 require that adequate and binding assurances be made for
17 recompensating the Federal Government for any such value
18 added, through a mechanism such as reduced user fees for
19 rail passenger service operated by the National Railroad
20 Passenger Corporation; deduction of such value added from
21 the amount of any compensation otherwise owed, or which
22 may be owed to, such a railroad by the Federal Government
23 of Government created corporation in the event of any trans-
24 fer of assets from such railroad to a Government agency or
25 to a corporation established by a Government agency or

1 corporation to administer certain railroad facilities; or direct
2 repayment of the amount of such value added, and through
3 such interim protection as is appropriate to secure the interest
4 of the Federal Government without jeopardizing the finan-
5 cial structure of the railroad involved, such as a position as
6 a junior lien creditor.

7 **SEC. 9. LABOR PROTECTION.**—Railroads receiving Fed-
8 eral financial assistance under this Act shall take such action
9 as may be necessary to insure that all laborers and mechanics
10 employed by railroads; contractors, and subcontractors in
11 the performance of work done with the aid of such financial
12 assistance shall be paid wages at rates not less than those
13 prevailing on similar work in the locality, as determined in
14 accordance with the Davis-Bacon Act (40 U.S.C. 267 (a)).
15 No contract or agreement for the performance of work
16 receiving Federal financial assistance shall be entered into
17 under this section without first obtaining adequate assurances
18 that required labor standards shall be maintained in the
19 performance of such work. Wage rates provided for in
20 collective bargaining agreements negotiated under, and pur-
21 suant to, the Railway Labor Act shall be considered to be
22 in compliance with the Davis-Bacon Act.

23 **SEC. 10. MISCELLANEOUS.**—(a) The Secretary may
24 issue regulations to the extent necessary to administer the
25 provisions of this Act, and may modify such regulations as

1 required, in accordance with the provisions of section 553 of
2 title 5, United States Code. The Secretary shall issue regu-
3 lations with respect to the manner and form for applying,
4 and the authorized terms and conditions for financial assist-
5 ance pursuant to section 8; such regulations shall be pro-
6 tective of the interests of the United States.

7 (b) Each recipient of Federal financial assistance under
8 this Act, directly or indirectly, regardless of form, shall
9 maintain such records as the Secretary shall prescribe, in-
10 cluding records which fully disclose the amount and disposi-
11 tion by such recipient of the proceeds of such assistance, the
12 total cost of the program or project in connection with which
13 such assistance was given or used, and such other records as
14 will facilitate an effective audit. The Secretary and the Comp-
15 troller General of the United States, or any of their duly
16 authorized representatives shall, until the expiration of three
17 years after the completion of such program or project, have
18 access for the purpose of audit and examination to any
19 books, documents, papers, and records of such receipts which,
20 in the opinion of the Secretary of the Comptroller General,
21 may be related to or pertinent to any such Federal financial
22 assistance.

23 (c) The Secretary is authorized to conduct, or to cause
24 to be conducted, cost and benefit assessment studies of various
25 programs and projects receiving Federal financial assistance

1 under this Act and of proposed such programs, to the extent
2 necessary to assure that funds appropriated for purposes of
3 this Act are expended in the manner most cost-beneficial to
4 the people of the United States, except that this provision
5 may not be applied in any way which is likely to delay
6 reduction in unemployment.

7 SEC. 11. AUTHORIZATIONS FOR APPROPRIATIONS.—

8 (a) For the purposes of this Act, there are authorized to be
9 appropriated, not to exceed \$600,000,000 to be used by the
10 Secretary for providing financial assistance pursuant to sec-
11 tions 4 and 5, of which not more than \$7,000,000 shall be
12 available to the Secretary for administrative expenses in
13 implementing this Act, such sums to remain available until
14 expended.

15 (b) For the purposes of this Act, there are authorized
16 to be appropriated, not to exceed \$100,000,000 to be used
17 by the Secretary for providing financial assistance pursuant
18 to section 8, such sums to remain available until expended.

2

1 ing, rehabilitating, and improving essential railroad road-
2 beds and facilities to increase the public service capabil-
3 ity of railroads are important public service jobs.

4 (2) Unemployment can be reduced significantly by
5 stimulating and expediting the repair, rehabilitation, and
6 improvement of the Nation's railroad roadbeds and facili-
7 ties, because there is a great need for such activity and
8 because such activity is labor intensive.

9 (b) PURPOSE.—It is therefore declared to be the pur-
10 pose of the Congress in this Act to authorize the Secretary
11 of Transportation in consultation with the Secretary of Labor
12 to provide financial assistance, from funds appropriated and
13 made available under section 11 and in accordance with the
14 provisions of this Act to eligible applicants, for programs
15 aimed at reducing unemployment and at repairing, rehabili-
16 tating, or improving essential railroad roadbeds and facilities.

17 SEC. 3. DEFINITIONS.—As used in this Act, unless the
18 context indicates otherwise, the term—

19 (1) "eligible applicant" means any (A) State or
20 political subdivision thereof, (B) railroad, (C) regional,
21 State, or local transportation authority, or (D) regional
22 commission;

23 (2) "government" means the Federal Government
24 or the government of a State;

25 (3) "railroad" means a common carrier b

1 road, as defined in section 1 (3) of the Interstate Com-
2 merce Act (49 U.S.C. 1 (3)); the term includes the
3 National Railroad Passenger Corporation, and the Con-
4 solidated Rail Corporation.

5 (4) "regional commission" means the Appalachian
6 Regional Commission, established pursuant to section
7 101 of the Appalachian Regional Development Act of
8 1965 (40 App. U.S.C. 101), and the Regional Action
9 Planning Commissions, established pursuant to title V of
10 the Public Works and Economic Development Act (42
11 U.S.C. 3181) ;

12 (5) "roadbeds and facilities" means the physical
13 assets of a railroad, other than rolling stock, that are
14 necessary for the actual movement of rolling stock, in-
15 cluding, but not limited to, tracks, ties, rails, switches,
16 roadbeds, bridges, yards, stations and terminals, ma-
17 chines for loading and unloading, ferries and shoreside
18 facilities for transporting rolling stock over water, signal
19 systems, grade crossings, train monitoring systems, elec-
20 trification and other power transmission systems, and
21 structures and equipment necessary to the functioning
22 of any of the foregoing ;

23 (6) "Secretary" means the Secretary of Transpor-
24 tation; and

1 (7) "State" means any State of the United States,
2 or the District of Columbia.

3 GRANTS FOR EMPLOYMENT IN RAILROAD REPAIR OR
4 REHABILITATION PROJECTS

5 SEC. 4. (a) GENERAL.—The Secretary shall, in accord-
6 ance with this Act, provide financial assistance in the form
7 of grants to eligible applicants for projects involving the
8 repair, rehabilitation or improvement of railroad roadbeds
9 and facilities as set forth in section 6 of this Act and that
10 best fulfill the following three objectives:

11 (1) the reduction of unemployment in areas that
12 are identified by the Secretary of Labor as areas of sub-
13 stantial unemployment;

14 (2) the improvement of severely deteriorated road-
15 beds and facilities that (A) constitute a significant risk
16 to public safety or (B) seriously inhibit the expeditious
17 movement of freight or passengers; and

18 (3) the improvement of roadbeds and facilities that
19 (A) contribute significantly to a balanced national rail
20 transportation system, and (B) meet national or re-
21 goals set forth in section 79 of this Act.

22 In making such a grant, the Secretary shall obtain adequate
23 assurances that the proposed project substantially meets the
24 goals set forth in section 7.

1 (b) GUIDELINES AND PROCEDURES FOR GRANT AP-
2 PPLICATIONS.—(1) To facilitate the rapid initiation of rail-
3 road repair, rehabilitation or improvement projects, the Sec-
4 retary shall establish and publish within 30 days after the
5 date of enactment of this Act, guidelines and procedures for
6 making and evaluating applications for financial assistance
7 pursuant to this section.

8 (2) Any such application shall be prepared and sub-
9 mitted to the Secretary pursuant to such guidelines and proce-
10 dures. Such an application shall include, but need not be
11 limited to, the following information and documentation in
12 support thereof, with respect to the project for which finan-
13 cial assistance is requested:

14 (A) a description of the roadbed and facilities to be
15 repaired or rehabilitated or improved;

16 (B) a statement as to the number of persons to be
17 employed;

18 (C) a description of the relationship between the
19 applicant and the roadbed and facility to be affected, if
20 such applicant does not directly own or control such
21 roadbed or facility;

22 (D) an evaluation of the roadbed and facility to
23 be affected, in terms of its present or potential signif-
24 icance for national or regional transportation; and

1 (E) a description of the way in which the goals
2 set forth in section 7 of this Act will be realized, and the
3 manner in which such realization will be monitored.

4 The Secretary shall act upon any application under this sec-
5 tion within 15 days after it has been received and is complete.

6 (c) SUPERVISION OF PRODUCTS.—In administering this
7 Act, the Secretary is authorized to establish objective criteria
8 to aid in determining whether the recipient of a grant made
9 pursuant to this Act is maintaining a good faith level of re-
10 pair and rehabilitation, on the basis of past experience and the
11 present financial capability of the recipient.

12 (d) LIMITATIONS.—Grants made to eligible applicants
13 pursuant to this section shall be used solely to pay the wages,
14 and other benefits earned by individuals employed in pro-
15 grams funded by this Act, and shall not be used by such ap-
16 plicants for any administrative expenses incurred with respect
17 to any such programs. Funds made available under this sec-
18 tion for roadbed and facility repair and rehabilitation are to
19 be used by eligible applicants in addition to, and not as a
20 partial or total substitute for, or as a replacement for, any
21 other funds that the applicant would have been reasonably
22 expected to utilize in the absence of this Act, for roadbed and
23 facility repair and rehabilitation.

EMPLOYMENT PRIORITIES

1
2 SEC. 5. The jobs created pursuant to financial assistance
3 provided pursuant to this Act shall, after the recall of fur-
4 loughed maintenance-of-way and signal system maintenance
5 employees pursuant to applicable collective bargaining agree-
6 ments, be made available, consistent with other provisions
7 of this Act, (1) to unemployed persons who have exhausted
8 unemployment insurance benefits, to unemployed persons
9 who are not eligible for unemployment insurance benefits
10 (except for persons lacking work experience), and to un-
11 employed persons who have been unemployed for 15 or
12 more weeks; (2) to unemployed or underemployed per-
13 sons as defined by section 601 of the Comprehensive Em-
14 ployment and Training Act of 1973, as amended (29
15 U.S.C. 801 et seq.). The Secretary of Labor shall promptly
16 establish such procedures, rules, or regulations as necessary
17 to insure that sufficient numbers of such unemployed per-
18 sons are referred to eligible applicants receiving funds pursu-
19 ant to this Act by State unemployment service agencies, by
20 the Railroad Retirement Board, and by prime sponsors desig-
21 nated under the Comprehensive Employment and Training
22 Act. All jobs created under this Act, except those to which
23 furloughed employees are being recalled, must be listed

1 with the State employment service at least 72 hours before
2 such vacancies are filled.

3 ELIGIBLE ROADBEDS AND FACILITIES

4 SEC. 6. Roadbeds and facilities are eligible for project
5 grants pursuant to section 4 if they:

6 (1) have been included in the preliminary system
7 plan, or in any subsequent plan, that has been approved
8 by the Board of the United States Railway Association;

9 (2) are used in a substantial way in a rail commuter
10 passenger service;

11 (3) are utilized by the National Railroad Passenger
12 Corporation pursuant to the Rail Passenger Service Act
13 (45 U.S.C. 501 et seq.) for providing rail passenger
14 service or are part of either the basic system or the
15 experimental routes established pursuant to the Rail
16 Passenger Service Act (45 U.S.C. 501 et seq.), or by
17 any other railroad providing intercity rail passenger
18 service;

19 (4) have been subject to track usage of at least
20 five million gross ton-miles per mile of road per year,
21 during at least one calendar year following January 1,
22 1970;

23 (5) have been identified to the Secretary by any
24 State, political subdivision thereof, or regional com-
25 mission as significantly contributing to improvements

9

1 in, or the continuation of, essential present or anticipated
2 transportation needs, if the Secretary concurs in such
3 identification; or

4 (6) are owned by a State or public entity.

5 GOALS

6 SEC. 7. In order to receive financial assistance under this
7 Act, a project shall be structured and administered so as to
8 achieve substantially the following goals:

9 (1) the reduction of unemployment;

10 (2) the acceleration and expansion of a nationally
11 balanced rail rehabilitation effort designed to improve
12 railroad roadbeds and facilities that meet essential na-
13 tional and regional transportation needs or policies or
14 that will eliminate serious safety hazards involving such
15 roadbeds and facilities;

16 (3) the coordination of repair and rehabilitation
17 work with other national transportation priorities, such
18 as the elimination of grade crossings and similar safety
19 problems, the improvement of rail passenger service, and
20 the modernization of facilities, including the electrifica-
21 tion of appropriate lines.

22 (4) the substantial completion of such project with-
23 in 18 months after the date on which work is com-
24 menced; and

25 (5) the maximization of the chances for permanent

1 employment by the railroad of the individuals employed
2 on such projects.

3 MATERIALS AND EQUIPMENT ASSISTANCE

4 SEC. 8. (a) GENERAL.—To the extent necessary to carry
5 out a project receiving financial assistance pursuant to section
6 4, the Secretary may provide financial assistance to eligible
7 applicants, in accordance with this section, for the acquisition
8 of materials and equipment necessary and appropriate to such
9 project. Such financial assistance shall not be made available
10 until the Secretary receives adequate assurances that it will
11 not be used, directly or indirectly, as a substitute for financial
12 resources which would otherwise have been expended for
13 such purposes by the applicant. Financial assistance pursuant
14 to this subsection may be provided by the Secretary in the
15 form of guarantees by the United States of the payment of the
16 principal amount of, and the periodic interest obligation on,
17 loans, or in the form of grants, with or without conditions.
18 In the case of a grant under this subsection, which adds, or
19 may add, value to the rail properties or other assets of a rail-
20 road other than a Government corporation, the Secretary
21 may require that adequate and binding assurances be made
22 for recompensating the Federal Government for any such
23 value added, through a mechanism such as reduced user fees
24 for rail passenger service operated by the National Railroad
25 Passenger Corporation or other compensatory device. In the

1 event of any transfer of railroad roadbeds or facilities to the
2 Government or to any corporation established by the Gov-
3 ernment, the transferring railroad shall not receive compen-
4 sation for that portion of the value of such roadbed or facilities
5 which was added by materials and equipment obtained with
6 the proceeds of grants under this section. At any time after
7 the completion of such a project, the Secretary and an
8 affected railroad may enter into a stipulation as to amount
9 of such value added, or as to the absence thereof, and such
10 a stipulation shall be binding in any subsequent negotiation
11 or proceeding.

12 (b) LIMITATION ON AMOUNT.—The aggregate unpaid
13 amount of outstanding obligations, including principal and
14 interest thereon, that may be guaranteed under this section
15 shall not exceed \$100,000,000.

16 LABOR PROTECTION

17 SEC. 9. (a) All work in connection with the projects
18 funded under this Act which has been performed by practice
19 or agreement in accordance with provisions of the existing
20 contracts in effect with the representatives of the employees
21 of the classes or crafts involved shall continue to be per-
22 formed by the applicant's employees, including employees on
23 furlough. Should the applicant lack a sufficient number of
24 employees, including employees on furlough, and be unable
25 to hire additional qualified employees from among the unem-

1 employed and underemployed persons specified under section 5
2 of this Act, to perform the work required, it shall be permit-
3 ted to subcontract that part of such work which cannot be
4 performed by its employees consistent with applicable
5 collective-bargaining agreements. Applicants shall be re-
6 quired, prior to contracting out work under this subsection,
7 to secure certification from the Department of Labor that
8 there is an insufficient number of furloughed maintenance of
9 way employees, or of unemployed persons referred pursuant
10 to section 5 of this Act, to perform the work required. In the
11 event that such work is subcontracted, after meeting the
12 requirements of this subsection, wages and benefits paid shall
13 be not less than those provided for in collective-bargaining
14 agreements in effect and negotiated pursuant to the Railway
15 Labor Act for similar jobs and classifications. Such rates shall
16 be considered in compliance with the Davis-Bacon Act (40
17 U.S.C. 267 (a) ; Walsh-Healy Act (41 U.S.C. 35), or Serv-
18 ice Contract Act (41 U.S.C. 35)), whichever is applicable.

19 (b) Work to be performed with financial assistance
20 received under this Act, which has not traditionally been
21 performed by employees of the applicant, may continue to
22 be performed by a contractor of the applicant: *Provided*,
23 *however*, That the applicant shall take such action as may
24 be necessary to insure that all laborers and mechanics em-
25 ployed by such contractor or subcontractors in the perform-

1 ance of work done with the aid of such financial assistance
2 shall be paid wages and benefits at rates not less than those
3 prevailing on similar work in the locality, as determined
4 in accordance with the Davis-Bacon, Walsh-Healy Act, or
5 Service Contract Act, as applicable. No contract or agree-
6 ment for the performance of work receiving Federal financial
7 assistance shall be entered into under this subsection without
8 first obtaining adequate assurances that required labor stand-
9 ards shall be maintained in the performance of such work
10 and that persons employed, whether by the applicant, con-
11 tractor, or subcontractor of the applicant, shall be hired in
12 accordance with the priorities and procedures set forth in
13 section 5 of this Act.

14 MISCELLANEOUS PROVISIONS

15 SEC. 10. (a) RECORDS AND AUDIT.—Each recipient of
16 Federal financial assistance pursuant to this Act, regardless
17 of form, shall maintain such records as the Secretary shall
18 prescribe, including records which fully disclose the amount
19 and disposition by such recipient of the proceeds of such
20 assistance, the total cost of the program or project in con-
21 nection with which such assistance was given or used,
22 and such other records as will facilitate an effective audit.
23 The Secretary and the Comptroller General of the United
24 States, or any of their duly authorized representatives shall,
25 until the expiration of three years after the completion

14

1 of such program or project, have access for the purpose of
2 audit and examination to any books, documents, papers, and
3 records of such receipts which, in the opinion of the Secre-
4 tary or the Comptroller General, may be related to or per-
5 tinent to any such Federal financial assistance.

6 (b) **COST AND BENEFIT ASSESSMENT.**—The Secretary
7 is authorized to conduct, or to cause to be conducted, cost
8 and benefit assessment studies of various programs and proj-
9 ects receiving Federal financial assistance pursuant to this
10 Act and of proposed projects to the extent necessary to
11 assure that funds appropriated for purposes of this Act are
12 expended in the manner most cost-beneficial to the people
13 of the United States, except that this provision may not be
14 applied in any way which is likely to delay reduction in
15 unemployment.

16 (c) **REPORTS AND OVERSIGHT.**—The Secretary shall
17 submit to the Congress and the President periodic reports on
18 his actions taken pursuant to this Act, including statements
19 as to progress made in reducing unemployment and in im-
20 proving the Nation's rail transportation system in terms of
21 reliability, safety, and energy efficiency.

22 (d) **CONFORMING AMENDMENT.**—Section 5108 (c) of
23 title 5, United States Code, is amended by adding, immedi-
24 ately after paragraph (11) thereof, the following new
25 paragraph:

1 “(12) The Secretary of Transportation, subject to
2 the standards and procedures prescribed by this chapter,
3 may place an additional 6 positions in the Federal Rail-
4 road Administration in GS-16, GS-17, and GS-18 for
5 the purposes of carrying out his responsibilities under
6 the Rail Transportation Improvement and Employment
7 Act of 1975, and related legislation.”.

8 AUTHORIZATIONS FOR APPROPRIATIONS

9 SEC. 11. There are authorized to be appropriated, not
10 to exceed \$600,000,000 to the Secretary for purposes of
11 providing financial assistance pursuant to section 4, of which
12 not more than \$7,000,000 shall be available to the Secre-
13 tary for administrative expenses in implementing this Act,
14 such sums to remain available until expended. There are
15 also authorized to be appropriated, not to exceed \$100,-
16 000,000 to the Secretary for purposes of providing grants
17 pursuant to section 8, such sums to remain available until
18 expended.

3

1 (2) "government" means the Federal Government
2 or the government of a State;

3 (3) "railroad" means a common carrier by rail-
4 road, as defined in section 1 (3) of the Interstate Com-
5 merce Act (49 U.S.C. 1 (3)); the term includes the
6 National Railroad Passenger Corporation, the Consoli-
7 dated Rail Corporation, and The Alaska Railroad.

8 (4) "regional commission" means the Appalachian
9 Regional Commission, established pursuant to section
10 101 of the Appalachian Regional Development Act of
11 1965 (40 App. U.S.C. 101), and the Regional Action
12 Planning Commissions, established pursuant to title V of
13 the Public Works and Economic Development Act (42
14 U.S.C. 3181);

15 (5) "roadbeds and facilities" means the physical
16 assets of a railroad, other than rolling stock, that are
17 necessary for the actual movement of rolling stock, in-
18 cluding, but not limited to, tracks, ties, rails, switches,
19 roadbeds, bridges, yards, stations and terminals, ma-
20 chines for loading and unloading, ferries and shoreside
21 facilities for transporting rolling stock over water, signal
22 systems, grade crossings, train monitoring systems, elec-
23 trification and other power transmission systems, and
24 structures and equipment necessary to the functioning
25 of any of the foregoing;

4

1 (6) "Secretary" means the Secretary of Transpor-
2 tation; and

3 (7) "State" means any State of the United States
4 and the District of Columbia.

5 GRANTS FOR EMPLOYMENT IN RAILROAD REPAIR OR

6 REHABILITATION PROJECTS

7 SEC. 4. (a) GENERAL.—The Secretary shall, in accord-
8 ance with this Act, provide financial assistance in the form
9 of grants to eligible applicants for projects involving the
10 repair, rehabilitation or improvement of railroad roadbeds
11 and facilities as set forth in section 6 of this Act and that
12 best fulfill the following three objectives:

13 (1) the reduction of unemployment in areas that
14 are identified by the Secretary of Labor as areas of sub-
15 stantial unemployment;

16 (2) the improvement of severely deteriorated road-
17 beds and facilities that (A) constitute a significant risk
18 to public safety or (B) seriously inhibit the expeditions
19 movement of freight or passengers; and

20 (3) the improvement of roadbeds and facilities that
21 (A) contribute significantly to a balanced national rail
22 transportation system, and (B) meet national or re-
23 gional transportation needs and policies.

24 In making such a grant, the Secretary shall obtain adequate

5

1 assurances that the proposed project substantially meets the
2 goals set forth in section 7 of this Act.

3 (b) GUIDELINES AND PROCEDURES FOR GRANT AP-
4 PPLICATIONS.—(1) To facilitate the rapid initiation of rail-
5 road repair, rehabilitation or improvement projects, the Sec-
6 retary shall establish and publish within 30 days after the
7 date of enactment of this Act, guidelines and procedures for
8 making and evaluating applications for financial assistance
9 pursuant to this section.

10 (2) Any such application shall be prepared and sub-
11 mitted to the Secretary pursuant to such guidelines and proce-
12 dures. Such an application shall include, but need not be
13 limited to, the following information and documentation in
14 support thereof, with respect to the project for which finan-
15 cial assistance is requested:

16 (A) a description of the roadbed or facility to be
17 repaired or rehabilitated or improved;

18 (B) a statement as to the number of persons to be
19 employed;

20 (C) a description of the relationship between the
21 applicant and the involved roadbed or facility, if such
22 applicant does not directly own or control such roadbed
23 or facility;

24 (D) an evaluation of the involved roadbed or facil-

1 ity, in terms of its present or potential significance for
2 national or regional transportation; and

3 (E) a description of the way in which the goals
4 set forth in section 7 of this Act will be realized, and the
5 manner in which such realization will be monitored.

6 The Secretary shall act upon any complete application under
7 this section within 15 days after it has been received.

8 (e) SUPERVISION OF PRODUCTS.—In administering this
9 Act, the Secretary is authorized to establish objective criteria
10 to aid in determining whether the recipient of a grant made
11 pursuant to this Act is maintaining a good faith level of re-
12 pair and rehabilitation, on the basis of past experience and the
13 present financial capability of the recipient.

14 (d) LIMITATIONS.—Grants made to eligible applicants
15 pursuant to this section shall be used solely to pay the wages,
16 and other benefits earned by individuals employed in pro-
17 grams funded by this Act, and shall not be used by such ap-
18 plicants for any administrative expenses incurred with respect
19 to any such programs. Funds made available under this sec-
20 tion for roadbed and facility repair and rehabilitation are to
21 be used by eligible applicants in addition to, and not as a
22 partial or total substitute for, or as a replacement for, any
23 other funds that the applicant would have been reasonably
24 expected to utilize in the absence of this Act, for roadbed and
25 facility repair, rehabilitation, and improvement.

1 ELIGIBLE ROADBEDS AND FACILITIES

2 SEC. 6. Roadbeds and facilities are eligible for project
3 grants pursuant to section 4 if they:

4 (1) have been included in the preliminary system
5 plan, or in any subsequent plan, that has been approved
6 by the Board of Directors of the United States Railway
7 Association;

8 (2) are used in a substantial way in a rail commuter
9 passenger service;

10 (3) are utilized by the National Railroad Passenger
11 Corporation pursuant to the Rail Passenger Service Act
12 (45 U.S.C. 501 et seq.) for providing rail passenger
13 service or are part of either the basic system or the
14 experimental routes established pursuant to the Rail
15 Passenger Service Act (45 U.S.C. 501 et seq.), or are
16 utilized by any other railroad providing intercity rail
17 passenger service;

18 (4) have been subject to track usage of at least
19 5,000,000 gross ton-miles per mile of road per year,
20 during at least 1 calendar year following January 1,
21 1970;

22 (5) have been identified to the Secretary by any
23 State, political subdivision thereof, or regional com-
24 mission as significantly contributing to improvements
25 in, or the continuation of, essential present or anticipated

9

1 transportation needs, if the Secretary concurs in such
2 identification; or

3 (6) are owned by a State or public entity.

4 GOALS

5 SEC. 7. In order to receive financial assistance under this
6 Act, a project shall be structured and administered so as to
7 achieve substantially the following goals:

8 (1) the reduction of unemployment;

9 (2) the acceleration and expansion of a nationally
10 balanced rail rehabilitation effort designed to improve
11 railroad roadbeds and facilities that meet essential na-
12 tional and regional transportation needs or policies or
13 that will eliminate serious safety hazards involving such
14 roadbeds and facilities;

15 (3) the coordination of repair and rehabilitation
16 work with other national transportation priorities, such
17 as the elimination of grade crossings and similar safety
18 problems, the improvement of rail passenger service, and
19 the modernization of facilities, including the electrifica-
20 tion of appropriate lines.

21 (4) the substantial completion of such project with-
22 in 18 months after the date on which work is com-
23 menced; and

24 (5) the maximization of the chances for permanent

1 employment by the railroad of the individuals employed
2 on such projects.

3 MATERIALS AND EQUIPMENT ASSISTANCE

4 SEC. 8. (a) GENERAL.—To the extent necessary to carry
5 out a project receiving financial assistance pursuant to section
6 4 of this Act, the Secretary may provide financial assistance
7 to eligible applicants, in accordance with this section, for the
8 acquisition of materials and equipment necessary and appro-
9 priate for such project. Such financial assistance shall not be
10 made available until the Secretary receives adequate assur-
11 ances that it will not be used, directly or indirectly, as a sub-
12 stitute for financial resources which would otherwise have
13 been expended for such purposes by the applicant. Financial
14 assistance pursuant to this subsection may be provided by the
15 Secretary in the form of guarantees by the United States of
16 the payment of the principal amount of, and the periodic
17 interest obligation on, loans, or in the form of grants, with or
18 without conditions. In the case of a grant under this subsec-
19 tion, which adds, or may add, value to the rail properties or
20 other assets of a railroad other than a Government corpora-
21 tion, the Secretary may require that adequate and binding
22 assurances be made for compensating the Federal Govern-
23 ment for any such value added, through a mechanism such as
24 reduced user fees for rail passenger service operated by the
25 National Railroad Passenger Corporation or other compensa-

1 tory device. In the event of any transfer of railroad roadbeds
2 or facilities to the Government or to any corporation estab-
3 lished by the Government, the transferring railroad shall not
4 receive compensation for that portion of the value of such
5 roadbed or facilities which was added by materials and equip-
6 ment obtained with the proceeds of grants under this section.
7 At any time after the completion of such a project, the Secre-
8 tary and an affected railroad may enter into a stipulation as to
9 amount of such value added, or as to the absence thereof, and
10 such a stipulation shall be binding in any subsequent negoti-
11 ation or proceeding.

12 (b) **LIMITATION ON AMOUNT.**—The aggregate unpaid
13 amount of outstanding obligations, including principal and
14 interest thereon, that may be guaranteed under this section
15 shall not exceed \$100,000,000.

16 LABOR PROTECTION

17 **SEC. 9. (a) SUBCONTRACTING.**—All work in connec-
18 tion with the projects funded under this Act which has been
19 performed by practice or agreement in accordance with pro-
20 visions of the existing contracts in effect with the representa-
21 tives of the employees of the classes or crafts involved shall
22 continue to be performed by the applicant's employees in-
23 cluding employees on furlough. Such employees shall be paid
24 at rates provided for such work by such contracts. Should the
25 applicant lack a sufficient number of employees, including

1 employees on furlough, and be unable to hire additional qual-
2 ified employees from among the unemployed and underem-
3 ployed persons specified under section 5 of this Act, to per-
4 form the work required, it shall be permitted to subcontract
5 that part of such work which cannot be performed by its em-
6 ployees consistent with applicable collective bargaining
7 agreements. Applicants shall be required, prior to contracting
8 out work under this subsection, to secure certification from
9 the Department of Labor that there is an insufficient number
10 of furloughed maintenance of way employees, or of unem-
11 ployed persons referred pursuant to section 5 of this Act, to
12 perform the work required: *Provided*, That work to be per-
13 formed with financial assistance received under this Act,
14 which has not traditionally been performed by employees of
15 the applicant, may continue to be performed by a contractor
16 of the applicant.

17 (b) WAGES AND BENEFITS.—In the event that work
18 subject to this subsection is contracted after meeting the
19 requirements of subsection (a), wages and benefits paid
20 shall be not less than those provided for in the collective
21 bargaining agreements in effect for similar jobs and classi-
22 fications: *Provided*, That the applicant shall take such action
23 as may be necessary to insure that all persons employed by
24 any contractor or subcontractor, in the performance of work
25 done with the aid of financial assistance under this Act shall

1 be paid wages and benefits at rates not less than those
2 prevailing on similar work, as determined in accordance
3 with the Service Contract Act (41 U.S.C. 351 et seq.),
4 the Walsh-Healey Public Contracts Act (41 U.S.C. 35 et
5 seq.), or the Davis-Bacon Act (40 U.S.C. 276a), as
6 amended, to the extent that such Acts would be appli-
7 cable to such work if it were done under contract with
8 the United States. The Secretary of Labor shall have,
9 with respect to such labor standards, the authority and
10 functions provided in such acts and in Reorganization Plan
11 Numbered 14 of 1950 (15 F.R. 3176; 64 Stat. 1267) and
12 section 2 of the Act of June 1, 1934, as amended (48 Stat.
13 948, as amended; 40 U.S.C. 276 (c)). No contract or agree-
14 ment subject to this subsection for the performance of work
15 receiving Federal financial assistance shall be entered into
16 prior to the obtaining of adequate assurances that required
17 labor standards shall be maintained in the performance of
18 such work and that persons employed, whether by contractor
19 or subcontractor of the applicant, shall be hired in accordance
20 with the requirements and priorities, and procedures set forth
21 in section 5 of this Act.

22

MISCELLANEOUS PROVISIONS

23 **SEC. 10. (a) RECORDS AND AUDIT.**—Each recipient of
24 Federal financial assistance pursuant to this Act, regardless
25 of form, shall maintain such records as the Secretary shall

1 prescribe, including records which fully disclose the amount
2 and disposition by such recipient of the proceeds of such
3 assistance, the total cost of the program or project in con-
4 nection with which such assistance was given or used,
5 and such other records as will facilitate an effective audit.
6 The Secretary and the Comptroller General of the United
7 States, or any of their duly authorized representatives shall,
8 until the expiration of three years after the completion
9 of such program or project, have access for the purpose of
10 audit and examination to any books, documents, papers, and
11 records of such receipts which, in the opinion of the Secre-
12 tary or the Comptroller General, may be related to or per-
13 tinent to any such Federal financial assistance.

14 (b) COST AND BENEFIT ASSESSMENT.—The Secretary
15 is authorized to conduct, or to cause to be conducted, cost
16 and benefit assessment studies of various programs and proj-
17 ects receiving Federal financial assistance pursuant to this
18 Act and of proposed projects to the extent necessary to
19 assure that funds appropriated for purposes of this Act are
20 expended in the manner most cost-beneficial to the people
21 of the United States, except that this provision may not be
22 applied in any way which is likely to delay reduction in
23 unemployment.

24 (c) REPORTS.—The Secretary shall submit to the Con-
25 gress and the President periodic reports on his actions taken

1 pursuant to this Act, including statements as to progress made
2 in reducing unemployment and in improving the Nation's
3 rail transportation system in terms of reliability, safety, and
4 energy efficiency.

5 (d) CONFORMING AMENDMENT.—Section 5108 (c) of
6 title 5, United States Code, is amended by adding, immedi-
7 ately after paragraph (11) thereof, the following new
8 paragraph:

9 “(12) The Secretary of Transportation, subject to
10 the standards and procedures prescribed by this chapter,
11 may place an additional 6 positions in the Federal Rail-
12 road Administration in GS-16, GS-17, and GS-18 for
13 the purposes of carrying out his responsibilities under
14 the Rail Transportation Improvement and Employment
15 Act of 1975, and related legislation.”

16 AUTHORIZATIONS FOR APPROPRIATIONS

17 SEC. 11. There are authorized to be appropriated not
18 to exceed \$600,000,000 to the Secretary for the purpose of
19 providing financial assistance pursuant to section 4, of which
20 not more than \$7,000,000 shall be available to the Secre-
21 tary for administrative expenses in implementing this Act,
22 such sums to remain available for obligation until Decem-
23 ber 31, 1976. There are also authorized to be appropriated,
24 not to exceed \$100,000,000 to the Secretary for the purpose

1 of providing grants pursuant to section 8, such sums to
2 remain for obligation available until December 31, 1976.

-3

TERMINATION DATE

4 SEC. 12. The authority of the Secretary under this
5 Act, except for his responsibility to monitor uncompleted
6 projects and to carry out his duties under section 10 of this
7 Act, shall terminate on October 1, 1977.

Passed the Senate May 16 (legislative day, April 21),
1975.

Attest:

FRANCIS R. VALEO,

Secretary.

INTERSTATE COMMERCE COMMISSION,
OFFICE OF THE CHAIRMAN,
Washington, D.C., June 17, 1975.

HON. FRED B. ROONEY,
Chairman, Subcommittee on Transportation and Commerce, Committee on Interstate and Foreign Commerce, House of Representatives, Washington, D.C.

DEAR CHAIRMAN ROONEY: This responds to your letter of June 9, 1975, which requests the Commission's comments on three bills relating to public works programs to rehabilitate the Nation's deteriorated rail lines. These bills are, respectively, H.R. 6808, the "Rail Transportation Improvement and Employment Act of 1975," S. 1730, the "Emergency Rail Transportation Improvement and Employment Act of 1975," and H.R. 4622, the "Railroad Right-of-Way Improvement Act of 1975." All three bills are the subject of hearings scheduled to be held by your Subcommittee on June 17-19, 1975. S. 1730 has, of course, already been passed by the Senate.

The Commission supports legislation designed to relieve unemployment through programs to rehabilitate rail lines. We have previously expressed that support in a letter of May 13, 1975, to Senator Magnuson, Chairman of the Senate Committee on Commerce, concerning S. 1436, a bill similar in content to the three bills now before your Subcommittee. As I observed in that letter (a copy of which is attached hereto), the needs of the Nation's railroads in the area of roadway maintenance and improvement are very great, and well beyond the ability of the railroads to meet by themselves. To illustrate, I would point to reports filed by the railroads in Ex Parte No. 305, *Nationwide Increase of Ten Percent in Freight Rates and Charges, 1974*, which indicate that, as of December 31, 1974, the railroads collectively had \$2.46 billion in deferred maintenance of roadway and \$2.14 billion in delayed capital improvements of roadway. The gravity of the problem is underlined by the fact that the ten-percent rate increase authorized in Ex Parte No. 305 generated \$288.2 million of additional carrier revenues during the quarter ended December 31, 1974, of which only \$158.1 million was available to apply to deferred maintenance and delayed capital improvements of roadway and equipment.

At the same time, large portions of the revenues derived from general rate increases granted to the railroads have had to be devoted to operating expenses such as fuel and labor. The continuing need to raise revenues for these purposes impedes the progress of the carriers in meeting their requirements in maintenance and improvement of roadways, and suggests that there are severe limitations on the efficacy of solving this problem solely through the process of increasing rates. Notwithstanding that several general increases have been granted, the current situation of the economy has obliged the railroads to curtail their active employment of maintenance-of-way employees by approximately 16,000 since October 1974, which has further impeded efforts to upgrade their facilities. Accordingly, the efforts represented by the pending bills to improve the situation, as well as to provide additional employment, should be welcomed.

There are, however, aspects of the rail public works concept which the Subcommittee may wish to examine before endorsing any particular bill. One is the availability of material and supplies, a matter on which the Commission testified at hearings before your Subcommittee on June 11, 1975.¹ At present it does not appear that there are any measurable rail material shortages. However, significant increases in rail rehabilitation activity could produce shortages, as could increased demand for basic commodities from other sectors of the economy. This factor assumes importance insofar as a provision of one of the bills—section 4 (a) of H.R. 6808—would put an 18-month time limit on projects under the program. Such a time limit may prove cumbersome if in fact shortages do arise, and for this reason we believe the whole question of such time limits might better be left to the Secretary of Transportation to deal with through appropriate regulations.

Another matter of possible concern is the way in which the rail jobs program would be terminated at such times the unemployment problem may sufficiently improve. Section 12 of S. 1730 would deal with this by cutting off the Secretary's powers as of October 1, 1977. H.R. 6808 would not address this problem specifically, but would permit funds to be used until expended. H.R. 4622 would authorize

¹ See Statement of John A. Grady, Director, Bureau of Accounts, Interstate Commerce Commission, on the Railroad Accounting System, Rail Materials Availability, and H.R. 7509, the "Transportation Statistics Act of 1975," of June 11, 1975, at pp. 19-23.

funding of the program through 1977, and also would, through proposed section 520(d)(2) of the Interstate Commerce Act, prescribe a means whereby the Secretary of Transportation may be precluded from funding programs during times of less than 4.5 percent unemployment. This provision of H.R. 4622 represents a laudable effort to deal on a continuing basis with the problem of allowing the program to outlive the need for it, but we believe the practical workability of such a plan should be closely scrutinized. In general, we believe that the question of how to terminate the program at the appropriate time is an important one which the Subcommittee may wish to consider. On the basis of our initial analysis, it appears that the flat cut-off date of S. 1730 may be the best approach.

Another consideration involved in the way in which a rail-jobs program would mesh with proposals currently before Congress which would involve either the Government's assumption of ownership of certain rail lines or substantial Government commitment of funds toward major rail rehabilitation efforts. I refer specifically to H.R. 4365, the "Federal Aid Railroad Act of 1975," which would create an Interstate Railroad Corporation with powers to acquire and rehabilitate essential rail lines, and H.R. 5777, the "Railroad Right-of-Way Protection Act of 1975," which would create an Interstate Railroad System within the Department of Transportation, which would perform similar functions.²

Both S. 1730 and H.R. 6808 (but not H.R. 4622) address this problem by providing that the value added to railroad plant under the jobs program may not be considered for compensation in any future transfer of railroad properties to the Government or a Government-established corporation. This strikes us as a sound idea to protect the interest of the taxpayers. It may also be desirable to insert a provision allowing for the inclusion or recognition of such grants or loans in the Commission's Uniform System of Accounts.

S. 1730 and H.R. 6808 (but again not H.R. 4622) also address the question of possible future Government rail initiatives by specifying in some detail the eligible roadbeds and facilities. Again we believe this is a good idea, since the lines specified are in the high-priority categories which likely would be primarily, if not exclusively, covered by any future program of Government acquisition of rail lines and/or major Government rehabilitation aid to the railroads.

One further matter warrants brief comment. Unlike the other two bills, H.R. 4622 would amend part V of the Interstate Commerce Act by including therein a new section 520. We do not see the purpose behind this particular form of the bill, and we believe that it would be inappropriate to include new rail jobs legislation as a part of the Interstate Commerce Act.

In summary, we believe that all three bills under consideration strive for a laudable objective, and that the funding levels are justified by the magnitude of the problem involved. While we do not express any strong preference for any one of the three bills, we believe that S. 1730 combines several desirable elements, not all of which are present in the other bills: (1) the specific cut-off date of October 1, 1977; (2) the absence of a definite limitation on the time in which a contract must be carried out (as contrasted with H.R. 6808); (3) considerable specificity in the ascertainment of eligible rail lines (this also appears in H.R. 6808); and (4) a "value-added" provision to offset compensation to railroads in any future Government acquisition plan (this also appears in H.R. 6808). We believe that prompt enactment of a rail-jobs program would substantially help the current unemployment problem and would materially assist in upgrading the Nation's seriously deteriorated rail lines.

Finally, I would like to observe that there is another related bill, H.R. 6767, the "Emergency Rail Transportation Improvement and Employment Act of 1975," which was introduced by Congressman Helms. While H.R. 6767 has not specifically been included as a subject of the June 17-19 hearings, it is very close to S. 1730 in many particulars, and contains all the attributes of S. 1730 which we believe are desirable with the sole exception of the October 1, 1977, cut-off date.

Thank you for the opportunity to comment on this bill. If the Subcommittee desires additional information, please feel free to call upon the Commission.

Sincerely yours,

GEORGE M. STAFFORD, *Chairman*.

Attachment.

² Similar proposals have been introduced in the Senate, including S. 1385, the "Railroad Rehabilitation and Recovery Act of 1975," S. 1143, the "Railroad Revenue Act of 1975," S. 1144, the "Interstate Railroad Act of 1975," and S. 1808, the "Railroad Facilities Act of 1975."

INTERSTATE COMMERCE COMMISSION,
OFFICE OF THE CHAIRMAN,
Washington, D.C., May 13, 1975.

Hon. WARREN G. MAGNUSON,
Chairman, Committee on Commerce, U.S. Senate,
Washington, D.C.

DEAR CHAIRMAN MAGNUSON: This replies to your request for our comments on S. 1436, a bill, "To improve the reliability, safety, and energy efficiency of transportation by providing funds for repairing, rehabilitating, and improving railroad roadbeds and facilities."

The purposes behind S. 1436 are to reduce unemployment and to repair, rehabilitate and improve railroad roadbeds and facilities. To accomplish these goals, the bill would authorize the Secretary of Transportation to provide up to \$700 million made available under section 11. Under sections 4 and 5, the Secretary may disburse authorized funds to any railroad which has laid off or otherwise reduced its employment of railway maintenance personnel, or to any State or subdivision thereof or Regional Commission, to implement rail rehabilitation programs in accordance with section 6. An Advisory Commission is set up to assist the States, their subdivisions, and the Regional Commissions in identifying eligible facilities, formulating and submitting grant applications, and expediting the allocation of funds. The categories of eligible facilities are identified in section 6, and the objectives which the Secretary must consider are set forth in section 7. Materials and equipment assistance in connection with the program is provided by section 8.

The Commission generally supports this legislation. Indeed, in my letter of February 3, 1975, to the Secretary of Commerce, the Commission suggested a work program similar in concept to that which would be established by S. 1436. A copy of that letter is attached hereto.

There is no question that the needs of the nation's railroads in the area of roadway maintenance and improvement are very great, and well beyond the ability of the railroads to meet by themselves. By way of illustration I would point to reports filed by the railroads in Ex Parte No. 305, *Nationwide Increase of Ten Percent in Freight Rates and Charges, 1974*, which indicate that, as of December 31, 1974, the railroads collectively had \$2.46 billion in deferred maintenance of roadway and \$2.14 billion in delayed capital improvements of roadway. The gravity of the problem is underlined by the fact that the ten-percent rate increase authorized in Ex Parte No. 305 generated \$288.2 million of additional carrier revenues during the quarter ended December 31, 1974, of which only \$158.1 million was available to apply to deferred maintenance and delayed capital improvements of roadway and equipment. Accordingly, the effort represented by the present bill to improve this situation, as well as to provide additional employment, should be welcomed.

It may be, however, that several aspects of the bill should be explored further before it is enacted. One of these is the operational feasibility of the grants under the proposed legislation. Roadway maintenance and improvement have frequently been impeded by a number of constraints, including a lack of materials (rail, ties, ballast, etc.), qualified manpower, and roadway work equipment. These and related problems are discussed in the Preliminary System Plan of the United States Railway Association (pp. 73-76) and to some extent the discussion therein applies to all railroads nationwide. These shortages may well impede the effectiveness of this proposal. Section 7(b) of the bill should be amended to make the requirement of that section more flexible in order to allow for any such shortages that develop which will have an impact on completion dates.

Another possible problem area is in section 7(c) of the bill, which provides that an applicant for funds must show that any funds received will not be used to replace or substitute for funds which a railroad " * * * would have been reasonably expected to utilize for roadbed or facility rehabilitation or maintenance in the absence of this section." The policing of such a requirement may involve difficulties in view of periodic changes in the railroads' own plans for improvements, and sufficient study should be given to this aspect of the bill. As a result of the Commission's recent experience with Ex Parte No. 305, the Commission has become more cognizant of the difficulties in this area. The agency would be most willing to work with the Committee to develop language which might better achieve the Committee's objectives.

Finally, the Commission recommends a change in the membership of the Advisory Commission set up under section 5(h). The bill as written provides that the Director of the Commission's Rail Services Planning Office or his designee

shall be a member. The Commission believes that its Chairman, or his designee, should also be a member of this panel in order to make more readily available the expertise of Commission offices other than RSPO. Contributions of a Commission representative could include, for example, data such as that gathered in Ex Parte No. 305; financial information available in the Commission's Bureau of Accounts; statistical data accumulated and analyzed by the Bureau of Economics; and the practical knowledge of the Bureau of Operations and the Office of Proceedings. Moreover, all of the expertise is based on the Commission's nationwide responsibilities as compared to RSPO's regional mandate.

Thank you for giving us the opportunity to comment on this bill. If the Committee desires additional information, please feel free to call upon the Commission.

Sincerely yours,

GEORGE M. STAFFORD, *Chairman.*

Attachment.

INTERSTATE COMMERCE COMMISSION,
OFFICE OF THE CHAIRMAN,
Washington, D.C., February 3, 1975.

HON. FREDERICK B. DENT,
Secretary of Commerce,
Department of Commerce, Washington, D.C.

DEAR MR. SECRETARY: Following your letter of January 21, 1975, I requested an exploration by our staff as to how the Interstate Commerce Commission can contribute to the Job Opportunities Program of Title X, Public Works and Economic Development Act of 1965, as amended. In this process, our Personnel Director, Curtis F. Adams, talked by telephone with Mr. Nathan L. Maryn, Special Assistant to the Deputy Assistant for Economic Development, Department of Commerce, as to his views in regard to the contributions a regulatory agency may make. It is our understanding, from this conversation, that you recognize that a regulatory agency of our type does not have the missions and programs that can lend themselves readily to the Job Opportunities Program, but it is believed that we can respond in narrative form (as requested in the discussion) as to possible explorations you may make into temporary job opportunities in the transportation industry field and as to possible temporary hiring we could justify on our current rolls. We are glad to respond along these lines.

In respect to suggestions for temporary job opportunities at the transportation industry levels, we suggest you explore the railroad rehabilitation needs with practically all railroads. The railroad industry indicates it has over \$7 billion in deferred maintenance and delayed capital improvements. This falls primarily in the repair of tracks and roadways. The Penn Central (currently in bankruptcy) alone has deferrals totaling about \$2 billion. Congress, through the Regional Rail Reorganization Act of 1973, has indicated that rail service in the Northeast is at a poor level and has provided some funds for upgrading of plant and equipment. The money appropriated so far is deemed inadequate so that any additional money supplied to supplement labor costs could be readily used. The types of jobs involved could range from maintenance and repair laboring jobs to clerical, administrative and transportation skilled positions numbering several thousand. It is believed these jobs can be temporary in nature and can be extremely useful in a very important national priority program.

The augmentation of the nation's rail-car fleet and reduction of the percentage of bad order cars is a program of great magnitude that is direly needed. Job assistance, even on a temporary basis, can help the railroads commence meeting this need. The potential temporary job pool is one of many hundreds including skilled craftsmen in the construction processes. Cost could reach into the millions.

Turning to the carrier service field, there is a need for improved intercity rail passenger car cleanliness (including window cleaning), dining services, reservation and ticket assistance, and assistance to the elderly and handicapped people, both in the rail terminal and on board trains. There is a similar service need in the motor bus terminals and facilities—including the need for improved sanitary conditions. Temporary carrier jobs could well be established to upgrade services, numbering in the many hundreds and costs into the millions.

There are many needs within the Interstate Commerce Commission where temporary jobs can be established to assist in carrying forward our function of pro-

moting a sound national transportation system under our regulatory authorities. We can organize study teams (composed of transportation and administrative personnel), chiefly in rail carriers' offices and yards throughout the United States, to (1) identify running tracks of all Class I Rail Carriers needing restoration to conditions necessary to handle normal traffic with safety and efficiency, and (2) inventory rail freight cars in need of repairs to restore serviceable conditions. Such studies can be performed in consort with rail carrier repairs of tracks and roadways and the upgrading of car fleets mentioned above as suggestions for your exploration with the rail carriers for employment to meet national transportation rehabilitation priorities. In addition to the usefulness of the data to the carriers, our Commission could use the study data in our activities and the Department of Transportation could use it in granting Federal aid to railroads. Temporary employment could reach into the hundreds and costs constitute several million dollars. A temporary Commission staff of fifty to a hundred (costing \$75,000-\$150,000) can rapidly be employed to supplement a present small staff to ride AMTRAK and other intercity passenger trains subject to our jurisdiction to obtain data about the carrier's compliance with our service regulations. The data would be used in requiring the rail carriers to improve passenger services. A similar force can be employed to specialize in observing the practices of AMTRAK and the other carriers' compliance with our regulations applicable to passenger terminal facilities.

We can employ a temporary semi-skilled transportation technician force of fifty to a hundred (costing \$75,000-\$150,000) under controlled conditions to conduct motor vehicular surveys at designated highway checkpoints to identify gray area types of traffic and traffic patterns for program planning and direction purposes. This can include data about the flow of commodities, the types of carriers (i.e., owner operations and exempt) engaged in the transportation, empty back-hauls and energy problems—all highly important in setting our motor carrier work plans and directing our staff.

At our headquarters location, we can hire from fifty to a hundred (costing \$100,000 to \$200,000) temporary clerical, administrative, technical and professional personnel on a number of useful projects and services. One needed project is that of developing a detailed financial profile of profitable Class I motor carriers—valuable to the Commission in its rate making and other proceedings as a basis for evaluation of the probable economic consequences of its decisions. The study would include compilation of industry and regional averages in such areas as flow of funds and distribution of expenses by element of cost and relate these factors to average trip mileage, number of units of equipment by type, number and classification of employees, composition of traffic and other relevant criteria. Another needed project can be directed to the overhaul of the Commission's rules governing the classification of railroad employees and reports of their service and compensation. Still other needed studies and services can be directed toward our economic, traffic, proceedings, accounting, fiscal, environmental, and data processing functions—with temporary employees providing the needed help.

We will be glad to furnish you with more detailed information as to the above needed studies, projects and services for which we can employ temporary personnel and, thereby, contributing to the objectives of the Job Opportunities Program of Title X. It should be pointed out that if we are supplied funds to employ personnel under the Job Opportunities Program, there are certain administrative problems which must be resolved. Civil Service Commission authority to hire personnel on an excepted basis should be sought for us in order that we may avoid delays required in seeking temporary civil service registers. The raising of temporary employment ceilings would need to be sought from the Office of Management and Budget.

We will be glad to cooperate in meeting the objectives of the Job Opportunities Program.

Sincerely yours,

GEORGE M. STAFFORD, *Chairman.*

Mr. ROONEY. Our first witness today is one of our distinguished and one of our hard working members of this subcommittee, the very distinguished gentleman from the great State of New Jersey, Hon. James J. Florio.

**STATEMENT OF HON. JAMES J. FLORIO, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF NEW JERSEY**

Mr. FLORIO. Thank you very much, Mr. Chairman.

Mr. Chairman and members of the committee, I have introduced H.R. 6962 to this committee for consideration. It authorized up to \$600 million in grant money to provide 40,000 direct jobs and thousands of additional backup jobs to repair the Nation's deteriorating railroads.

This bill provides the benefits of correcting two of our Nation's ills: Our unemployment problem and upgrading the Nation's railroads. Maintenance of way crews alone have been cut back 20 percent causing well over 15,000 rail workers to lose jobs. At the same time, an estimated 8,000 miles of railroad track require immediate attention to continue service and some 20 million ties ought to be replaced right now.

There is a job to be done and I know that in New Jersey alone we have thousands of experienced workers to get it done. The creation of the 40,000 direct rail jobs will cause a spinoff of such backup jobs as manufacturing of additional steel rails and other rail equipment. Grants will be made to States, local transportation authorities and railroads to hire workers.

Repair projects will qualify if they: (1) Provide jobs in high unemployment areas; (2) eliminate serious rail deterioration and safety hazards; and (3) improve those railroad roadbeds and facilities which are essential to national or regional transportation needs.

The roadbeds and rail facilities eligible for repair work include those in the preliminary plan for consolidation of the Penn Central and other railroads, that is Conrail, issued by the U.S. Railway Association, Amtrak, and other passenger rails, commuter services, and those which carry more than 500,000 gross ton miles per year.

The financial losses due to railroad deterioration are enormous. Train derailments have occurred with increasing frequency and go slow orders on badly damaged sections of track—sometimes forcing trains to go no faster than 10 miles an hour—create tremendous problems in shipping cargo by freight.

We are beginning to realize more and more that America needs the railroads, and this bill, by providing constructive and needed work to thousands of unemployed, will help put our job market and the railroads back in order.

So I look forward to bipartisan cooperation and I expect bipartisan cooperation in getting a bill acceptable to the Congress and hopefully acceptable to the President as well.

Mr. ROONEY. Thank you very much, Mr. Florio.

Our next witness will be John Ingram, president of the Chicago, Rock Island & Pacific Railroad Co., Chicago, Ill., and accompanying him to make some remarks will be William M. Gibbons, trustee.

You may proceed, gentlemen.

**STATEMENTS OF JOHN INGRAM, PRESIDENT, CHICAGO, ROCK
ISLAND & PACIFIC RAILROAD CO. [ROCK ISLAND LINES], AND
WILLIAM M. GIBBONS, TRUSTEE**

Mr. INGRAM. Thank you, Mr. Chairman.

Mr. Chairman, first let me thank you and the committee for this opportunity to testify in favor of legislation that is pace setting, timely, and worthwhile.

Seated with me is William M. Gibbons of Chicago, trustee of the Rock Island. Our railroad is most fortunate in that Bill Gibbons is a full-time trustee and is devoting great effort and determination to bring about a successful reorganization. We will be glad to respond to questions following my brief statement.

In the interest of time, Mr. Chairman, I do not propose a lengthy commentary on the current status of the Rock Island. I covered that material in some depth in testimony before your counterparts in the Senate on May 1 and with your permission I would like to submit that statement for the record here.

Mr. ROONEY. Without objection [see p. 103].

Mr. INGRAM. Let me only reiterate that we are in full operation at least through calendar 1975—with no forecast yet for next year, one way or the other; and that we are maintaining service on the railroad through severe manpower cutbacks and a bare-bones level of maintenance. I always find that I have to counter optimistic reports about the Rock Island's future with realistic comments on our present less-than-adequate physical situation. And we would better serve our customers with better track.

I would like to comment today on refinements that I think are needed in legislation that has already passed the Senate—S. 1730. That is a fine bill, but it gives me pause in two specific areas. I am concerned that all of the funds may disappear into the one geographic area of the Nation where railroad problems are endemic—the Northeast; and in the alternative, I have some concern that without additional criteria, moneys from this program might be disadvantageously spent in areas where money isn't really needed simply because some railroads have been in good enough physical shape to be able to furlough maintenance employees in reaction to the calamitous drop in business during the first quarter of 1975.

First—regarding geographical distribution of the proceeds of this program—I suggest that the legislation call for 50 percent of the total appropriation to be allocated among the 48 Continental United States on a proportionate track-mile basis. The remaining half would be distributed at the Secretary's discretion in keeping with the priorities established in the bill, and I am talking about section 6 of the Senate bill.

Second—and again I refer to section 6 of the Senate bill—I think there is a necessity of assuring that the manpower and money go to those parts of the rail system that not only get the most use, but also need the most help. The Senate legislation provides for this, but in a rather loose fashion. One of their criteria is that eligible roadbeds and facilities be subject to usage of at least 5 million gross ton-miles per mile of road per year. It is conceivable that a fairly prosperous railroad with a heavy-density mainline now carrying freight at 60 miles an hour could use this provision of the act to bring their speeds up to the 70-miles per hour range. That's nice, but it's not necessary to a stable economy.

I suggest, Mr. Chairman, that criteria for rehabilitation and maintenance can be established by utilizing the Federal Railroad Administration's national track safety standards that went into effect on October 16, 1973. These standards—which are quite specific regarding the number of sound crossties per length of rail, the number of spikes per

tie plate, the number of bolts per joint, and the amount of leeway that is considered acceptable regarding such things as crosslevel and gage—are now part of the Code of Federal Regulations and are well understood by the industry. In effect, they say “this is what your track and roadbed should be like relative to the speed at which you are moving your trains.” The standards range from class 6, which allows metroliners to move at well over 100 miles an hour, to class 1 which restricts freight trains to no more than 10 miles an hour.

Frankly, Mr. Chairman, I think the intent of Congress would be severely abused if this program allows public employment funds to underwrite the upgrading of class 5 track to class 6 levels anywhere in the country. If Government assistance in building the best railroads in the world is to happen at some time, it should be the result of a larger and more sweeping legislative program than this one.

I suggest that the criteria in the House legislation be revised to cover track that is subject to usage of 5 million gross ton-miles per mile of track per year provided that the track in question is ranked as either class 1, class 2 or class 3. At the same time criteria regarding passenger traffic and a finding of necessity by the Secretary or by a State or other political subdivision, as outlined in section 6 of the Senate bill, should also be part of your legislation.

Let me stress that this would not funnel good money into bad routes. Rather, it would channel productive employment into bad track on routes that need the most work. I am sure that when the Secretary appears before this committee tomorrow afternoon, he will agree that class 1, 2 or 3 track can and does present a hindrance to a sound national rail transportation system.

There is a third point that I want to address—because committee staff members have mentioned it and I do not want anyone to think we are avoiding the question. It has been suggested that top priority for projects under this bill go to railroads that express a willingness to repay. Philosophically I think that's fine. As a taxpayer, I think that's fine. And as president of the Rock Island I'm on record in many places as stating that we want to borrow, not beg. We still maintain that a loan big enough to restore the Rock Island to an earning posture is a loan that can and will be repaid. But a partial loan, one that provides emergency relief to the worst parts of our railroad, could carry no assurance of a highly productive railroad that pays off its loans with interest in a quick and happy fashion.

It has been our experience that the rules for borrowing from the Government are always stricter than the rules for grants. By the time one gets through with prior liens, written findings of an ability to repay, and so forth, there are an awful lot of reasons for bureaucrats to say no.

We would support a provision for possible repayment as long as it were thought of in exactly those terms—“possible repayment.” We have had very successful projects with shippers in Iowa, for instance, where they underwrite track improvement projects for expansions and we pay them back on a per-carload basis relative to the amount of traffic they extend to us. Perhaps such a program for Government freight shipments could be worked out under this legislation. But a hard, fast requirement—with the Government taking a position in

front of other creditors—will probably lead to a dead end for railroads whose tracks are in the greatest need for repair. The tracks got that way because the railroads' credit deteriorated too.

A couple of final, brief points. The Senate was quite interested in the reemployment aspects of this legislation, hoping that it would put people back to work in areas where unemployment is most critical. I would note that the majority of our track maintenance gangs have traditionally consisted of American Indians from the Southwest. They are union members—they are skilled—they are productive. They are out of work. We need them, and they and their families need us and need this bill.

Finally, here are the latest figures as to the number of maintenance employees who have been furloughed off of Rock Island as of 9 o'clock this morning when I left Chicago. As of right now, we have 477 people in furloughed status who work maintaining our track signals, communication systems and bridges and buildings. That is about 25 fewer than we had in furloughed status 6 weeks ago but it does not represent any rehiring on our part.

Some of them relinquish reemployment rights and moved to other lines of work and others have passed away or moved away.

Two facts remain. We have not been able to bring any of them back to work and we are trying to hold the line with what we have got in the way of further layoffs. This is the maintenance season and we are using the people we have now and we would like to get the 477 back to work as soon as possible.

This would not only provide gainful reemployment for all of these people but we have enough work to do on the Rock Island to provide jobs for nonmaintenance people as well as others from high unemployment areas in our general territory.

That concludes my formal statement and we will be glad to respond to any questions the committee may have.

[Mr. Ingram's Senate testimony, referred to, follows:]

TESTIMONY OF JOHN W. INGRAM, PRESIDENT, CHICAGO, ROCK ISLAND & PACIFIC RAILROAD CO., BEFORE THE TRANSPORTATION SUBCOMMITTEE OF THE SENATE COMMERCE COMMITTEE—MAY 1, 1975.

MR. CHAIRMAN: Let me express my deep appreciation for this opportunity to appear before this committee, speaking in favor of a concept and a commitment that has become none too soon. I endorse wholeheartedly the determination of the Senate to meet foursquare two major problems facing the nation—The need to bring responsible, honest, hard-working men back to gainful employment, and the need to keep this nation faced together with a railroad system that will effectively move our commerce and our people. I endorse equally the concern of Congressman Heinz, and trust that his side of Capitol Hill will respond to this most obvious opportunity with alacrity similar to that of the Senate. His bill, H.R. 4622, is deserving of the support of his colleagues.

I think my most worthwhile contribution to today's hearing would be to comment on how S. 1436 and similar legislation would contribute to the resurrection of the Rock Island. We were delighted with the Senate's forthright action in approving the appropriation of funds for emergency employment, and we are particularly appreciative of the Senate Appropriations Committee's comments on page 92 of their report, in which they say "the combined use of these funds for labor and materials will make the program available to all railroads including the bankrupts and near-bankrupts. For example, the Committee expects the funds to provide railroads such as the Rock Island and the Chicago & North Western with critical resources to repair and upgrade many of their routes." It is always pleasant to be singled out.

The Rock Island, as this Committee is well aware, is at a critical turning point in its 123-year history of service to the 13 states that make up the geographical heartland of our nation. Our people, close to 10,000 of them, have been and continue to be subject to the threat of unemployment, dislocation and uncertainty. Our physical plant, for reasons well known to the Chairman and the members of this Committee, has been subjected over the last decade to the ravages of neglect. Throughout this period, however, there has been considerable demand by the public for the service the Rock Island offers. In 1974, for example, we were called upon to haul close to a million carloads of freight valued at more than 10-billion dollars. We did not get this business because we have high-pressure salesmen, nor did we get this business because our shippers admire our speed and efficiency. We were tendered this freight because the Rock Island was—pure and simple—the best of the transportation alternatives available to our shippers.

There are those, however, who still question the "essentiality" of the Rock Island's routes.

Mr. Chairman—We at the Rock Island could not agree more with the Department of Transportation's stated position—which is really a generalization—that "everywhere the Rock Island goes, other railroads go as well." What has not been considered is the fact that no other single railroad goes to the same total number of markets served by the Rock Island. Similarly ignored are the facts that the Rock Island has more interchange points with other railroads than anyone else, and that we serve more so-called "gateway" cities than anyone else.

This widespread geographical network through 13 states, along with the volume of essential freight we now carry, says something for the essentiality of the Rock Island's major routes.

Let me be clear, Mr. Chairman, that I am not talking of the essentiality of the Rock Island as a corporate entity; I am talking of the essentiality of our routes.

In a number of cases, our routes are shorter, flatter and straighter than those of the competition. Unfortunately, they are also slower—because the physical structure of the track was neglected for such a long time.

In other cases, the Rock Island tracks provides the *only* competitive routes between major markets; the Kansas City to New Mexico route being a prime example. And yet here we are not providing the shipper with competitive service—again, because our tracks cannot sustain the speeds necessary to move the nation's commerce effectively.

My point is this: Out of the 7500-miles of the Rock Island's mostly-mainline system, I am quite sure that a sizeable number of our through routes *must* be operated by someone, and those routes and rights-of-way must be parts of the safe and efficient nationwide rail system we all envision at some future date. We are similarly convinced that a mainline railroad (not necessarily ours) will always connect Des Moines with Chicago and Omaha, for example, and that an efficient, safe classification yard will be needed in Des Moines. But no matter who ends up owning and operating what are now Rock Island's major yards and through routes, the track *has to be fixed*.

S. 1436 gives the Secretary of Transportation and his specially-created Advisory Commission the authority and the responsibility to approve or disapprove specific projects. This is as it should be. We at the Rock Island would not want to see Congress' appropriations spent on rusty tracks to nowhere. We would, should this bill become law, work closely with the Department of Transportation and the Advisory Commission to ascertain precisely where rebuilding and rehabilitation would be in the public interest.

Finally, let me give you a rough estimate of how much of the money available under S. 1436 would be sought by the Rock Island and how many people would be returned to gainful employment. Under the terms of the bill, we could re-hire all maintenance-of-way employees furloughed between June 1, 1974 and April 15 of this year. *That number is precisely 500.* Track gangs account for 416. 29 are from Bridges and Buildings, 23 from the Signal Department, and 32 from Communications. Including fringe benefits, these people earn (on average) roughly \$1,000 per month each. We could utilize \$500-thousand a month in payroll supplements.

These men, of course, need materials and supplies as they rebuild key segments of our railroad. That is why, in our case, Section 8 of the bill is vital and welcome. A very rough rule of thumb calls for a dollar's worth of material for every dollar's worth of labor. This brings Rock Island participation in the program up to one million dollars per month. Given the 12-month time frame mandated in Section 7(b) of the bill, we would be eligible for \$12 million, or 1.7% of the total. Taken another way, we would feel eligible for 1% of the employment subsidy appropriation and 6% of the material funding under Section 8.

I might note, Mr. Chairman, that the aforementioned figures relate only to the 500 maintenance of way personnel who have been furloughed during the 10½ month period stipulated in Section 4(a). During this same time period we have been forced to furlough approximately 1500 other employees, and it would be our intent to offer work to as many of them as possible, as provided for in Section 4(b). Some of the basic maintenance work that needs to be done on the Rock Island is a mundane as brush-cutting and weed removal. This does not require a great deal of skill or training, and we feel that in addition to being vital to a roadbed improvement program, it would be better than no work at all for a number of our people who are struggling to feed families and meet mortgage payments. It is far too early for us to give you an exact number of people who would be needed for such work. It would depend upon the amount of rebuilding approved by the Secretary and his Advisory Commission.

Mr. Chairman—It's unnecessary to explain to this Committee that such a program will *not* get my corporation out of the financial woods. Much more will be needed—and much more is going on right now—to solve the larger problem of reorganization and rationalization. The entire Rock Island resurrection is like a jigsaw puzzle, with many pieces—all of them necessary.

We still feel it necessary and appropriate that a larger solution be found, such as that proposed by Senators Bartlett and McClellan in S. 1306, now pending before this committee. And we make no secret of the fact that a preliminary and partial disposition of certain of our lines might bring us needed revenues while contributing to the overall improved efficiency of the national railroad system. Again, there are many things that need to be done. S. 1436 can be a key piece to our puzzle, and a key step in solving the national railroad crisis.

Thank you for this opportunity, Mr. Chairman. I will be glad to respond to any questions.

Mr. ROONEY. Mr. Gibbons, you may proceed.

STATEMENT OF WILLIAM M. GIBBONS

Mr. GIBBONS. Mr. Chairman and members of the committee.

I just wanted to acquaint you briefly with my job as trustee, which is to guide the railroad to a reorganization plan but in the best interests of the creditors and of the public, I have a dual function.

I have a mandate to see that the essential transportation services continue uninterrupted and that railroad employees are treated fairly and equitably and shippers and consignees receive services they pay for and observe. At the same time I must avoid erosion of the creditors' interest.

I am a tyro railroader and I am an attorney by profession. I will leave questions of an inherent railroad nature to our capable president, Mr. Ingram, but I have been on the property long enough and full-time, as Mr. Ingram pointed out, to know if the Rock Island is to continue its services and be reorganized on an income basis it most definitely needs restoration and renewal of its critical routes and I may add in some cases here correct its horrible shape.

But I cannot be party to a plan to rebuild Rock Island simply because there is work to be done. I would not want to revive a railroad

which is redundant and unnecessary. I don't think that it would be in the best interests of the creditors, the taxpayers, the shippers or the communities that we now serve.

A sizable part of my responsibility over the past 3 months has been to gage the essentiality of the Rock Island and although I am still learning, let me say I have been particularly impressed by the fact that in 1974, when the railroad was obviously in disrepair and continuing to deteriorate, it was called upon to haul close to 1 million carloads of freight with a weight of 50 million tons, valued at \$10 billion. If it was a nonessential railroad providing unneeded services, American industry would not have routed so much traffic over the Rock Island.

I talk with the shippers, the users of the railroad, and meet with a number of government leaders and elected officials at the national, State and local levels. There are a great many people that have no doubt that Rock Island Railroad should survive. We are working hard every day to determine what such a railroad would look like. We have negotiated and have had discussions with other railroads in an attempt to eliminate duplicative services and consolidate some of the lines which operate on a sort of parallel basis. We have been receptive to other railroads concerning the purchase of other rail line that might be part of adjacent systems.

To come back to several basics:

One: That the Nation has need for the sort of railroad that can provide one-line service from agricultural areas of the upper Midwest to ports on the Gulf coast.

Two: That the best routes included in a transcontinental system should be routes that not only serve major cities along the way but have advantageous grades and curves. While we may serve communities served by other railroads, we are very frequently the only railroad in town that can give them through-service to desired destinations.

It has been said that because the Rock Island was the first mid-western railroad to go under, it should be summarily liquidated. The parallel has been drawn to a dying man in an overloaded lifeboat. My answer is, we are not dead yet and there is reasonable hope of recovery; in many regards, we are the only ones in the lifeboat who know where we should head to reach safety. Dumping us may help the lifeboat, but those that are left need us more than what they think right now while water is coming over the gunwales.

I want to make sure we keep it alive long enough to make sure the good routes do survive as part of our railroad system and as through-route, not segmented branch lines to nowhere. The concept of public railroad legislation not only puts good people to work, but lets the Nation buy time while arriving at a determination as to what its rail system should be.

Thank you.

Mr. ROONEY. Thank you, Mr. Gibbons.

Mr. Ingram, in your statement on page 3, you are talking about loans and you talk about a partial loan, "one that provides emergency relief to the worst parts of our railroad, could carry no assurance of

highly productive railroad that can pay off the loans with interest in a quick and happy fashion." How many millions would you need?

Mr. INGRAM. Approximately \$100 million to do a sufficient rebuilding project so we can continue to support the railroad's function and generate money from the operations of the railroad to carry on.

Mr. ROONEY. Earlier—I guess it was this year—you told the Congress and the public that the Rock Island would shut down if it did not receive a substantial loan from USRA or other Federal assistance. The date for embargo on traffic was set at March 31, I believe, and then April 12, and then May 15, and now you indicate that you will survive through 1975.

What circumstances changed the Rock Island's position? I mean, here you are, yet earlier this spring you were crying "wolf" and, as I understand from some Members of the Oklahoma delegation, you blamed it on Congress and denounced Congress for its failure to act—and now you can go through 1975.

Mr. INGRAM. I never blamed Congress on its failure to act. I think Congress did a magnificent job all the way through in many cases. There were others that failed to act and I think my testimony before the Senate Subcommittee outlines pretty much what I thought along those lines.

The reason we did what we did was because we very nearly did close down. We had a cash balance, just before we were going into bankruptcy; rather forecasted a cash balance of \$200,000, before we went into bankruptcy. Now Rock Island spends \$1 million a day on an average.

Mr. ROONEY. What is your cash balance today?

Mr. INGRAM. Cash balance today is about somewhere around \$7 million to \$9 million.

We were doing the best we could under difficult circumstances to warn everybody of the problems that Rock Island faced. They were severe problems and still are severe problems. When we went bankrupt, of course, we stopped paying our pre-bankruptcy debts. We built up a cash balance because of that ability not to pay pre-bankruptcy and ability not to pay interest on bonded indebtedness and ability to defer taxes and so forth on our real property.

That built up our cash balance to a high of \$12 million. Our cash is starting to go back down again. As I say, it is somewhere now between \$7 million and \$9 million. We have been able to continue to operate and we think we will be able to continue to operate through the rest of this year by rather severe reductions in employment. We have reduced our employment levels on an annual basis by approximately \$40 million.

We have not exempted from those reductions any management employees, and we have reduced our management staff by about 300 employees and are operating with an extremely bare-bones crew now and operating at an insufficient maintenance level.

We certainly will be able to continue. I should not say certainly, but we feel we will continue through the rest of the year. What happens after that will be determined by:

1. The kind of assistance we get from various sources and,
2. What happens to traffic volume next year.

Mr. ROONEY. How many miles of track does the Rock Island have?

Mr. INGRAM. Roughly, 7,500 miles, of which we own about 6,800.

Mr. ROONEY. And you mentioned in your testimony, I believe, that you would like to see the Congress pass a bill whereby 48 States would get 50 percent and the other 50 percent would go to the Secretary of the Department of Transportation to distribute?

Mr. INGRAM. Yes.

Mr. ROONEY. What do you think it would cost Rock Island to rehabilitate its rail system?

Mr. INGRAM. The entire rail system has been estimated at various levels depending on the kind of work and the amount of work you do. There is some question as to whether you would want to rehabilitate all of it. We have 170 miles of railroad currently before the Commission for abandonment and will file abandonment applications on another 50 miles.

We estimate a 10-year rehabilitation project would total somewhere around \$350 million to \$400 million for the track. The total rehabilitation job for all of the fixed property as well as the rolling stock on the railroad over that same 10-year period will probably run somewhere around \$700 million or \$750 million.

Mr. ROONEY. So you testified that you favor the Senate version and the \$700 million would go right into the Rock Island.

Mr. INGRAM. No, sir, I couldn't conceive of all of that money going into the Rock Island. We couldn't spend it that quickly.

Mr. ROONEY. Well, you need \$700 million and Northeast needs anywhere from \$4.6 million to \$7 million and we heard testimony from various witnesses.

Mr. INGRAM. Yes, I am talking a long-term rehabilitation program that will take a total maybe as much as 10 years to put in place. We have always said that assistance in an amount of about \$100 million is sufficient seed money so we can generate the rest of the capital from our own earnings.

In other words, if we have high rate of return projects in which to put that money, those activities will produce good earnings to pay for the balance of the projects. The \$100 million was based on estimates put together in the middle of last year. Of course, we have had a little inflation since then but outside of that adjustment, I think that figure still holds.

Mr. ROONEY. How much did the Rock Island derailment cost in 1974?

Mr. INGRAM. We spent about \$14 million for derailments in 1974 and that includes the cost of repairing the track, cars and, of course, paying for merchandise that was damaged inside of those cars, which was entirely too much.

Mr. ROONEY. How much can you conceivably use for fiscal year 1976 if this legislation should pass?

Mr. INGRAM. In fiscal year 1976, I think we can spend as much as \$50 million, depending on the nature of the legislation and what it allowed us to do. We obviously could not spend that amount of money if we were limited to the furloughed maintenance of way employees of our own railroad. But if we can hire furloughed maintenance of way employees of other railroads or furloughed employees of other crafts and

put them in our work, I think we could assemble a large labor force in a reasonable time so that that expenditure would be reasonable.

Mr. ROONEY. Is your number of furloughed employees similar to other Midwest railroads or the railroads generally in the country?

Mr. INGRAM. I don't really know, I have not seen the figures on it, but I would guess, based on my experience, that probably we have a higher percentage that have been furloughed than other railroads. The only thing that makes me hesitate is that the level of maintenance on our railroad last year was not sufficient to really maintain the property. So basically we were working with a lower than necessary group of people at that time.

When you make the subtraction to get the furloughs to date, you probably would understate what would be required to do an adequate job of maintenance.

Mr. ROONEY. There has been much debate on the floor in the last couple of weeks on the \$700 million figure in the supplemental appropriation bill. If Congress passes a \$700 million appropriation to rebuild the Nation's railroads, how many people would it put back to work?

Mr. INGRAM. I don't know what it would put back in the whole Nation. I know that we could, as I said before, put together a program that would be at least 3,000 people that we could put back to work just on the Rock Island Railroad.

Mr. ROONEY. 3,000, with how much expenditure?

Mr. INGRAM. Well, on an annual basis, you could figure maintenance of way people around \$12,000 to \$14,000 each. It comes out to about \$36 million and then you add the materials and you get up to what I was talking about, a \$50 million program and I think it could be put together next year and part of this year, we would like to get started this year.

Mr. ROONEY. Mr. Santini.

Mr. SANTINI. In regard to the materials, would you be able to offset costs of materials with existing materials at the site or in your yard?

Mr. INGRAM. There is a problem, no doubt about it, on the material thing. The problem of course is first of all we are short on money and second, it is difficult to find materials or has been difficult to find materials. We had to make a hard decision earlier this month regarding the purchase of 40 miles of rail from a steel mill. Under normal wear-out conditions we should be installing somewhere between 200 and 300 miles of rail a year. But it is difficult to come to grips with a problem of how we would finance 40 miles, but we decided to go ahead with it. If we had given up the delivery position we might not have gotten back on the delivery list for some later delivery so we sought permission from the court to go ahead with the purchase of steel.

There are shipments on the way now. Forty miles of rail can be cascaded by taking up rail and putting it back into good shape by cropping the ends and welding it, so you get actually more than 40 miles of good rail out of 40 miles of purchased rail.

A somewhat similar situation exists with crossties. They were short but now they are in greater supply and I think we can get them if we have enough money to do it.

I think we can easily acquire something like half a million cross-ties without too much difficulty and our purchasing people say there are more available if we can some way or another finance the program.

Mr. SANTINI. I was interested in your suggestion of loan repayment based on the amount of shippage that you carry and a percentage deduction therefrom of the repayment basis, particularly directed toward Federal Government shipments. Are you aware of any other instances in which this form of repayment of loans are given to railroads?

Mr. INGRAM. That was the way the original land grants were compensated for in the West. The railroads for years handled Government freight at lower than average levels and it was not until after World War II when the railroads went back to handling Government freight at the level applicable to all freight. There is plenty of precedents.

Mr. SANTINI. With reference to the experience you are having in Iowa, is it the State or a private shipper?

Mr. INGRAM. We have a program that works with a combination of shipper and State money and one with just shipper money. We have one situation where the State and shippers on the line, local shippers, have felt that a particular branch line should be rebuilt to move solid trainloads of grain out of their elevators. The shippers put up \$200,000 and the State put up \$400,000 and we rebuilt the line and should be finished with that job the middle of July.

We rebuilt it so that 100-ton cars could use the lines, modern cars for movement of grain. We will pay back the shippers on the basis of \$25 per car for every car they ship.

Mr. SANTINI. To my knowledge, this is the first time that that economic suggestion has been offered in the context of the whole rail solution problem. Has this been explored by RSPO or any other agencies that are reviewing the labyrinth of confused concerns that involve the Northeast rail system?

Mr. INGRAM. Not to my knowledge. It is the traditional way that railroads use to pay industry for the construction of a side track. When a side track is built into an industry, usually the industry puts up the funds to do the construction and the railroad pays them back for the funds advanced at \$10 a car, or \$15 a car, sometimes as high as \$25 a car, so it is typically used for those purposes.

I know of no studies such as you suggest.

Mr. SANTINI. Of the 7,500 miles of track, and I believe you indicated you own 6,800, how many miles of that track is class 1 track?

Mr. INGRAM. I can't give you those figures off the top of my head. I know that 3,000 miles of that track is under slow order, which means it is not operating at the speed stated in the timetable and the slow orders exist because the track is in poorer condition than it should be.

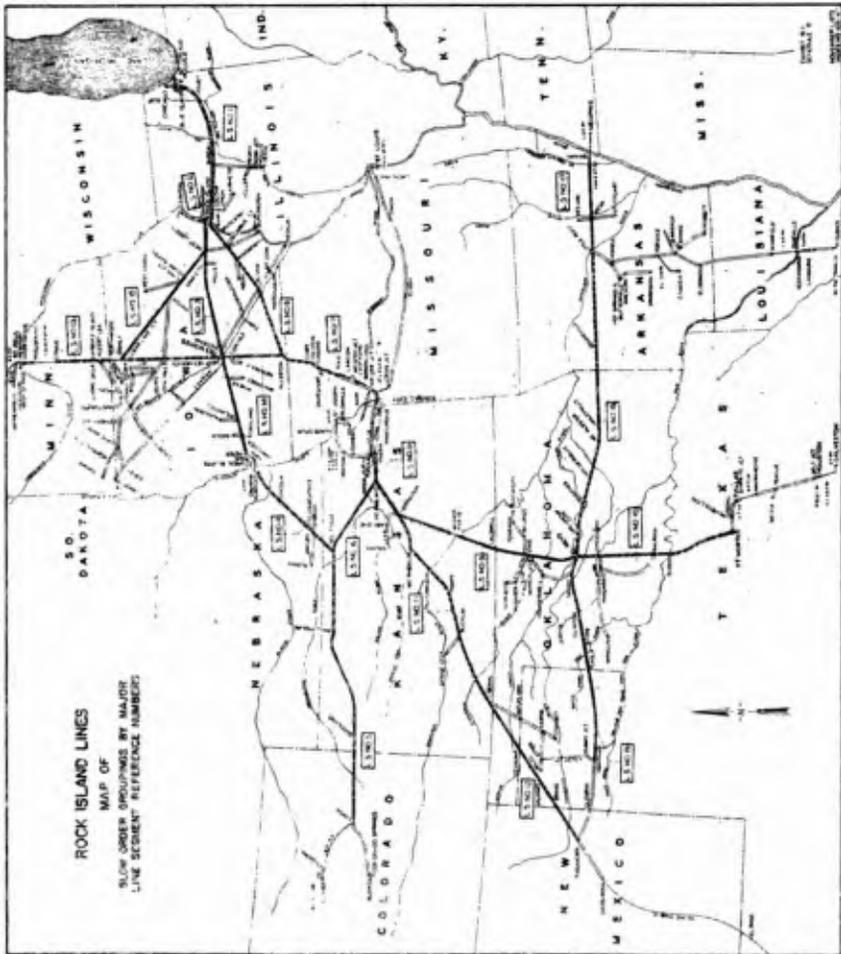
Mr. SANTINI. What does the slow area mean in terms of actual speed?

Mr. INGRAM. It can be as low as 10 miles an hour.

Mr. SANTINI. Would you be able to provide to the committee and for this record a breakdown of the classifications of your track in order for the committee to assess the immediate crisis you are facing in terms of rail maintenance?

Mr. INGRAM. Yes, sir.

[The following information was received for the record:]



CHICAGO, ROCK ISLAND AND PACIFIC RAILROAD CO., SUMMARY OF PRESENT SLOW ORDERS BY MAJOR LINE
SEGMENT MAY 19, 1974

Segment No.	Description		Track miles 1st and 2d mains	Slow order miles			Total
	From	To		Less than 30 mi/hr	30 mi/hr to 45 mi/hr	Over 45 mi/hr	
1	Blue Island, Ill.	Rock Island, Ill.	317.40	38.38	110.86	0.20	149.44
2	Rock Island, Ill.	Davenport, Iowa	20.02	4.30			4.30
3	Davenport, Iowa	Omaha, Nebr.	348.70	5.30	98.06	52.45	155.81
4	Albright, Nebr.	Phillipsburg, Kans.	239.10	53.36	177.28	8.46	239.10
5	Phillipsburg, Kans.	Limon, Colo.	246.58		168.65	53.00	221.65
6	Davenport, Iowa	Allerton, Iowa	210.46	80.15	23.49	91.20	194.84
7	Allerton, Iowa	Polo, Miss.	143.56	.94	8.03	96.73	105.70
8	Topeka, Kans.	Herington, Kans.	161.70	1.20	60.10	33.00	94.30
9	Herington, Kans.	El Reno, Okla.	229.35	75.10	76.65		151.75
10	El Reno, Okla.	Fort Worth, Tex.	213.26	6.26	37.25		43.51
11	Herington, Kans.	Liberal, Kans.	259.29	5.24	253.59		258.83
12	Liberal, Kans.	Tucumcari, N. Mex.	204.45				
13	Inver Grove, N. Mex.	Oes Moines, Iowa	188.23	10.45	137.75		148.20
14	Des Moines, Iowa	Allerton, Iowa	73.98	5.90			5.90
15	Manly, Iowa	West Liberty, Iowa	163.53	19.62	82.55		102.17
16	McFarland, Kans.	Belleville, Kans.	104.09	39.03	65.06		104.09
17	Brlark, Ark.	Little Rock, Ark.	133.50	10.96	34.96		45.92
18	Little Rock, Ark.	El Reno, Okla.	378.10	34.94	126.91		161.85
19	El Reno, Okla.	Amarillo, Tex.	247.30	4.90	115.12		120.02
Total.....			3,882.60	396.03	1,576.31	335.04	2,307.38

MR. INGRAM. If you would like to see some pictures of some of our track, I think you can get an idea of some of our problems by looking at them. I would be glad to pass them around. I hasten to say these are some of the worst examples. We have good track on the Rock Island, too.

MR. SANTINI. Do you carry passengers on the Rock Island line?

MR. INGRAM. Yes.

MR. SANTINI. Are any passengers traveling over these tracks?

MR. INGRAM. Yes, in two cases I believe that is true.

MR. SANTINI. Are they wary?

MR. INGRAM. Well, we go very slowly.

MR. SANTINI. What percentage of your service is passenger service and what percentage is freight service?

MR. INGRAM. A very small percentage is passenger. I would say probably 2 percent. We run an extensive commuter service, though, in the Chicago area from Joliet into Chicago and two intercity passenger trains, one to Peoria out of Chicago and one to Rock Island out of Chicago.

MR. SANTINI. Ninety-eight percent approximately is freight?

MR. INGRAM. Yes.

MR. ROONEY. Will you yield?

MR. SANTINI. Yes.

MR. ROONEY. I think after observing the photographs you need more than \$700 million I think, if this is typical?

MR. INGRAM. No, the pictures are not typical. They are the worst examples. When you call the public relations group on the railroad for photographs you sometimes get something that is not typical.

MR. SANTINI. It makes for an interesting ride, though; it appears from the photograph that a car can go in two different directions at the same time.

You testified in part with regard to offers to purchase either your line or, I gather that you had offers made to you for purchase of seg-

ments of your line by other railroads, did I understand your testimony correctly?

Mr. INGRAM. That is correct.

Mr. SANTINI. How many of the 7,500 miles have specific offers of purchase been addressed to?

Mr. INGRAM. I would say roughly 15 percent to 20 percent, something like that. I would not really say they were all offers. Let's call them expressions of interest. There was one roughly 650-mile stretch on which there is a solid offer.

Mr. SANTINI. And was that offer made by a so-called profitable profit-making railroad?

Mr. INGRAM. Well, it depends on what quarter you look at. Actually they lost a little more than we did in the first quarter, but the offer was made by the Southern Pacific and it is considered to be a sound railroad, yes, sir.

Mr. SANTINI. Now, you expressed a reasonable hope of recovery, which is at least a more affirmative expression of optimism than apparently any public statements that have issued from Rock Island in the past. What is the basis for this hopeful expectation?

Mr. INGRAM. The basis is that first of all we have had a very severe reduction in the employment levels on the Rock Island. We have reduced the total employment on the Rock Island about 25 percent, perhaps a little bit more than that. In fact we just laid off another 400 people this week.

The traffic picture appears to be beginning to turn up a little bit in areas other than grain. Grain traffic is still off severely but that is basically because the farmers are holding their product for price at this time. Those tonnages I imagine will move in the future at some time.

So we are beginning to get up to at least our forecasted level of operations and we have based our expectations in our forecast on a break-even cash flow for the following months. In other words, if the revenue gets up to the forecasted revenue levels and our expenses stay down to our forecasted expense level, we will then have a break even as far as cash flow.

That is progress on the part of the Rock Island. By the end of the year we are hoping to break even on an accounting basis. That is more hopeful than established progress but that is our plan.

Mr. SANTINI. Have you conducted an analysis on the projected savings that track restoration would mean to the Rock Island?

Mr. INGRAM. Yes. We have done that. That has been done in several areas. Basically the savings relate to improvements in the train speed which you can translate into car costs which are better utilized. The ones we have made, however, have been done on the basis of complete rehabilitation of a particular route, "What would you save here in terms of time if you did that?"

Obviously cutting brush is a good thing to do for safety. We have some overgrown railroad where the weeds ought to be cut down for safety and to improve roadbed drainage. You can do it with manpower and a little material but it is not the sort of thing that improves your rate of return. It does allow us to run a more safe railroad. Projected savings would depend on what kind of project you had in mind.

The kind of savings we have worked out have always been in connection with a complete rebuilding of a particular route.

Mr. SANTINI. You mention \$14 million savings in derailment costs.

Mr. INGRAM. I think some of that cost will be expended no matter how safe the railroad.

Mr. SANTINI. What is the projected factor of the gross overhead or cost factor in terms of percentage for derailment or related facts?

Mr. INGRAM. You want to know what derailments cost compared to the total revenue of the railroad?

Mr. SANTINI. Yes.

Mr. INGRAM. Roughly a good rule of thumb is we take in and spend \$1 million a day, roughly \$360 million a year, \$14 million over that is a healthy percentage.

Mr. SANTINI. Can you calculate a percentage of the expected loss as a result of the derailments or impairment of delivery on a well-maintained railroad?

Mr. INGRAM. Yes. It is a number that can be calculated. I mean it is a significant figure, but it is far below the percentage you would get on the Rock Island today.

Mr. SANTINI. I can understand that from the photographs.

Mr. INGRAM, thank you very much.

Mr. INGRAM. Thank you, sir.

Mr. ROONEY. The gentleman from Kansas, Mr. Skubitz.

Mr. SKUBITZ. Mr. Chairman, I want to commend you on your line of questioning. I thought it was outstanding. You asked the questions I was going to ask.

Mr. INGRAM, I have not had an opportunity to carefully examine the Senate bill but as I listened to your testimony and tried to follow it and it seemed that it was aimed at the Senate bill, is this correct or not?

Mr. INGRAM. The original testimony I gave in the Senate of course was and I expanded on that and had a few further comments on other criteria I thought should be included in the bill to put together a House bill.

Mr. SKUBITZ. Have you read the other House bills?

Mr. INGRAM. As I recall, I read two of them. I think two of them are rather new. I have not seen those yet.

Mr. SKUBITZ. I think you understand that the reason this legislation is before us is because of the desire of some of our colleagues to find an answer to the unemployment problem rather than build a safe and sound transportation system.

Mr. INGRAM. Yes, sir.

Mr. SKUBITZ. So although you speak of the way you would handle it in order to develop a safe and sound transportation system you should understand that is not the major objective insofar as the membership of Congress is concerned, at least those that wanted this piece of legislation. Some of us question taking up this type of legislation at this time.

If I understand you correctly, you would say that 50 percent of the funds available, \$350 million, would be allocated to the States, is this correct?

Mr. INGRAM. Allocated for expenditures in each State on the basis of track miles in the State, yes, sir.

Mr. SKUBITZ. And the remainder would be left to the discretion of the Secretary of Transportation?

Mr. INGRAM. Yes, sir, according to criteria in the Senate bill.

Mr. SKUBITZ. I think the Senate bill has another criteria on which says these funds ought to be spent on railroads that have been mentioned in the preliminary systems plans, is this correct?

Mr. INGRAM. I am not sure of that one, sir. I think that may be correct, but I don't recall that criteria.

The criteria are in section 6 of the Senate bill I have in front of me. You are right. The first one is that the track be included in the preliminary systems plan or subsequent plan approved by the Board of the U.S. Railway Association.

Mr. SKUBITZ. Would you care to comment on that? Would that rule a lot of railroads completely out?

Mr. INGRAM. It would, sir, but there is great need in the Northeast. I don't want to underestimate the need for Penn Central for right-of-way improvements. I know they have that need. But the only reason I suggest allocating 50 percent on the basis of the State's rail track mileage is so that not only the railroads in the Northeast would get the money.

Mr. SKUBITZ. In the Senate bill this would rule out most of the railroads completely?

Mr. INGRAM. Yes, sir, without the 50-percent criteria I suggested.

Mr. SKUBITZ. You would not favor that. That would not bother you?

Mr. INGRAM. No, sir, I am not part of the preliminary systems plan and it would bother me.

Mr. SKUBITZ. You are entitled to borrow some money under the Northeast railroad—

Mr. INGRAM. No, sir. We were only entitled to borrow money from USRA under the Railroad Reorganization Act as long as we were on the verge of bankruptcy and we are past that stage.

Mr. SKUBITZ. I would like to ask you this question. This \$700 million that you talk about, do you think that should be in the form of grants under any system or should it be on a loan basis or a matching fund basis?

Mr. INGRAM. The funds for putting people back to work, I think, should be on a grant basis and perhaps something could be worked out on a repayment plan based on Government freight shipped as I stated in my testimony.

Mr. SKUBITZ. Why should the Government advance money on a grant basis to take care of unemployment for the railroads, a private enterprise?

Mr. INGRAM. Well, the main reason of course is to put people back to work.

Mr. SKUBITZ. Well, if we put them back to work on the railroads, what about the highways? The county roads in my district are in terrible shape right now. Why not put them to work there?

Mr. INGRAM. I think there are funds available from the Federal Government for work projects in that area. I don't know of any available, however, for the railroads.

Mr. SKUBITZ. I have had the feeling that the money ought to be on some sort of a matching basis; that is, that the railroads put up

so much money and that the Government match those funds in putting these people back to work.

Mr. INGRAM. We would be delighted with a plan like that if we had the money to do the matching. That is the problem.

Mr. SKUBITZ. I realize that but haven't we loaned a lot of the railroads money and haven't they received guaranteed loans in order to take care of their own maintenance problems; therefore, why should they come in under this project?

Mr. INGRAM. I believe only the railroads in the Northeast have been able to borrow such money in the recent past.

Mr. SKUBITZ. Well, should they be able to secure additional funds under this program?

Mr. INGRAM. On the basis of need, I think so, sir. I just wouldn't like to see it all go in that direction. I would like to be able to do something outside of the East, say in the area I serve as well.

Mr. SKUBITZ. Well, I have only one other question. If this is an unemployment bill, it will take care of jobs, and under the Senate bill I think the only people entitled to jobs are the people that have been laid off that worked on the railroads, is this correct?

Mr. INGRAM. That would be the first priority, but I believe after that priority was filled other people that were laid off in a heavy unemployment area would also be eligible.

Mr. SKUBITZ. Under the Railroad Act, what sort of wage would you pay?

Mr. INGRAM. Standard union wages.

Mr. SKUBITZ. Standard union wages?

Mr. INGRAM. Yes, sir.

Mr. SKUBITZ. You would hire people in addition to those that worked on the railroad. Would they be paid the same rate of pay as the railroad workers are getting?

Mr. INGRAM. Yes, sir.

Mr. SKUBITZ. Would they have to belong to the union or not?

Mr. INGRAM. Yes, sir.

Mr. SKUBITZ. They would have to join the union?

Mr. INGRAM. Yes, sir.

Mr. SKUBITZ. How much money would they get, each man?

Mr. INGRAM. Well, of course it depends on the job assignment but between \$12,000 and \$14,000 a year.

Mr. SKUBITZ. \$12,000 to \$14,000 a year?

Mr. INGRAM. That is a rough average. There is a lower range for lower ranked employees.

Mr. SKUBITZ. What talent does the employee have to have?

Mr. INGRAM. There are many very talented in running machinery for moving the materials, inserting the materials, and applying the materials in track maintenance. For instance, in many areas we have mechanized track gangs which involve the use of tie inserters, ballast regulators, and various other mechanized functions and it requires skill to run those.

As I have shown, which I didn't pass up this picture to you before, we also have many people that work with picks and shovels.

Mr. SKUBITZ. How much would you pay those people?

Mr. INGRAM. Between \$10,000 and \$12,000 a year is the annual wage for lower ranked track people, in that area. It depends on the assignments and working hours and amount of overtime earned and other factors.

Mr. SKUBITZ. That is all.

Mr. ROONEY. Mr. Florio.

Mr. FLORIO. Thank you, Mr. Chairman.

Sir, you made reference to October 1972 standards. Could you elaborate on that?

Mr. INGRAM. The track standards published by the Federal Railroad Administration were published nationally on October 20, 1971, in volume 36, No. 203 of the Federal Register. They were effective in part 1 year after that and in total in 2 years after that, and that is why I referred to them as the 1973 track standards. That is when they became fully effective.

The track standards were published by the Federal Railroad Administration in response to the act passed by Congress requiring the Federal Railroad Administration to administer safety standards in the area of track structure and its suitability for various speeds.

Mr. FLORIO. That is the Rail Passenger Construction Act of 1970?

Mr. INGRAM. No, it was the Federal Railway Safety Act of 1970 which is at 84 statutes, 971.

Mr. FLORIO. I am concerned with Mr. Skubitz's concern, that is, the thought concept of using Federal moneys to provide for unemployment but providing some systems for making railroads profitable. Would you have difficulty, particularly in light of the fact you have had offers of interest for purchasing some lines, with provision in H.R. 6962 that would require any railroad that accepted these grants to be bound by the requirement that in the event of a transfer or conveyance sale, that either the buyer or seller would be required to repay the value of the money that had been given with this?

Mr. INGRAM. I don't think that would give us any problem because the offers we talked about are for a rather small portion of the total railroad. There are no offers nor to my knowledge any interest on the part of other railroads at this time in purchasing or acquiring in any other manner any of the other railroad lines we operate.

Many of the lines we operate are an essential part of major trans-continental and north-south routes that we feel are required by the public we serve. However, they just don't happen to be lines that other railroads seem to have an interest in at this time. Refunding on purchase does not appear to us to be a problem. It could be a problem perhaps on these lines for which railroads have expressed an interest. But efforts that are provided for in the funds that are available in this legislation, should it pass, will be channeled on the lines on which railroads have not expressed an interest.

Mr. FLORIO. I am talking primarily about a grant program—the bill H.R. 6962, the same thing as his bill, is a grant loan bill. Would you be inhibited from accepting grants if, in fact, the law contained a provision conditioning the grant upon your willingness to comply with a law requiring that in the event of a sale, lease, or any sort of transfer, that the Secretary would have to be notified and that, in fact,

out of the proceeds of the sale the Government would be repaid the enhanced value of the railroad?

Mr. INGRAM. We would have a problem in this area of "enhanced value." Maintenance expenditures provide a capability to provide transportation over a period of time and eventually you have to go back and do the maintenance over again because what you put in would be worn out. As long as the provision is tied to the life of the improvements made, it would provide, I think, no great problem.

The right of way, to the extent that it is made better, would presumably bring a higher price. From that higher price, we certainly would be happy to pay back the Federal Government. However, if that were extended on into infinity, 10 or 20 years from now, say, quite obviously the added capability that was put into the track as a result of that money would no longer be there because it would have been worn down, so to speak, over that period of time and it would then produce a problem for us.

Mr. FLORIO. With regard to the materials question that was raised, if you had 40 miles of track on its way?

Mr. INGRAM. Forty miles of rail?

Mr. FLORIO. Forty miles of rail. What is your stockpile, if any, of ties?

Mr. INGRAM. We have about 500,000 ties, either in our own account or in processing for us by manufacturers but we hope to be able to afford title to those with these funds and our purchasing people say they can line up additional sources of supply if we can line up additional money.

Mr. FLORIO. Forgetting about money, assuming you get the money and it is to hire employees, I assume you have rail on the way. Have you the ties available to put people to work?

Mr. INGRAM. We certainly have ties available for the initial operations and I asked my maintenance people that question. I put it to them this way. "Could you triple my tie availability, the half million we have been spoken for now," and they said yes, given the money, we can do it.

Mr. FLORIO. This will be a hypothetical question. If you would utilize all of your furloughed employees and still have work to do, would you have any difficulty with the law that required us to go to other companies to use up their furloughed employees, assuming they are willing to come to work on your line before you go outside of the market?

Mr. INGRAM. No, sir.

Mr. FLORIO. That would be acceptable?

Mr. INGRAM. Yes, sir.

Mr. FLORIO. Are you part of the Amtrak?

Mr. INGRAM. No, sir, we operate our own passenger trains. We never joined Amtrak.

Mr. FLORIO. I have nothing further.

Mr. ROONEY. Are you sorry you never joined Amtrak?

Mr. INGRAM. No, sir.

Mr. SANTINI. Why didn't you join?

Mr. INGRAM. The reason we didn't join Amtrak based on reading the history of the Rock Island—and I was not there at the time—was

that as the Amtrak law was written, you took a percentage of your passenger loss at a certain time to determine the amount of money you paid Amtrak for the privilege of joining it. It happened on Rock Island that they had just got rid of a lot of passenger trains between the time the bill was passed and time specified in the act so they no longer had the passenger deficit on which their entry price would be based. They thought they would be better off not to join.

We have two intercity passenger trains left and they are subsidized by the State of Illinois. The State pays two-thirds of the losses of operating those trains.

Mr. FLORIO. May I ask one more question?

Mr. ROONEY. I think in all fairness—

Mr. HASTINGS. Thank you, Mr. Chairman. I will yield.

Mr. FLORIO. Thank you very much.

A number of people expressed concern that the money might be channeled to one section of the country to the detriment of others and I was going to ask you what you thought it would be if the Amtrak system was used as—possibly if it was given priority with regards to its ability to apply for money inasmuch as the system is a nationwide system which might provide a vehicle to provide distribution of money throughout the country?

Mr. Ingram. We would have no trouble with a preference for passenger train lines; in other words, lines over which passenger trains operated. But we are one of the few that continue to operate without assistance from Amtrak and if the goal was to make it easier to operate passenger trains, I think the trains that serve our area should be as eligible as the ones that serve Amtrak.

Mr. ROONEY. Mr. Hastings?

Mr. HASTINGS. Thank you, Mr. Chairman. I just want to get clear in my mind as far as what you favor: As far as criteria for eligibility, you favor Senate bill eligibility with the 50-50 formula included in your statement?

Mr. INGRAM. Yes, sir.

Mr. HASTINGS. Without any change?

Mr. INGRAM. Yes, sir.

Mr. HASTINGS. OK. Now on the question of value added, you would favor value added but primarily for the loan part of the program?

Mr. INGRAM. We would have no objection, are you talking about the recapture provision?

Mr. HASTINGS. Right.

Mr. INGRAM. We would have no objection to that provided that the value added had not been wasted by time and use. To the extent that it is wasted by time and use and is not there it is not really an asset of the corporation. It would be difficult to generate a purchase price that would include enough money to pay back the Government.

Mr. HASTINGS. I am trying to interpret what you are saying here when you talk about your great belief in borrowing and not begging. Your top priority for the project under the bill is to build a railroad which expressed a willingness to repay and on page 3, "We would support a provision for possible repayment as long as it were thought of in exactly those terms, possible repayment," and I don't really know what possible repayment would be.

Would it be to declare anybody who applies for a grant, to say, "We want to pay if possible" and would it be part of the eligibility test?

Mr. INGRAM. Repayment to others who have financed the work has been based on traffic generated. We think it is fair and if a person wants to use a railroad and he feels it does not meet the standards of his business and he wants to put up money to do the rebuilding job, we are certainly happy to pay him as he generates that traffic.

Mr. HASTINGS. What I am trying to determine, are you suggesting we include some lines in the House bill that we could defer the possible repayment as part of the criteria for eligibility?

Mr. INGRAM. This was suggested to us by the committee staff. I just wanted to give you my reactions to the suggestion.

Mr. HASTINGS. I understand this is a big staff operation for the rest of the Congress but to those of us with some hand in writing it I would like your clarification personally for the members of the subcommittee.

Mr. ROONEY. Will you yield for a minute. What committee staff are you talking about?

Mr. INGRAM. Where did we get it?

Our Vice President here in Washington testified to it. We didn't want to duck the issue because we think it is an important issue. We told everyone and we still believe that we feel that with an adequate loan we can repay.

Mr. HASTINGS. That is all right. That is what I am trying to elicit. Are you suggesting that in a bill that we include that as part of the eligibility criteria?

Mr. INGRAM. Yes; I think it would be good to include it if you could somehow or other also include in the bill a sufficient grant or loan out of this bill so that the railroad could be rebuilt so it could be put on a paying basis.

Mr. HASTINGS. Possible repayment is not a good choice of words, I suggest to you. I don't know how we would write this in. Would you give me your intention that you are going to repay if possible?

Well, if that is the criterion for eligibility I suspect everybody will say, "Well, if it is possible we are going to repay you," but actually it will be just to get consideration for the grant. I don't know if this is all that significant and I don't think it is too important and I don't want to waste much time on it but you are suggesting inclusion of that kind of language?

Mr. INGRAM. Yes, sir.

[The following statement was subsequently received for the record:]

Repayment would be "possible" in a direct relationship to the extent the Government—as a shipper—uses that railroad. The Federal Government is a major customer to the railroad industry. I am suggesting that a loan could be repaid on a per-car basis—an adjustment in the final billing for the freight shipment. I call it a "possible" repayment because if the Government decided not to ship by rail it would be impossible to make an adjustment in the freight rate.

Mr. HASTINGS. Let me ask you, how much deferred maintenance do you have in Rock Island?

Mr. INGRAM. I don't know if we ever measured it. I think as I said before, the rehabilitation, a program about the size of \$350 million to \$400 million, would put the railroad back into very good shape.

Mr. HASTINGS. That is what amount should be asked for to have it in good operating condition.

Mr. INGRAM. But I also said that money would be spent over a period of 10 years and of course included in usual maintenance in that 10-year period. I don't know if we ever put a measure on exactly how far we are behind the mark at this particular instant.

Mr. HASTINGS. I don't know how much difference there is between making that kind of judgment and depending upon whether you spend the stockholders' money or whether you spend the Government's money. You know I suggest in many cases there is sometimes a difference. I just wanted to get that straightened out.

I understand overall for all of the railroads there will be a requirement on somewhat of a magnitude of \$12 to \$13 billion for maintenance in the next several years and is that consistent with your understanding?

Mr. INGRAM. I don't know of any study that has come out with a specific figure but certainly it is going to be an awful lot of money.

Mr. HASTINGS. It is probably not true that unless that kind of maintenance is accomplished we will have total deterioration, not only of service but probably profitability of the individual lines?

Mr. INGRAM. I guess that is true, sir.

Mr. HASTINGS. The point I am trying to develop is that, as we take a look at it, yes, this is an unemployment type of bill to a degree but it is also saying this is money that will have to be spent one way or the other and experience under the Reorganization Act tells us that Congress is not going to allow the railroads of the country to close down completely so through one fashion or another we are going to have to try to save them and this seems to me a good device which will accomplish the purposes that Mr. Florio talks about, but I think we should make it clear, if we are talking about \$12 to \$15 billion for that kind of maintenance and we are talking here of \$700 million only, although those figures still stagger country boys like me, it is still not going to solve that problem.

If you are talking about 8½ million unemployed in the country, and using your figure of say \$14,000 per worker, \$13,000 or \$14,000 I believe you said, we are talking about probably 42,000 jobs to go to the \$700 million which does not put a great dent in the 8½ million unemployed.

So this is not a cure-all for either the maintenance problems of the railroad industry or certainly does not cure our unemployment problems.

Mr. INGRAM. That is certainly correct.

Mr. HASTINGS. I certainly support some sort of proposal but wouldn't want to delude ourselves that we are solving both or either of those problems with this kind of effort.

I thank you, Mr. Chairman.

Mr. ROONEY. Thank you very much.

What is the problem? You say the Rock Island lost \$14 million last year in accidents?

Mr. INGRAM. That was the expenses of the derailments. The loss for the corporation was \$23 million.

Mr. ROONEY. How does it compare to your net income?

Mr. INGRAM. The net income was the \$23 million loss in 1974.

Mr. ROONEY. \$23 million loss?

Mr. INGRAM. Yes, sir.

Mr. ROONEY. Do you have any national average of losses? I understand there was a report put out a few years back that all railroads combined incurred a total of \$900 million in losses because of accidents?

Mr. INGRAM. I don't have any figures like that at the tip of my tongue, but I could provide them to the committee if you would like.

[The following statement was received for the record:]

I was unable to get figures from either FRA or AAR.

Mr. ROONEY. I would appreciate them very much. I have no further questions.

Mr. Florio or Mr. Santini?

Mr. SANTINI. Mr. Chairman, one thing I wanted to clarify with Mr. Ingram. You referred to the fact you have read and considered the Senate bill S. 1730, sponsored by Mr. Hartke of Indiana; is that correct?

Mr. INGRAM. Yes.

Mr. SANTINI. And that is to which most of your testimony was directed here today?

Mr. INGRAM. Yes.

Mr. SANTINI. You referred to the Senate bill?

Mr. INGRAM. S. 1730; yes, sir.

Mr. SANTINI. Have you read any of the House's proposals? You indicated you had seen one or two.

Mr. INGRAM. That is correct. I have not seen them all. I think some of them are rather recent.

Mr. SANTINI. Have you seen H.R. 4622 by Mr. Heinz of Pennsylvania?

Mr. INGRAM. Yes; I have that one in front of me.

Mr. SANTINI. Have you seen H.R. 6808 by Mr. Staggers of West Virginia?

Mr. INGRAM. No, sir, I have not gotten that one.

All right, my man has it now.

Mr. SANTINI. But you have not reviewed it personally?

Mr. INGRAM. No.

Mr. SANTINI. So your judgments and evaluations of the pending legislation obviously could not include H.R. 6808 by Mr. Staggers of West Virginia?

Mr. INGRAM. That is right.

Mr. SANTINI. And H.R. 6962 by Mr. Florio of New Jersey, you have not had an opportunity of reviewing that bill?

Mr. INGRAM. No, sir.

Mr. SANTINI. So that none of your comments and testimony before this committee this afternoon can address itself to the merits or demerits of those legislative proposals?

Mr. INGRAM. To the extent they differ from S. 1730, that is correct.

Mr. SANTINI. Would you provide me and the committee with your evaluation of H.R. 6962 and specific proposals therein?

Mr. INGRAM. I will be glad to do that.

[The following memorandum was received for the record:]

JUNE 23, 1975.

MEMORANDUM FOR THE HONORABLE JAMES SANTINI

From: Ray Chambers, Representing the Boston and Maine Railroad and the Rock Island Railroad.

Subject: Comparative analysis of legislation which would provide Federal funds for employment to improve railroad roadbeds and facilities.

This memorandum is in response to your request of Mr. Ingram of the Rock Island and Mr. Dustin of the Boston and Maine to provide their views on various "rights of way employment" policy issues pending before the Subcommittee on Transportation and Commerce of the House Interstate and Foreign Commerce Committee.

There are two basic "rights-of-way employment" legislative formats pending before the Subcommittee. First is the Senate-passed S. 1730, which has been introduced with some variation by Mr. Florio (H.R. 6962) and Mr. Staggers (H.R. 6808). The second approach is that taken by Mr. Heinz in H.R. 4622 and other identical bills.

Mr. Florio's bill, H.R. 6962, deletes provisions of S. 1730 concerning grants and loan guarantees for acquisition of materials and equipment. It also authorizes less money. Mr. Staggers' H.R. 6808 includes the materials provisions and authorizes more money than S. 1730. Mr. Heinz' H.R. 4622 establishes different kinds of criteria, has a materials provision and authorizes more money than S. 1730. Attached to this Memorandum is an analysis of the provisions of each of these bills.

Following are the views of the Chief Operating Officers of the Boston and Maine and the Rock Island to selected policy issues that must be resolved by your Subcommittee in marking up legislation. The term "we" expresses a common viewpoint of the CEOs.

I. Goals, Objectives & Definitions. The above bills adequately cover this subject. Since this is not a comprehensive railroad bill, but a first step in addressing one problem, we believe the primary goal should be reduction of unemployment through a program that meets a secondary goal—rehabilitation of roadbed.

II. Time Limits on Implementation. Very important if the bill is to have any impact this season. S. 1730 gives the Secretary 30 days to work out guidelines and procedures and 15 days to accept or reject applications. This seems reasonable. The Committee Report might well urge the Secretary to move even more rapidly if at all possible.

III. Eligibility for Grants. The rules should not be overly restrictive. They should, however, make clear that areas of high unemployment and roadbed that is most essential and in the greatest need of work have the highest priority.

Mr. Ingram suggests specific criteria utilizing the FRA's National Track Safety Standards. He recommends that the category in H.R. 6962/S. 1730 establishing as eligible track that carries at least five million gross ton miles per mile of road per year be amended by adding, "provided that the track in question is ranked as either Class 1, Class 2 or Class 3." This would restrict money from flowing to a prosperous railroad that wishes to upgrade heavy-density mainline from say Class 5 to Class 6 to gain a slightly improved competitive edge.

Mr. Dustin suggests several criteria from existing bills: (A) railroads in reorganization under section 77; (B) railroads with high-density freight lines, and lines (including passenger lines) with serious safety hazards or substantial bottlenecks in rail lines and yards; (C) Lines identified by State, regional, or local authority as essential, so long as the Secretary concurs; (D) lines owned by a State, or other public entities. (Note: criteria (A) and (B) are included in H.R. 4622 and (C) and (D) in H.R. 6962/S. 1730).

Mr. Dustin feels the categories should not have any order of priority in order to achieve flexibility.

IV. Funding Formulas. Existing bills give the Secretary discretion over all the funds within the established guidelines and priorities. Mr. Ingram suggests that 50% of the total appropriation be allocated among the 48 Continental United States on a proportionate track-mile basis. The remaining 50% would be distributed at the Secretary's discretion. This would create geographic balance in the program.

V. *Materials and Supplies.* We feel that provisions of S. 1730, H.R. 6808 (Staggers), and H.R. 4622 (Helnz as amended by himself) relating to assistance for railroads in purchasing materials and equipment necessary for projects funded by employment provisions should be enacted. Most of these supplies and materials are now readily available (except rail), but financially out of reach for many railroads in the greatest need of this legislation.

VI. *Grants or Loans.* Grants seem appropriate for the employment provisions, and are provided for in each of the bills before the Subcommittee. Materials and equipment provisions of S. 1730 and H.R. 6808 (Staggers) allow the Secretary to provide assistance in the form of grants or loans. These bills appropriately anticipate that railroads in severe financial difficulty will receive grant assistance. Senator James Buckley, who was very much involved with this issue during Senate consideration, suggested that it was the intention of the Senate that, "those railroads in section 77 reorganization under the bankruptcy laws, or those which are on the verge of section 77 reorganization, would qualify for the grants, whereas the financially solvent railroads would be eligible for loan guarantees." Both the Rock Island and the B & M are in section 77 reorganization. Because a Federal loan would require a "prior lien", and bondholders may object to the court (which must approve all major financial transactions), it might be impossible for either of the railroads to participate in a loan program. We therefore endorse the S. 1730/H.R. 6808 provision on this question and the Buckley interpretation.

VII. *Recapture.* The S. 1730/H.R. 6808 bills provide that grant recipients compensate the Federal Government for the value added to private properties by a grant for materials and equipment. Mr. Helnz' H.R. 4622 would extend this to the employment grants. Such provisions are worthwhile from a public interest viewpoint, and in fact Mr. Dustin assisted in developing language for Mr. Helnz. We wish to point out, however, that these provisions could limit the participation of the section 77 railroads, since the "conditions" for a grant could have the same practical result as a prior lien. Mr. Ingram makes a suggestion that "conditions" might include lower rates on government traffic as a means of recapturing grant funds. Adding any recapture provision to the employment provisions may prove over complicated, but should be considered for materials provisions.

VIII. *Authorization Level.* Because of Administration concern over budget deficits, and the fact that this is an emergency employment program, we recommend that a modest budget figure be agreed upon. Mr. Dustin suggested, in his testimony, a \$200 million one year authorization for employment grants. An addition \$100 million for materials and supplies grants and some loan guarantee money would also seem appropriate. The key is to find a dollar that will not invite a veto—if possible.

Mr. SANTINI. Thank you very much.

Mr. ROONEY. Thank you, Mr. Gibbons, and thank you, sir.

Mr. SKUBITZ. One other question, Mr. Chairman.

Mr. INGRAM. What is the difference between a class 1, 2, 3, 4, 5, or 6 railroad?

Mr. INGRAM. There are many differences. Basically they deal with the safety with which a railway can be operated.

Class 1 has a speed limit for freight trains of 10 miles an hour.

Mr. SKUBITZ. Who establishes that rate of speed on a class 1 railroad?

Mr. INGRAM. The Federal Railroad Administration establishes and the railroads are responsible for inspection of the tracks. The speed limits are, as a result of those standards, applied to their tracks.

Mr. SKUBITZ. What I want to know is, are there certain routes where 10 miles an hour is a reasonable speed?

Mr. INGRAM. Well, let's see.

Mr. SKUBITZ. Or it is because the track is so deteriorated it is not safe to go over 10 miles an hour?

Mr. INGRAM. Both things exist, of course. There are some railroad tracks you would not operate faster than 10 miles an hour no matter

how much maintenance you put in, such as switching tracks in industry areas.

Mr. SKUBITZ. What percent of your track is that kind of track on the Rock Island?

Mr. INGRAM. I will get the figure.

Mr. SKUBITZ. Just an estimate?

Mr. INGRAM. 15 or 20 percent of the track, not the route miles. That is mainly the yard tracks and tracks in the terminal areas and so forth.

Our main lines out where the freight trains should be moving, they vary from class 1 to as high as class 5. We have some railroad that operates at 69 miles an hour, which is a class 5 track. Class 1 track, as I say, has an upper speed limit of 10 miles an hour.

Mr. SKUBITZ. Some of your lines, big freight lines, operate at 10 miles an hour?

Mr. INGRAM. Yes, sir.

Mr. SKUBITZ. Is that as fast as you want them to go?

Mr. INGRAM. No, sir.

Mr. SKUBITZ. It seems to me that you lose a lot of money if you have 100 miles to travel and it takes you 10 hours to make that trip whereas if you had your road built up you could make it in two hours.

Mr. INGRAM. That is exactly correct, sir. We have some real problems in this.

Mr. SKUBITZ. I am glad you recognized that. I wondered if the enterprise permitted the track to get into these conditions, how you got it that way?

Mr. INGRAM. I don't think a railroad would operate with that kind of track if they could avoid it but it is simply a question of money.

Mr. SANTINI. All of man's problems are.

Mr. SKUBITZ. Class 6 is the best?

Mr. INGRAM. Class 6 is the best class they publish and that is good for 110-mile-an-hour operations and we don't have any track that we feel should be that class, but class 5 which has an upper speed limit of 80 miles an hour and we have a considerable amount of track. We have classes 1, 2 and 3 which have speed limits of 10, 25, and 40 miles an hour, which should be operated at much higher speeds. It costs us money not to operate at those higher speeds, not only in terms of locomotives and car time but in the cost of labor, keeping a crew on board on the train a long period of time when there is no reason to do it.

Mr. SKUBITZ. In terms of passenger service, it seems to me until we get up to 80 or 100 miles an hour, we are not going to make it profitable for that type of operation.

Mr. INGRAM. That is true. Our passenger routes operate normally an hour late because of track conditions.

Mr. SKUBITZ. That is all.

Mr. ROONEY. No further questions?

Our next witness will be Mr. Alan Dustin, president, Boston and Maine Corp., Boston, Mass. Accompanying Mr. Dustin will be Mr. Ray Chambers of Washington.

I appreciate very much your moving your schedule from tomorrow to today. I think we both were lucky because we are not going to have a meeting tomorrow and you filled in as a witness this afternoon.

Unfortunately, I must announce now, because of the fact there is a caucus tomorrow morning, the full committee will meet at 2 o'clock tomorrow afternoon and thereby prohibiting this subcommittee from meeting tomorrow for the benefit of those people that are here today.

Mr. DUSTIN. I am glad it worked out this way, then.

Mr. ROONEY. You may proceed.

STATEMENT OF ALAN G. DUSTIN, PRESIDENT AND CHIEF EXECUTIVE OFFICER, BOSTON AND MAINE CORP., ACCOMPANIED BY RAY CHAMBERS, WASHINGTON REPRESENTATIVE

Mr. DUSTIN. We appreciate the opportunity to appear before you today.

Mr. Chambers is our Washington representative.

The Boston and Maine Corp. is in a unique position in the Northeast. While we are not far removed financially from the ConRail candidates, we are determined to stay out of that system. We are the only one of the Northeast bankrupts not to have succumbed to the Regional Rail Reorganization Act of 1973. We are presently the sole survivor in the Northeast. Thus our fortunes vis-a-vis the private sector may well be a harbinger for rail concerns across the country.

I am confident we have a chance for survival and reemergence as a profitable railroad. We are trying to do it on our own. Since bankruptcy, we have received no subsidies, no grants from local, State, or the Federal Government, nor any loans of any sort, except through conventional means. In fact, last year we made a \$2 million final payment to the Government on a loan which had been arranged by previous management prior to bankruptcy. We are settling our property taxes. We have high hopes, this year, of closing the books on 13 years of deferred taxes with every State, city, and town through which we run. This amounts to well over \$6 million. The sale of a commuter line to the State of Massachusetts helped us to meet those tax and loan obligations. I ask permission to submit a statement on the B. & M. tax settlement for the record, and this will be identified as Exhibit A, and it discloses the settlements by State that we have made in the past year and a half.

Mr. ROONEY. Without objection [see p. 129].

Mr. DUSTIN. Most importantly, we have not only avoided deferring maintenance; over the last 2 years we have engaged in an accelerated improvement program unmatched for any comparable period over the last 14 years.

If I may, I would like to submit a chart at this point identified as Exhibit B, which indicates the put-back into the railroad in the form of ties, rail, ballast, and surfacing during the period from 1961 through 1974, to show the improvements in the basic ingredients that go into track maintenance.

Mr. ROONEY. Without objection [see p. 130].

Mr. DUSTIN. Our derailment experience during the last decade is a good illustration of the importance of improving track condition. Through the late 1960's and the early 1970's the B. & M. was notorious for its major derailments. The railroad averaged two serious derailments a month. Three years ago we began our stepped up maintenance

program. We acquired nearly \$3 million worth of maintenance-of-way equipment, together with about \$1 million worth of highway vehicles related solely to maintenance of way, and nearly \$3 million in improvements to fixed plant—all paid for through internally generated funds.

If I may, I would like to submit a statement identified as Exhibit C, which identifies and lists the capital improvements and the acquisitions during the past 3 years.

Mr. ROONEY. Without objection [see p. 131].

Mr. DUSTIN. We purchased new ties and rail and generally increased our operating expenses in this maintenance area. With the help of good maintenance of way employees and patrolmen we were able to substantially cut our casualty loss and funnel money into improvements instead of casualty loss. In fact, it has been over a year, March of 1974, since we had a serious derailment. Our personal injury record for the past 2 years has been improved by 50 percent.

Now the recession, which, to B. & M. is a railroad depression, has dealt our plans to escape bankruptcy a serious blow. Business conditions during the first 5 months of this year progressively worsened from a drop of 13.6 percent in January as compared with the previous year to a decrease of 24 percent for the month of May. While the economy may be bottoming out, the normal summer slump will put the B. & M. to the test.

It is of little consolation that we are not alone. The first quarter financial results for railroads in the United States was the worst ever experienced. It is no secret that the disease that sapped the strength of the Northeast rail system is spreading.

This subcommittee is to be commended for refusing a "quick fix" approach, but attempting to develop a national program. Your hearings on standardized accounting and material availability and soon on regulatory restraints are right on target in making a beginning at addressing causes.

The legislation before you is a good example of a short term program which fits perfectly into the development of a national strategy for rail recovery and rehabilitation. In developing the committee bill, there are several specific points this subcommittee will consider.

First, the program should be seen as primarily emergency employment legislation at a time when unemployment is at unacceptable levels. On the Boston & Maine, if this bill is enacted on a timely basis, we are prepared to hire 400 unemployed people within 30 days and get them to work on our roadbeds putting in ties, laying rail, surfacing, cutting brush, improving communications and signals, and doing other productive work that is badly needed on the B. & M. right of way. If the bill is signed into law soon, the B. & M. could provide over 45,000 man-days between now and December for a labor cost of approximately \$3,055,000.

I would like to submit a statement identified as exhibit D, which details the man-hours and the work allocation.

Mr. ROONEY. Without objection [see p. 131].

Mr. DUSTIN. Second, this legislation will stimulate material and equipment purchases from depressed industries. Right now, the Boston & Maine has stockpiled 208,000 ties, which have been paid for,

and 26.5 miles of rail available for use this season with a total value of \$3.5 million. Plus a substantial value for related items such as the tie plates, spikes and joint bars, rail anchors, et cetera. Under existing cash resources, we simply can't put workers to work putting this material on the roadbeds; that material, for the most part, will lie idle for a year, or in the case of rail, may even have to be resold. Through enactment of this legislation the B. & M. will move forward into the third year of its accelerated improvement program, then new orders will be placed with hard-pressed supply companies as this year's material is used.

Because of the recession, ties, ballast and related rights-of-way materials are readily available. I hope this subcommittee will give serious consideration, Mr. Chairman, to grants or loans for material and equipment. There could be no better time for a national rights of way materials purchase program. Indeed, as the economy comes back, ConRail's voracious appetite for material and equipment will absorb much of the existing supply, and as more and more industries will compete for raw materials, we will once again experience the scarcities of last year.

Third, this legislation addresses the very serious industrywide problem of deteriorating roadbed. Priorities should be established to see that it most effectively accomplishes its objective. Across this country crumbling ties, rusting and broken rails and bad ballast are causing innumerable slow orders that blunt the competitive edge of railroads and create a national safety hazard. To the extent possible—that is the track that should get first attention. While the mechanisms of the law should not be overly complex, a simple formula for distribution of money based only on the number of maintenance of way employees furloughed is not a complete answer. Area unemployment rates coupled with the need for track improvement should be the basic criteria.

Fourth, in setting dollar levels for this program, the attitude of the Ford administration should be taken into account. Undoubtedly tomorrow Secretary Coleman will oppose this legislation in favor of the administration's Rail Revitalization Act. In my view, this bill is not incompatible with the objectives of the Rail Revitalization Act and there is a great deal of sympathy for this concept in the Federal railroad administration. The actual problem seems to be budget constraints in a high deficit year. A big dollar authorization of, say, \$800 million, or a billion, even in a 2-year program will undoubtedly be vetoed. Perhaps if the Congress is willing to lower its sights to something like a \$200 million, 1-year authorization, the President would be more willing to avoid confrontation, and sign the program into existence and reconcile it with his own proposal.

While I may be overly optimistic, I feel that this suggestion should at least be informally explored with the Department of Transportation and the White House and an effort should be made to reach a good faith agreement with the administration. This is especially important since the season is rapidly slipping by, especially in the Northeast where working months are limited for track repair due to the severe winter season.

Mr. ROONEY. We will recess this meeting until after the vote.

[Brief recess.]

Mr. ROONEY. You may proceed, Mr. Dustin.

Mr. DUSTIN. Thank you.

Fifth, this subcommittee should address the problem of value added to the property as a result of Federal activity. I know there is real concern by some members of this committee that the program under consideration will ultimately benefit shareholders of privately owned railroads. The Senate-passed S. 1730 addresses that problem in the materials acquisition section by allowing the Secretary a range from loans to grants, with or without conditions, and requiring binding assurances for paying back the Federal Government for any value added. Congressman John Heinz's bill covers this problem in the employment provision. I worked with both Congressman Heinz and Senate Members in developing those provisions. However, I do want to make the point, that in considering this issue it must be remembered that all existing direct and indirect transportation subsidies—to ship builders, truck lines, barge lines, aviation, et cetera—result in substantial benefit to bondholders and stockholders of these transportation media. These conflicts can never be fully resolved if we are to have a Federal/private interface in transportation.

That concludes my formal statement, Mr. Chairman. I will be pleased to respond to any questions.

[The exhibits referred to follow:]

EXHIBIT A

BOSTON AND MAINE CORPORATION TAX SETTLEMENT

Since mid-1974, the following deferred property taxes have been paid or are about to be paid on a negotiated basis with the various communities in each state we serve:

The following amounts have been paid to date:

Massachusetts -----	\$4, 871, 605. 41
New Hampshire -----	2, 010. 62
New York -----	156, 078. 43

Total ----- 5, 029, 694. 46

The following have been submitted to Federal Court and are awaiting payment:

Massachusetts -----	\$61, 108. 00
New Hampshire -----	5, 770. 00
New York -----	300, 040. 55
Vermont -----	4, 160. 33
Maine -----	16, 665. 00

Total ----- 387, 752. 88

Cities and towns within the following states have agreed but not settled:

Massachusetts -----	\$827, 500. 73
New York -----	329, 234. 30

Total ----- 1, 156, 735. 12

Grand total ----- 6, 574, 182. 46

NOTE.—Some of these taxes which have been settled have been deferred since 1962.

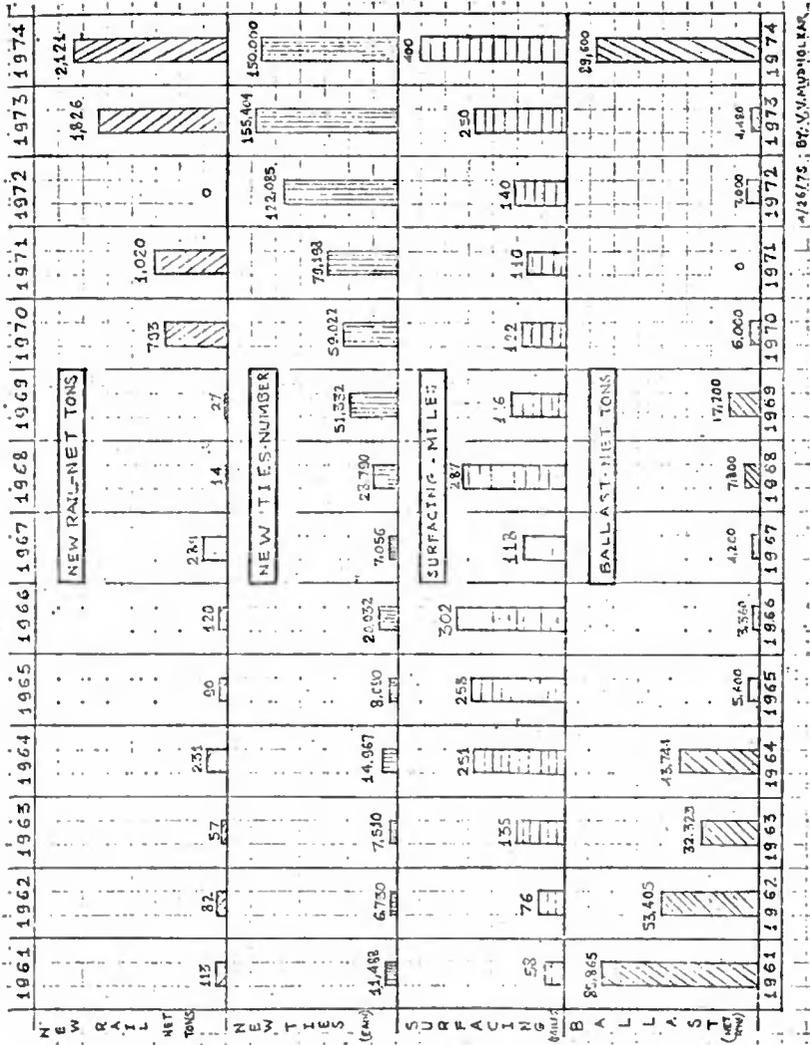


EXHIBIT B

4/26/75 BY V.V. HAYES/RLK

EXHIBIT C

BOSTON & MAINE CORP. HAS PURCHASED THE FOLLOWING M. OF W. EQUIPMENT SINCE BANKRUPTCY

Unit	Number	Cost
OWNED EQUIPMENT		
Welding machine.....	1	\$1,030
Huck fastener equipment.....	1	5,200
Electromatic lampers.....	2	132,648
Switch tampers.....	3	191,158
Plasser roadmaster tamper.....	1	41,016
Ballast regulators.....	6	187,571
Tie handlers.....	6	92,133
Jet snow blowers.....	5	248,902
Brush cutter.....	1	49,800
Automatic anchoring machine.....	2	33,590
Tie borers.....	9	8,946
Spiking hammers.....	2	10,136
Rail lifters.....	2	7,908
Tie shear.....	2	60,980
Tie bed scarifiers.....	2	41,800
Nordberg hydrespiker.....	1	34,500
Spike pullers.....	3	9,225
Tie plug inserts.....	2	9,590
O.W. digger.....	1	7,600
Tie inserter.....	1	31,197
Plate placer.....	1	976
Rail heater heads.....	1	5,000
Ballast cribber.....	1	4,725
Rail slotter.....	1	605
Cresosote machine.....	1	2,500
Adzer.....	1	8,200
Spike straightener.....	1	4,115
Rail drill.....	1	773
Rail expander.....	1	2,765
Clamshell bucket.....	1	6,556
Diesel portable lights.....	2	2,400
Caterpillar front end loaders.....	2	89,188
Air compressors.....	2	11,897
Grouting and gunite equipment.....	1	25,834
Used backhoe trencher.....	1	4,980
Rail end welding equipment.....	1	26,342
Total.....	72	1,401,796
Autos and trucks: Specially equipped autos and trucks, some equipped with hy-rails.....	154	997,714
Total.....		2,399,510
Leased equipment: Specially equipped autos and trucks, some equipped with hy rails.....	103	920,000
Total.....		3,319,510

BOSTON & MAINE CORP. HAS MADE THE FOLLOWING PROPERTY IMPROVEMENTS SINCE BANKRUPTCY

Location: Description	Capital
System: Install additional stone ballast.....	\$43,775
Pepperell, Mass.: Install new steel girder span in place of wood truss—Bridge No. 36.....	20,812
Reynolds, N.Y.: Install No. 10—112# crossover, vicinity of brick yard crossing.....	11,496
Nashua, N.H.: Install 2 No. 8 connections and 570 ft of track.....	15,497
Mechanicville, N.Y.: Convert manually operated gates at Vial and Railroad Sts. to automatic operation.....	50,770
Belmont, Mass.: Install new improved type aerial cable hill crossing.....	13,863
Fitchburg, Mass.: Install 5 mi of new 115# jointed track.....	211,699
East Deerfield to Williamstown, Mass.: Install additional stone ballast.....	23,269
Somerville Junction to Lowell: Install additional stone ballast.....	11,336
Fitchburg to East Deerfield, Mass.: Install additional stone ballast.....	72,517
Royalston, Mass.: Install additional stone ballast.....	22,957
Somerville, Mass.: Construct combined headquarters building in Yard 21.....	15,323
Hoosac Tunnel: Install 132# new welded rail—5.5 mi, undercutting, ballast cleaning, relocate track, drainage and improved clearance.....	383,180
Billerica, Mass.: Provide low-pressure heat for shops and office building.....	79,736
Billerica, Mass.: Erect rail welding plant and purchase of rail welding equipment.....	100,000
System: Purchase 10 Motorola radios for diesel locomotives.....	13,635
Worcester, Mass.: Install fueling facilities for diesel locomotives at Millbrook St. yard.....	16,760
Billerica, Mass.: Relocation of general office, phase I.....	106,114

BOSTON & MAINE CORP. HAS MADE THE FOLLOWING PROPERTY IMPROVEMENTS SINCE BANKRUPTCY—Con.

Location: Description	Capital
Fitchburg M.L.:	
Increase O.H. bridge clearance to permit tri-level auto movement between McVillie, N.Y., and Ayer, Mass.	46, 800
Increase O.H. bridge clearance to permit tri-level auto movement between Mechanicville and Ayer, Mass.	29, 100
Billerica, Mass.:	
Provide office space for relocation of general offices to Billerica, Mass., phase II	82, 891
Purchase and install air-conditioning units, phase I and II areas, general office	75, 509
Hoosac Tunnel: Install 176 ft of liner plate in Hoosac Tunnel (includes 50 ft previously installed by emergency authorization)	138, 306
Rices to Soapstone, Mass.: Install 7 mi of new 115# welded including No. 10 connection	53, 952
East Oerfield, Mass.: Install pollution control facilities	40, 200
Lancaster, Mass.: Upgrade crossing protection at 4 public grade crossings	11, 301
Mechanicville, N.Y.: Provide locomotive fueling and water pollution abatement facilities	57, 697
Billerica, Mass.: Install 40 resolute and 40 aluminum windows to replace wood windows in locomotive shop, building No. 20	14, 781
Clifton Park, N.Y.: Install automatic crossing protection at 2 grade crossings	20, 430
Billerica, Mass.: Install facilities to remote control the McVillie traffic control system from dispatchers office, Billerica	65, 433
Lawrence, Mass.: Install automatic protection at Broadway and Water Sts.	14, 198
North Andover, Mass.: Install automatic crossing gates at Sutton St	37, 845
Rotterdam Junction, N.Y.: Install 1 No. 10 main line crossover	11, 807
Billerica, Mass.: Install rollers and ramp to accommodate 3 tiers of welded rail at welding plant	43, 250
Mechanicville, N.Y.: Consolidate hump retarder and switch controls from 2 control towers into 1 control tower	15, 765
Salisbury, Mass.—Seabrook, N.H.: Railroad portion of reconstruction of overhead bridge No. 41.42	14, 652
System: Provide improved train radio communication system	343, 781
East Oerfield, Mass.: Combine work equipment shops	45, 125
System: Install steel wire circuits—2 carrier systems and switching equipment	145, 550
West Portal to Williamstown, Mass.: Install 6.3 mi of new 115# welded rail	83, 194
Hoosick to Johnsonville, N.Y.: Install 13.7 mi of new 115# welded rail	188, 795
East Oerfield, Mass.: Install additional yard compressed air capacity in East Oerfield yard	33, 480
Somerville, Mass.: Purchase and install 2 air compressors for Boston engine terminal	67, 410
Ayer, Mass.: Construct Ford automatic unloading facility	1, 750, 000
Total	4, 643, 991

EXHIBIT D

ITEMIZATION OF POSSIBLE BOSTON AND MAINE USAGE OF RAIL EMERGENCY EMPLOYMENT FUNDS

(1) The Boston and Maine could employ from July 1–December 15, 1975:

3 Tie Crews (fully equipped)	90
2 Yard Tie Crews	40
2 Branch Line Tie Crews	40
1 Rail Crew (fully equipped)	40
6 Surfacing Crews (fully equipped)	60
6 Brush Cutting Crews (hand tools)	36
6 Insulated Joint Renewal Crews (hand tools)	18
4 Culvert Cleaning Crews (hand tools)	24
4 Right of Way (Tie Butts, etc.) Clean up Crews	16
2 Pole and Line Crews (fully equipped)	12
2 Bridge Tie Crews (fully equipped)	14
1 Cable Gang (fully equipped)	10
Total men	400

(2) 400 men at 117 working days equals 45,600 man days of employment.

(3) This would cost for labor and fringe benefits: \$67.00 per man day or \$3,055,200.

(4) Ties (on hand or on order) available for use: 208,000. Valued at: \$2,412,800.

(5) 26.4 miles of rail paid for or on order available for laying. Valued at, \$1,133,034; total value of ties and rail, \$3,545,834.

Mr. ROONEY. Thank you very much, Mr. Dustin.

On page 1 of your statement, you stated that you are not far removed financially from the ConRail candidates, and you are determined to

stay out of the system. Am I to take it that you are implying that ConRail is not a viable system, it won't work?

Mr. DUSTIN. I have serious doubts about the economic viability of ConRail, but my remarks are more related to the desire of the Boston & Maine to remain as an entity of free enterprise, independent of ConRail. I think by doing this we can do better by our customers by being more responsive on a local basis to their needs.

We can do better for our employees, and I think we can provide more equity for our bondholders.

Mr. ROONEY. How long have you been in bankruptcy?

Mr. DUSTIN. Since 1970, in March.

Mr. ROONEY. What do you attribute as the greatest factor that caused your railroad to go into bankruptcy?

Mr. DUSTIN. Well, I can't really answer that because I have only been with the Boston & Maine for about 2 years. There was a multitude of problems. One in the Northeast, where industry has seriously declined, especially in the Massachusetts area where the Boston & Maine gets a preponderance of its freight.

The Boston & Maine did have some management problems. I think one very serious cause which perhaps started the B. & M. problem and continued in its progressiveness to undo the Boston & Maine and is reaching into other areas of the country, is the inequity between various modes of transportation.

For example, the Boston & Maine today spends 25 cents out of each dollar it takes in to meet its fixed charges on an accounting basis, its taxes, its maintenance of right-of-way, all related to its right-of-way. Truckers pay about 6 percent or the equivalent of 6 percent of its, if it is private trucking, of their dollar for the use of the highway system in user charges.

Mr. ROONEY. Suppose the Federal Government takes over the rail network in the country, would you favor that idea?

Mr. DUSTIN. If the Government would take over the Boston & Maine freight lines and charge us what the truckers pay on a gross ton-mile basis, instead of losing \$4 million last year, we would have made about \$18 million, so I would say yes, I would be in favor of it.

Mr. ROONEY. Do you think we could do this throughout the entire 330,000 or 340,000 miles in this country?

Mr. DUSTIN. No, sir, I don't think so. I think there would be a good deal of opposition from certain carriers. It depends on their position.

Mr. ROONEY. I didn't ask that. I said do you think it could work? I am not talking about opposition, I know there is opposition. You are associated with one industry that has absolutely no unanimity on any given subject.

Mr. DUSTIN. I agree with that.

Mr. ROONEY. Do you think we could have a viable Government-operated national rail system in this country, paid on an across-the-board basis as I said on numerous occasions here before, charge the shippers, charge, or put a tax on, diesel fuel and put it in a trust fund, so that you would charge the barge lines a diesel fuel tax and the truckers a diesel fuel tax and, of course, the railroads?

Mr. DUSTIN. Are you referring to Government ownership of the rights-of-way and leasing back?

Mr. ROONEY. Right.

Mr. DUSTIN. Yes; I think it would work.

Mr. ROONEY. You talked about the recession and how it has had an adverse effect on your railroad. What is your No. 1 shipper on your railroad?

Mr. DUSTIN. Brown Paper Co.

Mr. ROONEY. And how much of that—

Mr. DUSTIN. That is originated traffic; we have another company that gives us more overhead traffic. It is paper and paper products amounting to about 33 percent of our total traffic, paper and paper-related traffic.

Mr. ROONEY. How much money do you think it would cost to upgrade your entire system?

Mr. DUSTIN. Well, the figures we put together last summer was \$20 million.

Mr. ROONEY. \$20 million. Then you are talking about working with the administration and, for your information, Mr. Skubitz, I want to work with the administration and I certainly respect you for all of the cooperation you have given this committee, but when we begin talking about \$200 million, we are going back to that leaf-raking operation. You need \$20 million and you heard testimony from Mr. Ingram saying over a long period of time he needed \$350 million and we heard testimony that the Northeast needs anywhere between \$6 billion and \$7 billion and how can we do anything with \$200 million? You take 10 percent of it yourself.

Mr. DUSTIN. \$200 million is for a period of less than a year. We are talking about 1 year's program. Now the Boston and Maine's \$20 million, which would probably be more than that now because of inflation is a long-range program. It could not be done in 1 year. It would take more like 5 years if all material were available. The \$200 million that I referred to would be the first year of this program.

Mr. ROONEY. Mr. Santini.

Mr. SANTINI. Thank you, Mr. Chairman.

When you referred to this legislation, to what specific bills are you referring and what specific legislative proposals have you individually reviewed?

Mr. DUSTIN. Well, primarily, the Senate bill which passed the Senate and the major portions of the other bills that I referred to that are essentially the same.

Mr. SANTINI. All right. Have you specifically reviewed H.R. 6962?

Mr. DUSTIN. Very briefly, yes. I went over it today.

Mr. SANTINI. This was your first opportunity to just review the highlights rather than an in-depth analysis?

Mr. DUSTIN. Yes.

Mr. SANTINI. Would you provide the committee with your assessments of that particular bill?

Mr. DUSTIN. Certainly.

Mr. SANTINI. On a section-by-section basis.

[See memorandum for the Honorable James Santini, dated June 23, 1975, p. 123, this hearing.]

Mr. SANTINI. Were you present in the hearing room during the testimony of Mr. Ingram when he suggested that a possible means of recoupment of the moneys advanced would be a loan repayment basis

citing an experience within his rail line of the Iowa project and how they recover \$10 per carload?

Mr. DUSTIN. Yes, sir, I was.

Mr. SANTINI. Have you had such loan or advance monetary arrangements?

Mr. DUSTIN. No, sir. The only arrangements we had similar to this, which is pretty much the same throughout the country with most of the railroads, is a payback by a customer or rather to a customer when a side track is installed. The railroad would install it. The customer would initially pay the amount, and then it would be paid back to the customer on a carload basis. This protects the investment that is put into the properties on a basis of the user.

Mr. SANTINI. What is your evaluation on the feasibility of such a proposal?

Mr. DUSTIN. Well, for the labor portion, I would certainly prefer to see it a grant. The material portion, we would certainly recognize the need to pay it back under some form. This would seem to me to be a form based on actual usage.

Mr. SANTINI. Would a repayment condition of any kind as related to the employment phase of the legislation be impossible for you to live with?

Mr. DUSTIN. It might be, because of the problem we have with the bondholders on liens. Of course, anything like this would have to have court approval. We do have problems in this area.

Mr. SANTINI. What is the total trackage of B. & M.?

Mr. DUSTIN. Total trackage is 2,200 miles. We have 1,450 miles of right-of-way.

Mr. SANTINI. Have you done an assessment of the classification of the repair status of this 2,200 miles of track?

Mr. DUSTIN. We have not put it all together.

Mr. SANTINI. Would you be able to approximate between the suggested classifications of 1 through 6, what percentage of your track are in what condition?

Mr. DUSTIN. I would say we don't go above class 3, which is maximum speed of 40 miles an hour for freight and 50 miles an hour for passenger. I would say that about, well, first of all I would like to reduce the total 2,200 miles of track by 15 or 20 percent because that is yard, secondary tracks, which we generally would not want to run more than 10 miles an hour from the standpoint of use. Other than that I would say 30 percent of our track is good track for class 3, which is 40 miles an hour. I would say about 30 percent would be, or 35 percent would be good for up to 25 miles an hour. The remaining would be 10 miles an hour. This includes a couple of hundred miles of branch lines that are very lightly used.

Mr. SANTINI. I am encouraged by the representation on page 1 of your vigorous demonstration of the independent determination of private enterprise. I would like to wrap-up to know exactly where you feel you are going in terms of economic potentiality for the future.

Mr. DUSTIN. Last year, when we went before the court to seek permission to reorganize on an independent basis and from which we received a favorable decision from the court, we presented a business

plan which justified a reorganization on the basis of the economic conditions at the time and late 1978. We actually experienced 5 profitable months during 1974, July, August, September, October, November, on a fully accrued basis just as if we were making full payments on our fixed charges and taxes, and the other deferred payments that we have relief from in bankruptcy.

If the recession had not come about when it did, and as deeply as it did, I am quite certain that this target of late 1978, on an income-based reorganization, could have been met. I consider the present business recession to be a postponement in our plans, depending upon how long this lasts.

So far we have been able to maintain an adequate supply of cash, although it has meant delays, meant delays of course in our task program, but we have been able to maintain a sufficient amount of cash to carry on our operations. We feel confident that we can continue to do this if the depression does not last too long, or get any deeper.

Mr. SANTINI. I don't share your optimism.

Do you feel or do you share Mr. Ingram's enthusiasm for a formula such as you proposed of a distribution of whatever moneys are determined from whatever piece of legislation on a 50-percent outside the Northeast basis?

Mr. DUSTIN. I can't answer that, because I don't know what the analysis would show.

Mr. SANTINI. Well, he simply suggested that he didn't want to see all of the money go into the Northeast corridor and, therefore, he proposed an arbitrary formula of 50 percent outside of the Northeast corridor.

Mr. DUSTIN. Well, I agree, I don't think that all of the money should go into the Northeast section of the country. This is the one that, the area that gets the most publicity, but there are certainly needy railroads in other sections, but I don't know whether 50-50 or 75-25, or whatever might be an appropriate split.

Mr. SANTINI. Thank you, Mr. Chairman.

Mr. ADAMS [presiding]. Mr. Skubitz.

Mr. SKUBITZ. I have no questions, Mr. Chairman.

Mr. ADAMS. Mr. Florio.

Mr. FLORIO. Thank you, Mr. Chairman.

First, I want to compliment you for your candid and very modest testimony. One point you raised that was very encouraging, you say you have stockpiles of a sufficient number of ties and rails, so if money was provided to you on grants and loans for employment of workers you would be able to go to work very quickly?

Mr. DUSTIN. Yes, sir, that is what is frustrating to us. Last year when we had a good cash flow situation we made commitments and paid in advance for the ties. You had to do that last year to get ties promptly. We put in 135,000 ties in our railroad last year, which we acquired about August, started to acquire in August because they were extremely short earlier in the year. We have taken deliveries of ties, dried them, and they are being treated now, and we have a total of 208,000 ties that we own, that are not all creosoted yet, but they are in the drying period and will be creosoted this year, and they are available on a continuing basis.

We have 10 miles of rail which we bought last week at \$600,000, 115 pounds, which we are taking delivery on starting this week from

Bethlehem Steel, which we will weld in our own welding plant and put out.

This year, with a makeup gang on rail that we acquired last year, which was too late to put in last year because of weather conditions, we have already put down 10 miles of welded rail this year. There will also be a release on secondhand rail that we can bring in and weld and cascade down into other main line tracks.

Mr. FLORIO. You say that is standard operating procedure in the industry for a company to have on hand a minimum number of rails and ties?

Mr. DUSTIN. No, sir. Rails are extremely difficult to get. Recognizing the problems we had 2 years ago, we put in orders ahead of time for 20 miles of rail for the next 2 years and this year we were cut back to 10 miles of rail because of scarcity. Our inventory value increased from \$2,900,000 last year to over, rather from \$2.9 million to over \$6 million at the present. So we have, or when we had the money last year we built up a heavy supply of inventory in scarce items. This included diesel wheels, freight car wheels, and other similar type of material that has been extremely hard to get.

Mr. FLORIO. How many men are furloughed?

Mr. DUSTIN. In maintenance of way we have roughly 110 people furloughed that worked late last year for us that we had to furlough this winter.

Mr. FLORIO. If the work would be performed, financed by this piece of legislation, if it goes through here, if such were to acquire more than that number, would you have trouble getting other employees from other companies?

Mr. DUSTIN. No, sir. We could utilize 400 employees right now. We have the necessary equipment and the materials to keep them busy for the rest of this year.

Mr. FLORIO. Do you have any prospective purchasers for your bankrupt railroad. Anyone that expressed an interest?

Mr. DUSTIN. No. We have been negotiating for some period of time for sale of our commuter lines, about 150 miles of commuter line close into Boston to the Massachusetts Bay Transit Authority, and it could be a reality in the near future. This is the only potential sale we have.

Mr. FLORIO. If a grant pursuant to this piece of legislation was conditioned upon a company's willingness to abide by the requirements in the event of transfer, conveyance, lease or whatever, of any of this property, there would be a payback provision paying back the amount of money that was granted, would it be an inhibition to accepting a grant?

Mr. DUSTIN. It could be from my standpoint, I would go all out to try to get our trustees and bondholders through the courts to approve it. But sometimes the bondholders don't share our enthusiasm for spending money.

Mr. FLORIO. Of course, in that situation it would not be spending money.

Mr. DUSTIN. Well, it would be a prior lien on the estate. From this standpoint I am sure we would have some problems. How intense it might be, I don't know.

Mr. FLORIO. And the suggestion, to amplify on Mr. Santini's question, the suggestion that was made about we having some kind of arbitrary

formula to insure the fact that the Northeast area does not get all of the money. I think everybody sympathizes with that. My own opinion was the arbitrary formula, was extremely arbitrary. I wondered if you had any thought on devices that would insure the fact that one specific area does not get all of the money?

Mr. DUSTIN. No, I don't have any magic formula. I do think the two criteria I mentioned should be unemployment where your unemployment is the highest, coupled together with the greatest need for track improvements. I think those are the two basic criteria that should be used.

Mr. FLORIO. Incidentally, just in conclusion, the suggestion you made or I am not sure who, it was a proposed amendment as to criteria for railroads, I think that is very wise and it should be given due consideration to incorporate into the bill H.R. 6962.

Thank you, Mr. Chairman.

Mr. ADAMS. I wanted to follow up on his last question. There are three bills presently pending before the subcommittee, each with a different set of tests as to eligibility for grants. Do you believe that the Boston and Maine would qualify under all three?

Mr. DUSTIN. From what I see, yes; we would.

Mr. ADAMS. Do you have lines on which Amtrak presently operates, or what is the basis on which you would qualify under H.R. 6808 or H.R. 6962?

I can see how you would qualify under H.R. 4622 because you are a common carrier that is bankrupt and you have, I assume, high density freight lines?

Mr. DUSTIN. Yes. We have Amtrak operations from Springfield, Mass., to White River Junction, a distance of about 100 miles, and we handle about 240 commuter trains a day, within a radius of about 35 to 40 miles from Boston on several corridors.

Mr. ADAMS. I will tell you what the basis of my question is, and perhaps you can answer it generally. I simply referred to the bills because they have different criteria. That is, we have potentially three programs for assistance that will appear before the committee on three different bases and one is a present program which is a type of public works, public jobs type of assistance.

And the second is a type of bill that has been recommended by the administration, and at various times by the Congress, which is a loan guarantee program coupled with some kind of regulatory reform. The third is some type of assistance or front end money for the solution of the total Northeast problem.

So when we get to the one that we have now in front of us, it becomes difficult for us to determine which railroads get assistance and which ones don't. In other words, if we don't have some kind of public criteria we are accused of benefiting stockholders or private individuals.

My question to you is, do you feel that you fit under the criteria and, if you do, should we be limiting it to bankrupt roads or those that are publicly owned or to those that have some public interest where we are already spending money such as Amtrack or where we are going to have to put money anyway? Otherwise, you might have to wait for, say the loan guarantee type of bill. That is essentially what I am asking.

Mr. DUSTIN. So far as S. 6808, a good deal of our lines would be covered by passenger service and other criteria. Also the 5-million-gross-ton miles per road per year a good deal of our main line would qualify under this.

In my judgment, I selected what I considered to be the best out of the Heinz bill and also the Senate version, which was a railroad in reorganization under section 77 of the Bankruptcy Act and with high density freight lines and lines including passenger lines with serious need for rehabilitation.

Another would be those lines which had been identified by the Secretary of the DOT by any State and political subdivision thereof or regional commission as significantly contributing to improvements or the continuation of essential present or anticipated transportation needs if the Secretary concurs in such identification.

Another is, those lines which are owned or whose rights of way are owned by a State or public entity and those lines which are performing maintenance or improving rights-of-way, those railroads rather which are performing maintenance or improving rights-of-way under this act or severe unemployment. I think unemployment certainly has to be a major criteria here.

But, insofar as just limiting it to railroads in bankruptcy, consideration should be given to the fact there are other marginal carriers that are close to slipping into bankruptcy.

Mr. ADAMS. And we might encourage them to so slip if we are not careful as to how we do this?

Mr. DUSTIN. I think it would be bad.

Mr. ADAMS. We don't want to give them an incentive.

Mr. DUSTIN. I agree.

Mr. ADAMS. That is why, to follow up on Mr. Florio's question, it is one of the reasons for a plowback, one of the reasons for a plowback is to try to prevent that kind of an incentive. I know I certainly favor funding public service type jobs for the railroads. We are placing it in many other places, and I think it should go there.

I am concerned about the criteria we use for placing it, that is, one, accomplishes good works, public works, but I also have a problem that if you spread it out over all railroads how someone sits down and decides that a profitable railroad or at least a railroad in a difficult situation, A, as opposed to B, receives money because that gets to be a very sticky question for anybody to decide, unless the Congress sets guidelines. Do you agree?

Mr. DUSTIN. Yes. Except I think somewhere along the line you have to have some judgments applied with somebody that is familiar with the railroad and its needs. I don't know that you could come up with any formula that would do the job that is needed to be done. I think somewhere along the line you need some personal judgment involved.

Mr. ADAMS. I agree with that but do you think we should make funds available to a rather profitable railroad, even if it has some things that need to be done on it?

Mr. DUSTIN. Well, no, I think that the money, if you are looking at it from the standpoint of the railroad needs, I think the money should be used on a priority basis on the railroads that don't have the ability to help themselves but it has to be tied in, too, I think.

with the unemployment problems in certain sections because essentially it is an unemployment bill.

Mr. ADAMS. Thank you.

Mr. Florio.

Mr. FLORIO. Just one question, Mr. Chairman.

If the national railroad Amtrak were made an eligible applicant, do you think you could profit from that, could your line be benefited from that?

Mr. DUSTIN. Yes.

Mr. FLORIO. Would that avoid any of the legal problems for you?

Mr. DUSTIN. It would not be spending the money where it is most needed, on the B. & M. because our lines that are used in passenger service in concert with Amtrak are the best lines essentially that we have.

Mr. FLORIO. I am presupposing, and perhaps I am wrong in that position, we are not going to redo lines already in good shape. In your situation Amtrak has the best lines?

Mr. DUSTIN. Yes, they have. Certainly there can be more money spent to bring them up to a better standard, but for the most part they are essentially the best lines we have on the railroad now.

Mr. FLORIO. Generally, if that were not the case and I am trying to apply to others who are in that position, if that were not the case and Amtrak had lines on a railroad that were in need of repair and they repaired those, even though the company may not have repaired those particular railroads, don't you think that would enable the company to utilize whatever limited funds they have for maintenance on other areas because Amtrak would take up the cost of maintaining other roads they have jurisdiction of?

Mr. DUSTIN. Yes; it would. It would free money they would otherwise have to spend on the Amtrak lines. Then again it does not proffer direct help in other areas of the Amtrak area.

Mr. FLORIO. From my understanding, Amtrak is bringing a suit to a number of roads for having deferred maintenance; are you one of the lines?

Mr. DUSTIN. No; we are not. We have one of the best on-time performances, over our section. We have the lines from the Penn Central and deliver to Central Vermont who deliver to the Canadian National that goes to Montreal, but our schedule that is based on running time, and the schedule that is maintained actually is one of the best on time performances of Amtrak records.

Mr. FLORIO. Thank you very much.

Mr. ADAMS. Mr. Skubitz, any questions?

Mr. SKUBITZ. You operate a passenger service at a loss?

Mr. DUSTIN. It is overall a loss; yes, sir. It was what we call a subsidized passenger operation on an avoidable basis. In other words, we collect from the passengers the rates that are established by the Massachusetts Bay Transit Authority, and the total avoidable costs that are directly related to our operating commuter service are reimbursed to us by MBTA. They don't pay us any user charge or interest on investment, and they don't pay toward the program maintenance of the track. So it is not a complete reimbursement on the total loss.

Mr. SKUBITZ. Have you attempted to make an adjustment on it?

Mr. DUSTIN. We have attempted to, but they refused up to this point. Because of our continued negotiation to sell the lines to MBTA with other provisions, we have not forced it because we want to continue to maintain commuter lines and good relationships with these people until the sale is consummated or we find out the sale cannot be made.

Mr. SKUBITZ. What is there in the foreseeable future to make you feel by upgrading the maintenance of your roadbeds that you can then operate as a profitable line?

Mr. DUSTIN. It is not just the roadbeds, and that is an important part, but we have done a lot of things in the last few years to reduce casualty losses and a lot of things to improve efficiency of the railroad. We have taken certain steps that perhaps should have been taken years ago but were not to improve productivity and make it a better operating railroad.

Certainly there is a lot of value in improving your rights-of-way; you are reducing your derailment potential which over the years costs as much as \$3 million in some years for the B. & M. We can run our trains faster, which reduces the crew pay and gives us an opportunity to get more business. There is a direct relationship to bringing a line up to standard and then improving it on a program basis like mass production.

Right now, our main-line track that is in bad condition probably costs us \$10,000 a year per mile to maintain because you are always out there doing emergency work. But if you bring a line up to standard with good tie conditions and good rail conditions, well ballasted, good drainage, and surfaced properly, you only have to go back every 7 or 8 years on that piece of track on a program maintenance basis and restore the ties and do major surfacing.

On that basis, you are probably—your costs per year probably would be reduced to \$2,500 per mile, and this is an actual savings in maintenance of way, and you also experience the improvement that your whole railroad will benefit by faster train operation and so on.

Mr. SKUBITZ. Freightwise, did you haul more freight or dollarwise last year than the prior years?

Mr. DUSTIN. Freight, yes, sir, we did, and dollarwise yes because of a rate increase.

Mr. SKUBITZ. Does your freight show a profit or loss?

Mr. DUSTIN. The freight shows a loss. Probably last year on a fully accrued basis our freight losses were between \$2 and \$4 million. Our total ordinary loss for 1974 was \$4 million, but we consider about \$1 million of that probably going back to passenger service, a million or two.

Mr. SKUBITZ. Does it take into consideration the fact you didn't pay your taxes?

Mr. DUSTIN. Yes, sir, it is fully accrued. Taxes, debt, services, everything.

Mr. SKUBITZ. How much tax do you pay?

Mr. DUSTIN. We pay about \$4 million a year in property and local taxes.

Mr. SKUBITZ. That is all.

Mr. ADAMS. Thank you, Mr. Skubitz and Mr. Florio. Thank you very much for some excellent testimony. We appreciated it; it was

very candid and very much to the point. You have assisted the committee.

The committee will stand in recess until 2 p.m. on Thursday, when it will meet in this room, and we will try at that time to hear the witnesses that have been scheduled for Wednesday and Thursday. There is a conflict tomorrow with the full committee meeting and with the caucus meeting, and that is the reason the subcommittee will not meet tomorrow.

We will stand adjourned, subject to the call of the Chair.

[Whereupon, at 4:35 p.m., the subcommittee adjourned, subject to the call of the Chair.]

PUBLIC WORKS JOBS ON THE RAILROADS

WEDNESDAY, JULY 9, 1975

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TRANSPORTATION AND COMMERCE,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to notice, in room 2218, Rayburn House Office Building, Hon. Fred B. Rooney (chairman) presiding.

Mr. ROONEY. The committee will come to order. We are resuming hearings today on H.R. 6962, H.R. 6808, H.R. 4622, and Senate bill 1730 and similar related bills. More than a dozen bills relating to jobs for rehabilitation of the railroads have been introduced in the House of Representatives. The list of authors and coauthors is too long to read into the record. This extensive interest is indicative of the very real concern for people, for jobs, for upgrading the railroads, and for better and safe transportation for all of us in the United States.

I have heard little, if any, opposition to the bills. The basic purpose of these bills is to give willing workers some work to do and get things done on our railroads that need to be done.

This committee will, of course, make the determination as to what is the appropriate legislation to accomplish these purposes. As in most of our work, this very difficult question arises. Is this a matter which should receive priority in the use of taxpayers' funds?

At this point, I would like to apologize for the inconvenience caused the witnesses and other parties by the delay in completing the hearings on this subject. It was a matter of priority, the emergency energy bill, which forced the postponement of these hearings.

Our first witness today is our very distinguished colleague and colleague of mine from the great State of Pennsylvania, the Hon. H. J. Heinz III.

STATEMENT OF HON. H. JOHN HEINZ III, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. HEINZ. Mr. Chairman, thank you. I am grateful for the opportunity to appear before your Transportation Subcommittee to testify in favor of absolutely essential legislation to create meaningful jobs rehabilitating our Nation's badly deteriorated railroad rights-of-way.

My interest in this legislation goes back many months. As a result, I have become deeply involved in trying to address the many questions that confront an entirely new legislative idea. My answers to these

questions resulted in H.R. 4622, which you kindly included among the bills to be considered for markup in this committee, which Mr. Skubitz, Mr. Hastings and I introduced on March 11, 1975. Since that time, 61 of our colleagues have joined in cosponsoring H.R. 4622 or identical bills, and the concept has been strongly endorsed in the press, by industry groups such as USRA and AAR, and by a diverse group of labor organizations including the United Steelworkers of America, the United Transportation Union, the American Federation of County, State, and Municipal Employees, the Railroad Labor Executives Association, and the AFL-CIO.

While it is fair to say that the other major bills under consideration by the subcommittee—S. 1730, H.R. 6808, and H.R. 6962—aim at the same idea as H.R. 4622, there are numerous, substantive differences as well. It is how H.R. 4622 is different and why it is different that I would like to discuss today.

H.R. 4622 authorizes \$2.5 billion over 2½ years for employment purposes only. In this respect, H.R. 4622 supplies substantially more money over a longer period of time for employment than any of the other bills under consideration. The reason for this is twofold.

First, information I have received suggests that up to 90,000 people could be productively employed in railroad right-of-way and yard maintenance. It is estimated that the expenditure of funds at the \$1 billion annual rate proposed in H.R. 4622 would employ approximately 65,000 people at rates of pay and fringe benefits under existing industry contracts.

Moreover, to the extent that materials are on hand or immediately procurable, a substantial portion of these people could be put to work almost at once. This, of course, would have a very beneficial effect on our economy. In recognition of the possibility that the major employment effort contemplated under H.R. 4622 might necessitate additional production capacity for steel rails, I have made inquiries of the American Iron and Steel Institute, the United States Steel Co., the headquarters of the United Steelworkers of America and the United Steelworkers District 20 officials to ascertain how quickly railmaking capacity might be brought into production. I am advised that such capacity could be made available as quickly as 6 months and in no more than 12 months.

H.R. 4622's 2½-year funding period is substantially longer than that anticipated by any of the other bills, and it has been proposed with several thoughts in mind. In the first instance, it seems highly unlikely that anything less than a 2½-year program will significantly contribute to improving the conditions of our Nation's railroad system, which in too many cases has been the victim of mismanagement or Federal subsidies to competing transportation modes, or both. The result too often has been deferred maintenance—in some cases substantial maintenance has been deferred for 30 or more years. Of perhaps more importance, the President's Economic Report forecasts a rate of unemployment persisting at or near the level of 8 percent for the next 3 fiscal years. For this reason alone, we should structure any railroad employment program for substantial continuity and longevity.

Another difference is that H.R. 4622 provides solely for employment assistance and only in the form of grants as opposed to loans. To some, it might appear that we are not requiring the railroads to contribute any quid pro quo in the form of matching contributions or principal or interest. We have drawn our legislation this way because FRA information indicates that for every \$1 expended for employment in the maintenance and upgrading of yards, rights-of-way and so forth, railroads must spend up to \$2 additional for material and equipment such as rails, ties, and crushed rock. In many cases, the laying of railroad track is highly automated and the cost of the labor involved is proportionately small compared to the capital and material costs involved. The result is a high proportion of cost-sharing by railroads paying for the material. It goes without saying that as railroads spend their own money to acquire materials and equipment to lay and install track, their purchase of these items necessarily employs large numbers of people in the supplying industries, which number among them such economic sectors as steel, lumber, and machinery.

This clearly represents an important and beneficial "employment ripple effect" that, by increasing spending in the private sector, stimulates our entire economy by creating many additional jobs. Equally important, the expenditure for material by railroads results in major costsharing by any applicants receiving employment grants under the legislation.

H.R. 4622 specifically avoids loan provisions for materials because the evidence is that they are totally unnecessary and a waste of taxpayers' money. For example, one must particularly question the need for material loans when two bankrupt railroads, in testimony before this committee, have indicated that they are managing to stockpile materials in spite of their shaky financial condition. The Rock Island has testified that it has over 500,000 ties available and has on order 40 miles of rail. The Boston & Maine said it has stockpiled 208,000 ties and 26.4 miles of rail but lacks the financial capability to hire the people to use these materials.

If "bankrupt" railroads such as the Rock Island and the Boston & Maine have this kind of material available, how much material do the solvent railroads have on hand or on contract? Until we have these answers we cannot reasonably justify the need for another loan program for rail materials to the American people who will ultimately pay the bill. As it is, railroads in reorganization under Con-Rail already have access to loan funds under section 215 of the Regional Rail Reorganization Act. Therefore, until any other railroads can justify a real need for another loan program, I see no reason for the Congress to create one.

Of particular importance in preparing H.R. 4622 has been the protection of the public interest. To guarantee such protection, H.R. 4622 contains two provisions which together appear to be tougher and to go further than any of the other bills being considered.

First, section (b) (3) of H.R. 4622 mandates that the Secretary establish terms and conditions to safeguard and protect the public interest in any financial assistance granted. In addition, we have

amended H.R. 4622 to prevent any railroad, its shareholders or creditors from profiteering from any employment grant. Specifically, we require that in the event of the sale, lease, or transfer of any property improved by grants received under such rail legislation, the profit or gain attributable to any such transaction must be turned over to the U.S. Treasury. This amendment was originally published in the Congressional Record on April 30, 1975, and has been incorporated into the text of H.R. 4622.

Mr. Chairman, we have also tried to write H.R. 4622 to promote a reasonable amount of administrative simplicity and flexibility in the making of grants for employment purposes. H.R. 4622 allows the Secretary of Transportation considerable discretion based on the need for the grant and the benefit resulting therefrom. Specifically, H.R. 4622 provides that the Secretary "may give preference to" certain priority categories such as:

Railroads in reorganization under section 77.

Carriers serving areas with a high degree of unemployment,

Lines with high density freight and passenger services, and

Lines serving fossil fuel areas.

In other words, H.R. 4622 encourages the Secretary to emphasize these goals in meeting the purposes of the act, but it does not bind the Secretary with mandatory provisions. Correspondingly, we would caution against unduly restrictive language limiting what entities may receive job creating grants.

A case in point is section 6 of S. 1730, which language is also contained in H.R. 6808 and H.R. 6962. The language of this section may arbitrarily deny employment opportunities to tens of thousands of Americans because an entirely desirable project may not meet any one of the six narrow criteria.

For example, no one knows what railroads will be included in the final system plan developed by USRA, and if the section 6(1) criteria for eligibility remain, this ambiguous definition may delay full implementation. A similar situation exists with the criteria of section 6(4), the limitation applying to track usage of at least 5 million gross-ton-miles per year. Mr. Harold Crotty, speaking for the Railway Labor Executives Association, addressed the problems of this provision when he testified before the Senate on S. 1730. He stated:

We do not believe the discretion of the Secretary should be so restricted. If the Secretary determines a line is desirable for future needs, he should be able to provide the funds for its restoration, otherwise such a line—which indeed may now be transporting several million gross-tons annually—will surely be abandoned.

Mr. Chairman, I happened to be in your district last week looking at some railroad track. And the track that serves as an economic life-line running through the middle of your district would not, because it serves approximately 2 million gross ton miles, be eligible for assistance under the Senate bill. Similarly in Cambria County where there is a line, Irvona Branch line rounds off the main line of Penn Central starting in Cresson, Pa., going some 30 miles North, this line currently serves a number of coal mines in central Pennsylvania.

At the present time, only 250,000 tons a year can be transported on that track. It can only be transported on that track because the track

is in such terrible shape that more coal literally cannot be moved on it. In fact, the speed at which trains are limited to is 5 miles per hour. It takes 7½ hours to move 37 miles with frequent derailments. In fact, on the day I visited the Irvona Branch of line in Cresson, three diesel engines were up to their axles in mud as a result of a derailment. The rail simply tipped over because the line was in such bad condition.

The superintendent of the mine of Cambria Coal Co., which produces 250,000 tons of low sulfur, less than 2 percent sulfur coal, was there because he had a large economic interest in the coal cars behind the engines and he has indicated publicly and also to me that were the rail lines on the Irvona Branch line in better shape, they would expand the capacity of that line from 250,000 tons a year to 750,000 tons a year, a threefold increase in the production of low sulfur coal.

Therefore, Mr. Chairman, I cite that as an example of one of the many cases that I would be happy to provide for the record of restrictive provisions in the Senate bill and some related bills which I think would be injurious to the best interest of the economy.

Another problem is 6(5). While section 6(5) seems to be a catchall to include those carriers that do not meet the other criteria of section 6, but are politically popular enough to catch someone's attention. I have serious reservations about how this would work in practice. For example, if the State of Pennsylvania wanted to rehabilitate a line that ran into a neighboring State, and that neighboring State would not ask the Secretary to rehabilitate the portion of the track continuing into the neighboring State, what would happen? At best, there would be confusion. At worse no grant would be made, and this is all too likely to be the case. I have concluded that if our goal is to eliminate serious rail safety hazards in areas of high unemployment, binding provisions such as those in section 6 of S. 1730, however well-meaning, are counter productive and should be modified or, at the very least, made permissive or nonbinding priorities.

There are three other provisions of H.R. 4622, Mr. Chairman, that I believe are essential to any effective rail jobs legislation. While the provisions are largely self-explanatory I wish to very briefly call these elements of H.R. 4622 to the attention of the committee.

They are:

Section (e) (2) (A), which requires that applicants have sufficient material on hand or on order as a condition of receiving a grant,

Section (3) (2) (B), which requires assurances written onto the application that grantees will not substitute railroad jobs for existing railroad jobs, and

Section (g) (1), which requires railroads to take several steps to insure that persons employed under Federal grants will have maximum prospects for future employment.

To my knowledge, none of the other bills under consideration contains such provisions, which, taken together, strengthen both the immediate and long term employment effects of a rail rehabilitation jobs program.

In conclusion, Mr. Chairman, I particularly wish to commend the subcommittee for addressing itself to the question of providing meaningful work at a time when so many job creating efforts seem to be

aimed only at raking leaves, sweeping streets or shuffling paperwork.

Legislation to provide employment in rehabilitating our deteriorated railroad rights-of-way, if enacted, will provide two particularly attractive benefits. First, it will result in a fair day's pay for a fair day's work. Second, and of particular importance to our Nation's taxpayers, rehabilitated railroad trackbeds will be a long lasting and nearly permanent public benefit. Specifically, well maintained railroad rights-of-way will repay the taxpayer many times over in faster, cheaper, and safer rail transportation for passengers and freight. I cannot stress too strongly these substantial and valuable consumer benefits.

Nonetheless, there is one other important benefit. There are those who argue that this legislation is too costly. I believe such critics are wrong and am convinced that failure to enact legislation like H.R. 4622 will be more costly still. In fact, the Library of Congress has estimated that the Federal Government would directly and immediately save one of every \$3 expended because of offsets in unemployment compensation, welfare benefits and tax revenue gains. Taking into account the indirect "ripple" effects of railroad material purchases and the increased consumer purchasing power on reducing other unemployment and generating other taxable payrolls and business receipts, it is estimated that the Federal Government will actually break even in enacting legislation like H.R. 4622 because for every dollar spent, we will save \$1 in outlays and that is good news indeed for taxpayers.

Mr. Chairman, the job grant program of H.R. 4622 is admittedly a short term measure and a first step toward the massive challenge of making the Nation's railroads do the job they should be doing. But I do want to reemphasize that with better, safer tracks, railroads could move into a more competitive position with other carriers putting downward pressure on all transportation costs. Loans for boxcars, locomotives and other rolling stock will not do much if anything, to achieve this. Material grants and loans simply won't increase the speed of the average loaded freight train from the unbelievably slow speed of 3.1 miles per hour. Putting people to work on rehabilitating the roadbeds—on the contrary—will help make railroads more competitive. In addition, and most important, we will be providing meaningful jobs at a time when our people's need has never been greater. I strongly urge early action by this subcommittee and prompt congressional enactment of legislation like H.R. 4622. Such congressional initiative, in my judgment, will help silence those critics of Congress who say we have not the imagination, wit or will to enact into law meaningful answers to our nation's economic and energy woes.

I thank the committee and its distinguished chairman for this opportunity to appear, and am willing to respond to any questions you may have.

Mr. ROONEY. Thank you, very much, Mr. Heinz. I do appreciate your testimony this morning and your great interest in this problem.

Of course, we discussed this on many occasions over on the floor of Congress. How is your bill H.R. 4622 protecting the American taxpayers from a giveaway of \$21½ billion to railroads that are operating

in the black? I am talking about railroads that are viable railroads, making money, making profits, making dividends. Will you advocate giving money to railroads that are making money?

Mr. HEINZ. Only if it is in the public interest, Mr. Chairman. And as I indicated in my testimony, our legislation, H.R. 4622 attempts, I think successfully attempts, to protect the public interest very specifically by doing two things:

First, it directs the secretary to take whatever steps he deems necessary to protect the public interest.

Second, so that it is impossible for any railroad, its creditors or its shareholders or any other beneficial interest attached to or a part of that railroad, from profiting under any employment grant under this legislation. We specifically provide that in the event of a sale or lease or transfer of any asset, improved by virtue of employment grants under this legislation that the amount of such grants made by the Federal Government for employment purposes be returned dollar for dollar to the U.S. Treasury.

Mr. ROONEY. But if they don't transfer the properties, if they don't sell the properties, you have improved the properties at the taxpayers' expense.

Mr. HEINZ. I would say that the properties are improved just as we improve waterways by the Corps of Engineers which are funded by the Congress. I would say we would be improving the roadbeds just as we improve interstate highways by building them with Federal dollars.

Mr. ROONEY. Would you advocate taking them over?

Mr. HEINZ. May I finish my response, Mr. Chairman?

Mr. ROONEY. You may.

Mr. HEINZ. I would suggest that what we are talking about here in this legislation is eventually a new concept of a public-private partnership. It is attempting to make a very firm distinction on the one hand between private ownership and operation of the railroads or trackbed or whatever, on the other hand; and equally firm distinction between the ownership of the roadbeds on some basis or other or a trust fund approach such as has been proposed by the Governor of Pennsylvania.

What I am suggesting here, you don't have to have a dichotomy like that. That it is possible as we did with lend-lease during World War II, to give a benefit of a restricted kind to the railroads which is returned many times over to the taxpayers. It is a new kind of partnership that does not fall into either category and to which are attached certain provisions which would prevent profiteering?

Mr. ROONEY. I have one final question. What is the difference between this bill, \$2½ billion giveaway to railroads versus the \$5.6 billion jobs program that was vetoed by the President?

Mr. HEINZ. I think there are many obvious differences, Mr. Chairman. Could you be more specific?

Mr. ROONEY. Here he said the Government cannot afford \$5.6 billion to put people back to work. Now, do you think that the President will accept the \$2½ billion grants to railroads to put people back to work?

Mr. HEINZ. I think, Mr. Chairman, that in this committee room as between the committee and myself as a Member of Congress, the issue

is largely what we as Congress think is sound policy and whether we are willing to make the effort to try and enact sound policy. It can never be certain that other people will agree with you or me, whether it be the White House or whether it be our own colleagues.

Therefore, I am certainly in no position to answer your question directly for the administration. I would only point out to the chairman that I have seen very good editorial comments from around the United States. I have received editorials from Houston, from Wisconsin, from many places in Pennsylvania, from all over the United States supporting this idea. I must strongly disagree with the chairman's characterization of this and the other legislation before this committee as a "giveaway."

It is not a \$2½ billion giveaway and I respectfully request that you look carefully at the legislation. If it was a giveaway, there would not be the numerous terms and conditions and strings attached to the legislation that is part and parcel of H.R. 4622.

In fact, I am suggesting to the committee that should the committee choose to write its own version of legislation, should the committee choose the Senate version which passed 67 to 10 in the Senate, then the committee should strengthen such legislation by using the provisions that are in H.R. 4622 to prevent giveaways.

Mr. ROONEY. Your bill does amend part 5 which is a loan guarantee to railroads for financing capital expenditures.

Mr. HEINZ. My bill amends part 5, Mr. Chairman?

Mr. ROONEY. Part 5 is loan guarantees.

Mr. HEINZ. My bill does not amend part 5.

Mr. ROONEY. Part 5 of the Interstate Commerce Act is loan guarantees.

Mr. HEINZ. The legislation, in fact, is drawn as an additional section to the Interstate Commerce Act, Mr. Chairman. It does not, in fact, change any provision in existing law other than to add a new section.

Mr. ROONEY. Mr. Florio.

Mr. FLORIO. Obviously, I am very sympathetic to most of the points you have raised. I commend you on raising a number of other good points. I am not going to go into specifics, but amplify a point the chairman made. It is not really a matter of speculation as to what the administration is going to do. I have had conversation, I suspect everybody has had conversation, with the secretary and representatives of organizations and the fact of the matter is they are not clearly enthused about any of these bills.

My bill is merely \$600 million as contrasted with the larger figure in some of these other bills. In all but certain terms they told me they would not support any of these. Perhaps, with a greater degree of rapport you have with the administration than I do. I was wondering if, in fact, there has been any attempt to discuss what would be an acceptable figure to the administration, accepting the fact there is an employment problem, and accepting the fact the railroads' right-of-way and tracks are in a state of decay, it is a national disgrace.

What, if anything, is the administration willing to do on a short-term basis? I know what they are doing long term and they want to handle it on a long term expensive proposition.

The expense is worth it, but that is not going to deal with the immediate problems we have and I really don't think we are going to—it is not a matter of thinking—I am positive we are not going to get the cooperation of the administration as we have seen in the last number of weeks in the Congress. We have to have some cooperation with the executive branch in order to resolve this problem as well as others in this country.

Mr. HEINZ. I would think, Mr. Florio, that it would make some sense for the committee to try and come to a resolution of the issue as to what kind of specific piece the subcommittee thinks is a good piece of legislation.

Until you get into a markup session, of course, you can't possibly do that, at which point then there is a position on the part of the committee that is negotiable.

I would suggest that at this point, the committee is negotiating from weakness that you have not taken a position on this legislation, and as such, you cannot expect anybody to negotiate with you, if that is what you want.

Mr. FLORIO. I think it is really a hearing on a number of bills. We have four or five bills with different operations, the loan approach and the grant approach. I would have thought, and still think, that it has been the best approach, that we have put out the feelers and now it is incumbent upon the administration to say these are the different approaches and bills and options. We would prefer this.

I would ask your assistance and assistance of some of the minority members to attempt to urge the administration to show us some sign as to what it is they would have us do if, in fact, we are going to address this very serious problem.

Mr. HEINZ. If I may respond to you, Mr. Florio, making two comments.

First of all, I would reiterate that until the committee indicates that it has a will of its own, that it doesn't intend to do just what the administration asks, until it stakes out its ground and says, OK, here is what we think is right, but we are willing to compromise, not on principle, but on the issue, on the minor issues involved. Until the committee has staked out its ground in the form of its own piece of legislation, I don't think you can have a meaningful conversation with anyone until you do your negotiating from weakness.

I don't think that should be the position of any congressional committee. It certainly has not been the position of our Health and Environment Committee as we mark up the Clean Air Act. The committee is doing what we think is right. We listen to the administration and we listen to our constituents and various points of view, and you and I are working right now on the Clean Air Act on this line.

Second, on the energy bill, as another example, there were many attempts on the part of my subcommittee, Energy and Power, and the full Commerce Committee to write what we thought was a good energy bill. We have not come to the horse trading point with the administration as yet on that bill in my judgment.

I think your point that what you should do is negotiate without a position is not a realistic point of view to begin with. It runs counter to everything, I think, the Congress should stand for.

I would point out also, that there is considerable bipartisan support for this legislation. I think it is significant that the ranking Republican on your committee, Mr. Skubitz, is a co-sponsor of legislation. Mr. Hastings, the distinguished gentleman from New York is also a co-sponsor. The Republicans have, on the Transportation Committee, stood united for this legislation.

The ranking minority Member of the Commerce Committee, Mr. Devine, is also a co-sponsor of identical legislation. The vote in the Senate, a vote of 67 to 10 in favor of this legislation, was a very bipartisan measure, and I might add the principal sponsors of this were Jim Buckley and Jacob Javits. Mr. Buckley being thought of as a relatively conservative Republican and Mr. Javits being thought of as a relatively liberal Republican. They managed to agree and they got a piece of legislation the Senate considers good.

I would like to think the House of Representatives can also get itself together on a piece of legislation they think is good. Nonetheless, I am committed to the enactment of legislation.

I didn't propose this just as a means of spending my time with your committee this morning. I proposed it because I think it needs to be enacted and to that end. I pledge whatever help I can be to you with the administration, or whoever, to bring about an agreement that is enactable by whatever means.

Mr. ROONEY. Mr. Hastings.

Mr. HASTINGS. Thank you.

Of course as co-sponsor of your bill, I obviously share some enthusiasm to this approach, a combination of problems I see. The unemployment problem, serious problem with the conditions of the roadbeds, particularly the bankrupt railroads of the country. I might make the observation I think regardless of what the vehicle is for improving the roadbeds of the country, the Federal Government is going to have to do it.

Is that a fair assumption?

Mr. HEINZ. I would agree, but I think your committee is even in a better place than I because you are more knowledgeable.

Mr. HASTINGS. It seems apparent to me if we are going to save the bankrupt railroads and not go to nationalization that that kind of commitment is going to have to be made, and I certainly too would like to respond to the chairman's question, whether or not this is a giveaway.

I see the Congress taking so much action so frequently. I might cite one that is going to be on the floor this week where the Federal Government has committed \$1 billion for the training of doctors and dentists in this country over the past 3 years which is certainly subsidy by the taxpayer's dollars, and we don't seem to think there is anything out of order in that.

Yet, here we are with a vast unemployment problem for medium income people, and with the knowledge that if we are going to save the railroads of this country, we are going to make a Federal commitment which will be asked of the ConRail proposal in front of us to do precisely that.

I look at this as a pragmatic approach to solve one part of the employment program and the commitment of dollars that is going to be in the form of meaningful employment.

That is an oversimplification I am sure, but that is my viewpoint of this kind of legislation. both yours and mine, Mr. Florio, and others that have been introduced. They make a great deal of common sense. It is a little refreshing to see the Congress approaching something that, in fact, includes a little bit of common sense. I would like to be a party to it.

The State of New York has raised a question with me, would I take a look at the possibility of the inclusion of a formula, specific formula, in the legislation as to the allocation and funding, and they pointed this out, if you can use the unemployment rate, population, miles of bankrupt railroads and total miles of railroads within the State as a basis for the allocation and funding that it might be better equity than if we just leave it up to the Secretary. Would you be adverse to at least a consideration of that kind of a formula?

Mr. HEINZ. The legislation, in fact, attempts to develop some direction to the Secretary very much along the lines you suggested.

On page 5 of my testimony I indicated that the Secretary is supposed to give preference to railroads and reorganization, carriers serving areas of high degrees of unemployment, lines with high density freight and passenger service and lines serving fossil fuel areas. Because I didn't have the computer capability to simulate a formula such as you have suggested, what I attempted to do was give direction to the Secretary to achieve what I hope is substantially the same result of a fair allocation of the money around the country based on need.

I would like to add, if I may, too, one point that was brought home to me very forcefully on Wednesday last week as to just how vital this legislation could be to consumers.

On Wednesday I was in Lancaster, Pa., looking at the new Holland secondary track line which runs off the main line of the Penn-Central and serves two industrial parks.

On Tuesday it was announced that that line was not going to be included in ConRail. Virtually assuring that should that decision hold, that the two industrial parks there would suffer substantially. Those two industrial parks are almost essential to the functions of Agway in Lancaster County, Pa., because Agway has two big terminals in those parks and, second, as I am sure many of you are aware, the mobile home industry is tremendously important in Lancaster County and these two industrial parks which are being served by this branch line are, in fact, centers of production of mobile homes. Without the tracks, the mobile home industry there would be cut off largely from very vital sources of supply which they would have to bring in, presumably, by truck and at additional expense.

My constituents complain about the cost of food and they complain about the cost of housing, and if the new Holland secondary track were to be abandoned, and it might well be rehabilitated under this legislation so it would be in good enough shape to be included in ConRail, we would suffer accordingly. We would suffer in housing, we would suffer in the cost of our food. And there is the opportunity for us to turn this situation around very quickly with legislation like this.

Very quickly, because while there is, I know, an interest on the part of the chairman of the committee in finding some kind of long-term solution to the problems of the railroads which are developed over the

last 30 or 40 years, I think we have to be realistic and understand we are not going to find that solution overnight.

There are going to be tremendous disagreements. There are going to be issues that are extremely difficult to resolve. There are in that area many more threats of our inability to enact legislation.

The proposals provided from separate sources, including the administration's, differ widely, and if we wait for a long-term solution to the railroad crisis and put legislation like this on a back burner and say we will include it in the final solution to the railroads, we may well have a final solution to the railroads which is there annihilation and along with it the annihilation of vital industries that our constituents are all interested in as consumers.

Mr. HASTINGS. One final question.

Mr. ROONEY. Would the gentleman yield to me.

Mr. HASTINGS. I would be delighted.

Mr. ROONEY. You mentioned my name, you talked about a billion dollar giveaway to the intermediate schools in this country. Isn't there a provision in there that students have to reimburse the Federal Government once they graduate?

Mr. HEINZ. I am glad you asked that. That happens to be my amendment. There is going to be a move to knock that out when the bill gets on the floor.

Mr. ROONEY. Maybe you can amend this bill too.

Mr. HASTINGS. I would like to ask one question.

Assuming this bill is marked up and is signed into law, how quickly do you think it will translate itself into a meaningful purpose?

Mr. HEINZ. So much depends on the attitude of the Department of Transportation. If it is signed into law by the President, I would assume that that would mean there would be a very strong commitment to making the legislation work.

I knew the Secretary of Transportation before he became the Secretary of Transportation and he felt legislation like this had enormous merit.

I know the Federal Railroad Administration feels that work could become a Presidential and national priority. They feel it would be very important to move on it and make it work just as quickly and effectively as possible.

Mr. HASTINGS. From my question, one of the concerns of the jobless bill, it looks at some of the public work projects which would be 3 or 4 years down the line before it could provide the kind of employment we are interested in providing and, of course, I would be most anxious to determine if this legislation could result in that kind of employment in a reasonable period of time.

Mr. HEINZ. I think we are talking about a matter of 1 or 2 months from the day the money becomes available to the day the first dollar is spent. It is much easier for private industry to put people to work because they know how to employ those people. They have the maintenance-of-way workers around 10,000 or more people laid off right now. It could be greater than that. I have no doubt that a substantial amount of people could be put to work almost at once. Mr. Hastings.

Mr. HASTINGS. Thank you very much. Mr. Chairman.

Mr. ROONEY. Mr. Metcalfe

Mr. METCALFE. Thank you, Mr. Chairman.

I would like to compliment you, Mr. Heinz, on your very fine statement, and without going into the merits of it I just say that I am certain you have an immediate grasp of a need and need not have any research of the importance of establishing good roadbeds not only for the railroads but for the general economy, as well as for the employment of additional people.

How many employees would return to work under your bill? Do you have a figure on those?

Mr. HEINZ. The legislation establishes certain employment priorities. Maybe I don't understand the gentleman's question. How many people would be employed under the legislation?

Mr. METCALFE. Yes.

Mr. HEINZ. Approximately 65,000 at any one time, directly.

Mr. METCALFE. 65,000?

Mr. HEINZ. At any one time.

Mr. METCALFE. What would be the cost of upgrading the tracks under your bill?

Mr. HEINZ. The legislation would spend, if appropriated, \$21½ billion over a 2½ year period.

Mr. METCALFE. That is the total amount of your appropriation?

Mr. HEINZ. That is the authorization.

Mr. METCALFE. The Senate bill, Senator Hartke, as I recall, has a bill. His bill does not call for the expenditure of as much as yours of \$21½ billion.

Mr. HEINZ. That is correct. My legislation calls for spending at the rate of \$1 billion per year for 2½ years. The Senate bill is a 1-year bill containing \$600 million or 60 percent as much money as my bill for employment purposes, plus I recall \$100 million in loans. It is a \$700 million package only over 1 year. Mine is a \$2 billion package.

Mr. METCALFE. Have you evaluated how many miles of rail you think your bill would cover?

Mr. HEINZ. I have tried to do that and found it very difficult to do. It is my hope that you will be able to do that more successfully than I. The statistics on that vary, but I can give you some examples.

I mentioned earlier today your Irvona Branch line, which is 37 miles of track. It would cost the railroad \$2.5 million for materials alone to rehabilitate the Irvona Branch line, 37 miles of track, and let me assure you it needs rehabilitation. Its the worst section of track I think I have ever seen.

Under a rule of thumb, which I think is fair to say, it would cost about a million dollars worth of labor to rehabilitate that track. Perhaps \$2 million worth of labor. Therefore, we would be rehabilitating 37 miles in this instance, \$1 million or \$2 million worth of labor paid for under the bill.

Mr. METCALFE. In other words. Mr. Heinz, your bill is restrictive as to the number of miles on the lines where you would improve the roadbeds?

Mr. HEINZ. Restrictive?

Mr. METCALFE. Yes.

Mr. HEINZ. How do you mean?

Mr. METCALFE. Nationally, roadbeds are in bad shape.

Mr. HEINZ. If the question is, would it make a big dent in the problem, will it rehabilitate all the tracks, the answer is "No." It would

rehabilitate a modest amount of railroad tracks because we have tens and tens of thousands of miles of railroad track.

Mr. METCALFE. How many miles does your bill include of the tens and tens of thousands?

Mr. HEINZ. I can't give you an accurate answer to that and I hope in the hearings that you can establish that. They were unable to establish that question in the hearings on the Senate side, as I understand it.

Mr. METCALFE. Who owns the lines of the roadbeds that your bill proposes to upgrade?

Mr. HEINZ. The legislation is silent as to who the Secretary makes grants to. The railroads apply and they can be bankrupt railroads or they can be profitable railroads.

The Secretary, however, has given substantial encouragement to give preference to railroads in reorganization under chapter 77 to carriers serving areas of high degree of unemployment to lines that have high density freight and passenger service and lines servicing fossil fuel areas in light of the energy crisis.

Mr. METCALFE. Thank you very much.

Mr. ROONEY. Mr. Adams.

Mr. ADAMS. Do you think that it should be left completely in the discretion of the Secretary or that there should be a statutory formula?

Mr. HEINZ. For?

Mr. ADAMS. Or a statutory formula.

Mr. HEINZ. To achieve what end?

Mr. ADAMS. To distribute \$2.5 billion.

Mr. HEINZ. I think that is up to the will of the committee. If you can find a reasonable statutory formula, I would think that that might not be a bad idea, but I think you want to make sure that a statutory formula will meet needs.

It is impossible for me to know whether the needs of the railroads in Washington State, where the distinguished gentleman is from, match the needs of some of the railroad tracks I have seen in my State. It is for this reason that I was personally unable to develop such a formula, and instead have established a set of preference categories which I would hope could be the basis for an equitable distribution of the funds.

I think the committee in the final analysis has to decide whether they want to make this an entitlement program or whether you want to do it on some basis of need.

If you can come up with a formula that really works on the basis of need, it takes into account unemployment, takes into account the very delapidated state of railroad track, takes into account the incredibly low speed with which rail cars move over certain sections of track as opposed to other sections of track, I think if you can take into account other national priorities such as the developing of fossil fuel resources, then I think the committee would be well advised to write into law such a formula. It is probably difficult to do.

Mr. ADAMS. Mr. Heinz, do you have any feeling that this bill would be less subject to a veto if it were part of an omnibus package?

Mr. HEINZ. It is impossible for me to know what the omnibus package consists of.

Mr. ADAMS. The rail bill gambit we passed last year, a bill that passed and went over to the Senate and didn't come back.

Mr. HEINZ. I can't, obviously, prejudge.

Mr. ADAMS. I am just asking if you have inquired, if you have had any word from the administration, that is all.

Mr. HEINZ. You are suggesting, I think, that you believe that any legislation your subcommittee writes along these lines would be vetoed by the President?

Mr. ADAMS. I am just inquiring as to your information.

Mr. HEINZ. I have no information I can give you about the legislation written by the subcommittee because you have not written any yet.

Mr. ADAMS. We had legislation written before. What I am inquiring of you, there are two proposals pending before the committee, actually three, and I want to know if you just had any information you wanted to give us on the status of those that is my last question.

Mr. HEINZ. Mr. Adams, I have no direct information about the legislation, on any of the three pieces of legislation, because I think that before the subcommittee is going to be able to make an inquiry that has any validity, the subcommittee needs to know what it wants to do. At this point, the subcommittee is not marking up legislation, it has not made its will known to itself as to what direction you want to go in.

I am suggesting that until the subcommittee has a piece of legislation actively under consideration that represents the initial and best thinking with respect to railroad jobs, that the subcommittee can come up with, that it is impossible to answer your question.

Mr. FLORIO. Will the gentleman yield?

Mr. ADAMS. Yes.

Mr. FLORIO. You made the point a number of times, I think the members have attempted to make their points. I think the frustration some of us have we feel in many respects we are going through an academic exercise.

You made the point that you think it is appropriate for us to finalize some preliminary form of bill and then go to the administration and say, "What do you think?" I think this committee is taking a much more rational and much more accommodating approach toward the problems saying here are a number of options. Here are a number of proposals each of which deal with a problem in a different way, but each of which would be satisfactory if we can get some sense of feeling from the administration as to what they want to do.

Our difficulty on this committee I think through the course of this year with regard to the question of railroads and transportation is that we are not getting any signals. The ConRail was thought to be the Secretary's approach and the Secretary came and said, "This is not what we like." We have something else under consideration. We really know what we have under consideration, from the Attorney General's Office. We are not going to tell you right now. We need more cooperation from the administration.

I think our approach has been a fair one in attempting to work with the administration in giving them the different approaches we would like to take and asking from them to give us a signal.

I think that was the thrust of the gentleman's remark. He would like to know if you had any information, and you don't. And the only thing I would like to ask is to attempt to elicit from the administration some indication as to what they would find acceptable in this gap they are concerned about, and the problems that we, as sponsors of similar legislation, are concerned about.

Mr. HEINZ. As I indicated to the gentleman a few minutes ago, I would be happy to do so.

Mr. ADAMS. Thank you.

Mr. HEINZ. I am not a member of your committee, and would appreciate being a part of any initiatives that the committee sees appropriate in that regard, if the committee so wills. But, I have to say, I am made very uncomfortable by something that is being said here. And it is that it comes out as sounding that this committee is going to do what the administration wants.

I am a Republican, but I came here to represent my constituents. I didn't come here to do exactly what the administration wants. I am happy to listen to their point of view. I try and determine for myself what their good points are and their bad points are. Nobody is perfect. They occasionally make mistakes just as I do and it is of some distress to me to hear this committee say: "Unless the administration is for it, we are not going to do anything."

Mr. ADAMS. Did you vote to override the jobs veto?

Mr. HEINZ. Yes, I did. Did you?

Mr. ADAMS. Yes. We are faced with a position that there is a Rail Revitalization Act that has been sent up by the administration. They have vetoed a bill with very similar type provisions on jobs and have indicated that that kind of veto might continue.

We are not trying to tell you what the subcommittee is going to do. We are in the process of doing that. We have the rail revitalization bill up here with the potential of another compromise such as we sent over to the Senate before on a general overall rebuilding of rights-of-way. We have the Northeast rail plan which has got to be approved or not approved in October, and we have the jobs bill that is before us now.

What Mr. Florio and I are trying to inquire of you is that if we go with the jobs bill, take the time, take it to the floor, get it up, have it vetoed, don't override it, then we have to start all over again on another bill. We are trying to get some feeling from either the Members that you are going to be able to override a veto or there is not going to be a veto or we want to put together another package.

That is all. Thank you.

Mr. HASTINGS. Would the gentleman yield?

Mr. ADAMS. Yes.

Mr. HASTINGS. I will be the first one to suggest to you that this subcommittee does produce the kind of bill that we think is right, that I will be in the front line, and No. 1, have the administration buy it. No. 2, if they don't override the veto, and I don't hesitate a bit to say that.

Mr. HEINZ. Permit me to respond. I would like to share that sentiment.

What you are asking me is, have I gone down to the administration to insist on the passage of my bill?

I can't do that. You are the committee. It would be presumptuous of me to go down to the administration and say: "I have the greatest piece of legislation in the world, and I want you to agree to support it".

I feel very strongly about this idea. I will fight for good legislation. If the subcommittee comes up with a good legislation, it would be a personal delight to fight very hard for passage and enactment to work in whatever way is necessary because I am really convinced that this is a priority that makes a great deal of sense. That it is Congress that must work to set those priorities. That is what I hope your committee, Mr. Chairman, will do.

Mr. ADAMS. Thank you, Mr. Chairman.

Mr. ROONEY. Thank you, Mr. Heinz. I appreciate very much your appearance today and your testimony.

Our next witness will be our very distinguished colleague from the great State of Massachusetts, the Honorable Silvio Conte.

STATEMENT OF HON. SILVIO O. CONTE A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS, ACCOMPANIED BY MATTHEW SCOCOZZA, LEGAL ASSISTANT

Mr. CONTE. I have with me Matthew Scocoza, who was with the ICC and now is my legal assistant and I thought I would have him accompany me here today.

Mr. ROONEY. I appreciate you being here today because you have been a real champion of the amendment to the second supplemental appropriation on the floor the past several weeks. You may proceed.

Mr. CONTE. Thank you, Mr. Chairman. I am pleased to be before your committee, the chairman of the subcommittee and all the other members on the committee.

I appreciate this opportunity to express my views on H.R. 7065, H.R. 6808, H.R. 6962, S. 1730 and other related legislation.

As you know, I fought hard on the floor of the House on three occasions to provide funds that would immediately be available as soon as rights-of-way rehabilitation legislation was passed. Unfortunately, my amendments were not successful.

It is my hope that authorizing legislation can be reported out as soon as possible so that our efforts can be renewed to provide the necessary funding to implement these rehabilitation programs.

I believe no one can deny the dilapidated condition of many thousands of miles of our rail rights-of-way. Because of the serious economic conditions we are now in the midst of, many railroads have chosen to lay off virtually all their rights-of-way workers. This unfortunate practice of economizing through deferred maintenance has resulted in extremely dangerous and deteriorated rights-of-way.

Further, the layoffs have contributed markedly to the rising rates of unemployment. The number of derailments caused by deteriorated tracks and roadbeds have sharply increased over recent years. Just this past year, a Norfolk and Western train derailed in Decatur, Ill. The train was carrying hazardous materials which exploded and destroyed a nearby elementary school. Luckily, no major injuries resulted from the incident. Another train derailed under the city of Chicago which

also had carloads of explosive materials. Fortunately, no explosions resulted. The incident could have resulted in the virtual destruction of a city block.

Latest statistics from the Department of Labor reveal that more than 35,000 railroad workers are now unemployed with the number sharply increasing.

The bills before your committee are all designed to cope with both of these problems—rehabilitating rail rights-of-way and creating productive jobs.

I would like to express my concern about the eligibility provisions in H.R. 6808, H.R. 6962, and S. 1730. All three bills provide, in section VI of their respective texts, that funds shall be made available to rehabilitate roadbeds and facilities which—

1. Will be part of any system plan approved by the U.S. Railway Association.

2. Are used to provide rail commuter passenger service.

3. Are used by the National Railroad Passenger Corp.—Amtrak—pursuant to the Rail Passenger Service Act of 1970.

4. "Have been subject to track usage of at least 5 million gross ton miles per mile of road per year, during at least one calendar year following January 1970."

My objections to the qualifications criteria are as follows:

1. Inclusion of particular track miles in the USRA preliminary system plan does not preempt exclusion in the final plan. Accordingly, projects on trackage subject to exclusion might be unnecessarily funded.

2. The Urban Mass Transit Administration provides funding for projects such as these on commuter rail systems. Further, title 23 or the Federal-Aid Highway Act of 1973 would provide some funding of this type.

3. The Department of Transportation and related agencies appropriations bill for 1976 (H.R. 8365) will provide \$200 million to the Amtrak system for rights-of-way rehabilitation projects. Accordingly, inclusion of language regarding Amtrak in this bill would be duplication of provisions in H.R. 8365.

4. Requiring 5 million gross-ton-miles for a calendar year following January 1, 1970, would exclude many railroads which are vitally needed in many light traffic rural areas.

I was pleased to cosponsor H.R. 7065 and would like the committee to note that the eligibility criteria is more responsive in this bill and avoids the problems that I have already set out. Notice that the language is broad enough to insure that the funding will reach those rights-of-way in the most serious need of rehabilitation.

Further, the legislation insures that funds will reach those railroads not eligible for funding of this type under other alternative sources.

I would also like to direct your attention to another problem in S. 1730. Sections 8 and 11 of that bill provide \$100 million for the " * * * acquisition of materials and equipment necessary and appropriate for such (rehabilitation) projects." The Federal Railroad Administration advises that railroads across the Nation have more

than 24.2 million ties as well as more than 3,500 miles of rail stockpiled.

Further, representatives of the Western Railroads Association, the American Association of Railroads, and the United Transportation Union indicate that if Federal funds were provided for labor on rehabilitation crews, the respective railroads would be able to purchase all the necessary materials. H.R. 7065 provides assistance only for labor—not the incidental materials and equipment.

Incidentally, the amendments which I attempted to have adopted in the jobs bill and the second supplemental specifically provided funding for labor only and also excluded commuter rail systems from eligibility.

Mr. Chairman, I believe the problems with H.R. 6962, H.R. 6808, and S. 1730, which I have set out above, merit your close scrutiny. I believe that the eligibility and funding problems would impair the effectiveness of job-oriented rehabilitation projects we are attempting to authorize.

It is my hope that the House will act as quickly on the passage of this necessary legislation as the Senate did on S. 1730. I assure you that I will channel all my efforts once again toward providing funds for the program finally enacted by both chambers. I urge the members of this subcommittee to recognize the particular problems of these three bills I have mentioned.

Gentlemen, I would again like to thank you and the members of this subcommittee for this opportunity to appear before you this morning.

Let me mention several of the questions that were asked, and maybe it will save time. The question of whether this is a giveaway bill. I take no pride of authorship whatsoever. I think it is up to this committee to work its will.

If the committee wants to work out a statutory formula, that is OK with me. If they have the ability and know-how and the staff to do that, and I think you have, that is fine. In fact, I would like to see a bill with a statutory formula. There is a big difference between this and the bill that was vetoed was that the bill that was vetoed. I sat in on the Appropriations Committee and I saw the process in which \$2 billion was put together, and they called in the heads of all departments and Federal agencies who requested funds for all their pet projects. I could have gotten something in that bill. Anybody could have who served on the Appropriations Committee.

That is not the way to legislate. \$2.3 billion of that bill was for immediate jobs, CETA, Older Americans, the WIN program, college work-study, all of those have been passed now and signed by the President. So, anything that affected a real fast job has been passed by the Congress.

The \$3.3 billion, included provisions for automobiles, which were not needed. They were not to be 200,000 replacement vehicles, they were to be an additional 200,000 vehicles and with the energy shortage, we have today, we certainly don't need 200,000 more vehicles in the Federal Government. Additionally if they had to get rid of the cars they have now, they would have a problem unloading 200,000

used cars. This is a big difference between that type of legislation and this type of legislation.

Giveaway, heck, we have poured billions, billions, hundreds of billions of dollars to countries all over the world. Every year, we have a foreign giveaway program. We build railroads overseas for nothing. We have the agricultural giveaway program which ran \$5 billion a year which I fought year after year. You talk about giveaways, the Interstate Foreign Commerce Committee, I believe, went along with the Democratic project in Morgantown. I never saw a bigger giveaway than that PRT System up there. We could have given every student three golf carts.

You can have a complete litany of giveaways. This would put to work at least 65,000 employees. My amendment of \$700 million which I fought for and the Senate had in the supplement and the jobs bill (H.R. 4481), would have provided for 35,000 jobs. But not only providing the jobs, when you get through like the old WPA project, you have something. You have got something to show. You have a good healthy roadbed which is badly needed in this country.

Let me reiterate, no pride of sponsorship and authorship. I hope this committee can work its will and come out with a good bill. All I want is not go overboard and put in too much money.

Let's start walking before we start running. If you want to cut this bill down, maybe the Heinz bill is way too much money. Maybe the 1-year program for \$700 million is a step in the right direction. If you want to make it 2 years, fine, but let's move slowly. If the President vetoes a fairly responsible bill, I think that maybe he will find that he is going to lose one. He is not going to want them all. He won the Housing bill. I voted against him, but he went over to the House committee and Banking and Currency went overboard. They admitted it. When you see the responsible members stand on the floor and ask for a vote to sustain the President, you know they must have gone overboard. Let's show restraint, but let's do something.

It is too bad my amendment was not adopted because the minute you passed your legislation and agreed with the Senate on a compromised bill, I spoke with the Federal Railroad Administration. They come up with rules and regulations in 30 days and we could have had something on the board and moving by September.

As it now stands, I see this thing way off another 6 or 8 months. We have to go through the appropriation process and all.

Thank you, Mr. Chairman.

Mr. ADAMS [presiding]. Thank you, Mr. Conte, for an excellent statement. All of us on this committee are well aware of the work you have done on the floor in trying to see that this type of legislation would be passed, and we are deeply appreciative of the cooperation that this authorizing committee has received from you and the other members on the Appropriations Subcommittee.

Mr. CONTE. Thank you. I don't want to sound like a mutual admiration society. I worked closely with Brock Adams on the reorganization. He came in and helped us greatly. I have said many times, there is no one in the Congress that knows more about it than you do.

Mr. ADAMS. Our problem right now is how we are going to fund that as well as this. We will be having further discussions in the sub-

committee and with other interested members. I am deeply concerned there will be ample funding and that this will go forward. That is tied in with this problem.

Mr. Florio.

Mr. FLORIO. Thank you.

What I would like to do is get some elaboration on the justification. You criticize the eligibility requirements. I would like to get some amplification to provide some guidance. You indicated that you didn't look favorably upon the criteria which is to be included in the plan which has been approved by USRA. It is my understanding that if a line is included in the preliminary plan, it will be included in the final plan, is that correct?

Mr. CONTE. That is right.

Mr. FLORIO. What was your concern?

Mr. CONTE. Counsel tells me that there is an amendment in the ConRail system that a carrier in the preliminary system plan could be taken out in the final system.

Mr. FLORIO. That was your concern?

Mr. CONTE. That is right.

Mr. FLORIO. With regard to the Amtrak provision, it seems to me one of the concerns we have had all along in dealing with this. The term "give-away" was used and that was used because we were concerned with giving taxpayers money to private profitmaking entities that could be diverted off to someone else's interest.

Isn't there some desirability, in a sense, not public but at least governmentally sponsored, such as Amtrak?

Mr. CONTE. I have no objection, but we are already providing \$200 million for rehabilitation of roadbeds for Amtrak under another law. I don't want to see a duplication.

Mr. FLORIO. The last point, your criticism with regard to the ton/mile standard—

Mr. CONTE. Yes.

Mr. FLORIO. Admittedly, whatever figure we use, the high one, the low one of \$800 million, none of those figures are really adequate to do the job. You are talking about a lot more. Doesn't it come down to a question of priorities?

We would like to assist all the lines but isn't it a fairly rational standard to use those lines that are most highly trafficked in allocating of the inadequate funds we are going to come up with?

Mr. CONTE. That is an excellent question. We are elected from different districts. I happen to come from a rural district and, unfortunately, we have the Penn Central up there. Take my hometown of Pittsfield for example. There is a big General Electric plant there. They make heavy transformers. They employ 9,500 people. They are the whole town, and they are completely dependent upon the railroads to transport their transformers. They may not qualify, and they may need it more than some big area like Chicago.

Mr. FLORIO. Are any of your lines in your district in the preliminary plan?

Mr. CONTE. Yes, most of the lines, but not the one that I am speaking of.

Mr. FLORIO. I think what we are attempting to do, is to get the broadest possible approach. For example, Amtrak has lines throughout the entire United States. I would be happy to receive from you and I think the committee would be happy to receive from you, an alternative theory as to how the money should be allocated but in justification of what we have done, at least in my bill, and other bills was to make the best out of a bad situation. The situation being there are not enough monies to take care of all the lines needed to be repaired.

Mr. CONTE. I can understand it. I can understand your position. I hope you can see the other side of it. You don't have a low density line and you have a bankrupt railroad besides. This is the one that really needs it.

I ran into an article. This is an outfit in my district that made railroad ties. I didn't know it existed. They went out of business the other day because their main customer was the Penn Central. They couldn't get money for their ties. Even though it is a light density line, it is very vital to Detroit and General Electric.

Mr. FLORIO. If I can conclude, I agree with you 100 percent with regard to the priority being for labor rather than material. In testimony we had before the committee, the railroads for the most part appear to have adequate stockpiles and I have written that into my piece of legislation and hope it would be the final product of this committee emphasizing the laboring money as opposed to loans and grants for purposes of material which seems to be available to most of the railroads already.

Thank you, Mr. Chairman.

Mr. ADAMS. Mr. Hastings.

Mr. HASTINGS. I have no questions, but I want to join with the chairman in accommodation with your very firm support for this concept that we are here discussing and your continued support which you term in response to a piece of legislation.

I also want to indicate my sympathy in not restricting to that 5 million gross ton/mile for the same reason that you articulated there are many instances throughout certainly the northeast where a line may in the future become a viable line that now may not be because of poor track conditions.

Again, I thank you very much for your time and your continued support. Thank you, Mr. Chairman.

Mr. CONTE. Let me say, Chairman Rooney mentioned about pay-backs. I wouldn't have any objection of putting anything in the bill about repaying back this money for what they receive.

You know what the end result is? The Rock Island, the Penn Central and the rest of the delapidated railroads are not going to be able to repay anything because they have no money to repay.

Mr. ADAMS. Suppose it was a secondary liability standing ahead of stockholders but behind all other creditors, would that be something that you think might be possible?

Mr. CONTE. Yes, I do, definitely.

Mr. ADAMS. Thank you, very much, Mr. Conte. I appreciate it. Thank you for your excellent statement.

It is a great pleasure to recognize and welcome to the committee the Honorable Berkley Bedell, Representative from the State of Iowa.

Do you wish your statement placed in the record?

**STATEMENT OF HON. BERKLEY BEDELL, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF IOWA**

Mr. BEDELL. Rather than read the whole thing, I would like to highlight it.

Mr. ADAMS. Without objection, the statement of Congressman Berkley Bedell will appear in full in the record following his summation [see p. 166].

Mr. BEDELL. Mr. Chairman, the point is to begin, not with a blind and costly plunge into what we hope will be an easy, albeit costly, solution, but with a rational first step that is at once within our financial means and promises to deliver some very tangible and positive results.

The concept behind the bills now before this subcommittee—including the Rail Maintenance Improvement and Employment Act, which I introduced in the House as H.R. 6654, and which the Senate passed in modified form as S. 1730—provides just such a step.

Beyond this first, reasonable step, this legislation is double-edged in that it simultaneously attacks another of our most urgent problems: unemployment. H.R. 6654 and S. 1730 and similar measures would provide work for approximately 40,000 workers who would otherwise remain unemployed. And they would be employed not through "leaf-raking" jobs but in work which is productive in the maintenance and rehabilitation of roadbeds while meeting a real public need for jobs.

It has been covered well by the previous witnesses before your committee. I would just like to tell you we are all aware of our transportation problems. I am having hearings out in our district just this weekend in regard to some of the railroad abandonments. That is from the SBA committee which I served on.

I think the whole country is concerned about these problems. I actually walked the Rock Island Railroad out in my district. The amazing thing is we don't have many derailments. The amazing thing, as you walk the rail, is that they manage to keep a car on the track at all with the conditions we find. In my area, as we look to more and more transportation of grain and as we look to the importance of our grain exports, I think, in our total economy and more particularly as we look at the energy problems of which we are so well aware in the Congress, I think we have to be aware of the importance of maintaining an adequate rail system for the transportation of commodities wherein that transportation is much more efficient in terms of energy consumption.

One of the things I do when I go back to the district, we have open meetings. We have them in every county. The way we operate, we simply ask the people in attendance what they would like to talk about and frequently, the problem comes up of the railroads. Then we talk about the different solutions and we ask for them to vote and tell us what their feelings are.

Time after time, it comes up that they consider the real problem of the roadbeds of the railroads and they tell us that what they believe is that the Government is going to have to move in to give some help in that regard.

In Iowa, the State, itself, has contributed \$3 million to help to rebuild the roadbeds for our railroads. And particularly, it seems to me in this type of high unemployment we have, it just makes a lot more

sense to try to put these people to work in something that we need so urgently and will contribute not only to part of our energy problem but to the building of a better society. So I strongly support not only this bill H.R. 5654, but the other legislation that has come before this committee.

There is very much similarity in all of these bills. I don't think it is a solution to our problem, but it seems to me we do have a problem. We should get started with it, and I would hope the committee would take some affirmative action in that direction.

[Mr. Bedell's prepared statement follows:]

STATEMENT OF HON. BERKLEY BEDELL, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF IOWA

Mr. Chairman. Just as concern with our nation's railroads does not lie in one region, with one industry, or even within one sector of the economy, so their survival cannot depend upon the efforts of one individual, one government agency or one "interested" group.

Why bother to have the railroads? Far from being a relic of the romanticized past, our railroads are intimately tied to the economic and social well-being of present-day America. Our 64 railroads serve over 45,000 communities, handle 60 percent of all domestically manufactured goods and transport 70 percent of the coal used in this country. The survival of a railroad can come down to the health of an industry and even the continued existence of a town whose only link with outside markets is often a railroad.

But, statistics go on and they eventually turn to paint another picture that is growing increasingly bleak. There are 200,000 miles of railroad track in the United States; an estimated 20-45 percent is operated under some type of "slow order", too often as slow as 10 miles an hour. Between 1963 and 1972, faulty railbeds were the cause of 5,700 rail accidents with damage estimated at more than \$500 million. Since 1972, the rate of such accidents has gone up alarmingly. Within the last year, thousands of additional miles of railroad tracks have been ordered to be operated at 10 miles an hour—or less. The Association of American Railroads estimates that over 8,000 miles of track require immediate attention to keep them in service. And, 20 million ties ought to be replaced right now. Hardly the picture of an efficient, safe or even viable system of transportation.

What is called for is a hard, comprehensive look at the entire system of American railroads on a long range basis. Such a project will take time and end up costing billions of dollars. At the moment we obviously have not got billions of dollars to spend and time is running out.

However, the point is to begin, not with a blind and costly plunge into what we hope will be an easy albeit costly solution, but with a rational first step that is at once within our financial means and promises to deliver some very tangible and positive results.

The concept behind the bills now before this subcommittee, including the Rail Maintenance Improvement and Employment Act, which I introduced in the House as HR 6654, and which the Senate passed in modified form as S 1730, provides just such a step.

Beyond this first, reasonable step, this legislation is double edged in that it simultaneously attacks another of our most urgent problems: unemployment. HR 6654 and S 1730 and similar measures would provide work for approximately 40,000 workers who would otherwise remain unemployed. And they would be employed not through "leaf raking" jobs but in work which is productive in the maintenance and rehabilitation of rail beds while meeting a real public need for jobs.

Over eight million Americans are now out of work and looking for new jobs. As bad as that figure is—and it represents about 9% of the American work force—it does not represent the millions who are either unemployed or underemployed. Over 1.1 million known as "discouraged workers" who have simply given up and dropped out of the labor force, and nearly 4 million persons with part time jobs who want and need full time employment, are not counted in the 9% unemployment figure.

The railroad industry has been particularly hard hit by the recession, leading to a reduction in the amount of freight carried. This has led to a reduction of income received by the railroads which has in turn led to the reduction of maintenance-of-way crews by an average of 20%. In more human terms, that means that 15,000 individuals have joined the list of jobless.

Admittedly, none of the bills now before the subcommittee approached perfection; there are problems which must be worked out. But, the concept behind the bill is worthy and above all exceedingly practical. It offers a rare means of tackling two of our most urgent problems and it does so effectively. Whichever bill is passed out of committee, I would hope that action would be prompt so that this badly needed work can begin and in a way that is responsive to the dual needs of rail improvement and employment.

I thank the subcommittee for its consideration.

MR. ADAMS. Thank you, very much, Representative Bedell, for an excellent statement. We appreciate your being here this morning.

MR. FLORIO.

MR. FLORIO. I would like to observe, I had an opportunity to read the entire statement of the Congressman. I think it is particularly helpful because coming from the Northeast with the problems that we have in such great magnitude, quite frequently I lose perspective as to the fact this is a nationwide problem, and you highlight very succinctly that this is a problem of great importance to your area, the Midwest, and of course, to the Far West as well.

To the extent you performed a vital service to me and to the committee, and hopefully, the importance of this nationwide problem will be reflected in the legislation which will ultimately result in the committee's deliberations.

MR. BEDELL. I think that is a problem we face in the Congress. I face it in the area from which I serve. That is, realizing the problems that exist in the other areas and being receptive to those type of problems because I think we have a tendency to see the things we see ourselves in our own area, and believe me, we have a problem out there in the transportation of grain.

MR. ADAMS. Mr. Hastings.

MR. HASTINGS. I would like to join with Mr. Florio and you in support of your remarks about these problems. The support from the gentleman of Iowa, the gentleman from New York, and New Jersey, and Mr. Adams from the great State of Washington, is certainly most appreciated and will be as we continue to develop responsible legislation.

Thank you, very much.

MR. ADAMS. Thank you, very much. We appreciate your testimony, Mr. Bedell, and we welcome your appearance today.

The next witness before the committee is Mr. Paul Reistrup, president of Amtrak. Mr. Reistrup.

STATEMENT OF PAUL REISTRUP, PRESIDENT, NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK)

MR. REISTRUP. Thank you, Mr. Chairman and members of the committee.

MR. ADAMS. We are pleased to have you here this morning and looking forward to your testimony.

MR. REISTRUP. Would the committee like to have me try to brief my testimony, or should I go through it? I believe it is 9 or 10 pages.

Mr. ROONEY. I might suggest if there is no objection from the members of the committee, we might put your statement in the record in full and then have you summarize from it. Is there objection from members of the committee? If not, the statement of Paul Reistrup, president of Amtrak, will appear in full in the record following his oral statement [see p. 169].

Mr. REISTRUP. Amtrak, in this case, is responding to what I think is a very constructive effort on the part of the committee, and that is to do something to repair the track that needs repair in the country, and of course, we operate over some 24,000-plus miles, much of which is in dire need of repair.

We are at Amtrak implementors, operators. We do a lot of repair work ourselves. We are not the policymaking agency as is the Department of Transportation, so our response to this committee is, if it is deemed appropriate that this money be spent and these people be put back to work and the much needed work be begun this summer, which is the work done on tracks, we have a list of places in order of priority which are very much in need of repair and improvement, and will benefit the public, will have lasting improvement in passenger train operations and in 9 out of 10 cases are consistent with the freight operational need in those territories. These are not exclusively passenger lines.

I would like to point out that since 1971, when Amtrak started, Amtrak itself has suffered \$21½ million in equipment damage due to track-caused derailments. That is significant, just in our rather large operating losses that that much money has been spent. Further, those cars and locomotives that were damaged are out of service, so we cannot handle the public in them.

We at Amtrak probably are in the position of taking the lead and showing the way as to how this work might be accomplished in a workable manner in that we are now working actually improving the tracks and bridges north of New York toward Boston.

We started May 1. We proved that it can be done in short order.

As you recall, I took over March 1. We got an interim agreement with Penn Central, and I was informed that this week that the judge affirmed our arrangements and a lot of work to the tune of \$15 million that is actually taking place.

I think that with the arrangements that we have to protect our investments, which is the investment of the public, the Congress of the United States, will work for track repair which is the purpose of under this present proposed legislation.

Our scheme throughout the country, and it is geographically spread all the way from Seattle to Boston and down to San Diego and even to Texas, our scheme would be to fix the worst spots first and also try to do work where the most improvement in the elapsed time could be attained. So we would improve the passenger service and thereby generate increasing revenue and tend to pay for this project through lessening Amtrak loss.

At this point, I would like to correct something I believe should be corrected on the record. Mr. Conte mentioned that Amtrak received an appropriation and authorization for \$200 million for track work in its recent legislation. This is not the case. We asked for it and it was

proposed, but it was not authorized nor was it appropriated. It was felt in the final markup, as I understand it, that the track issue was a national question rather than specifically an Amtrak question, so we did not get money for that to the tune of \$200 million.

We, in our proposals, have many other railroads, those who are doing a lot better than Penn Central as well as those in bankruptcy, including those that would be getting funding.

We do have some that are in difficult times. The Missouri-Kansas-Texas, known as the Katy, would be one. Our project in Texas would lessen the running time of a train by almost an hour, by improving a stretch of 38 miles which would also, of course, help the Katy Railroad.

We have an example of work that would be done on a railroad that is doing quite well, the Sante Fe, between San Diego and Los Angeles. This is small corridor-type operation, 126 miles. We would be able to reduce the running time by 38 minutes and make it really an attractive service. It is just a little bit too long a running time for the distance involved.

In summary, I would like to point out that we are responding to the committee. We think we have the proper priorities for doing this work. We have a method for controlling the work, laying out the plan, telling the workman just which ties should go, rails and so forth, and auditing this to make sure we get what we pay for.

There are significant problems to be worked out. I think one of the major ones is that it is my understanding that only 235 men are actually out of work in the maintenance-of-way departments of Penn Central.

One idea we had was that perhaps we could get men from other railroads to go to work on Penn Central track should the Penn Central not be able to hire other unemployed workers either from other railroad crafts or from outside to go to work in the Northeast.

The advantage—having worked on the track myself years ago—the advantage of having these people, you don't have to teach them. They know the business, and they can go right to work.

A final point: With the geographic spread that we have for our program, working this winter in Texas, for example, and southern California and Portland to Seattle which do not have winter problems. We are almost too far into the summer now to begin significant track work in the northern climes before it freezes up. Generally, the work has to be pretty well completed by the first of November, particularly when you get north of the line about Pittsburgh, Pa., up in that area.

That is my summary statement, Mr. Chairman.

[Mr. Reistrup's prepared statement follows:]

STATEMENT OF PAUL REISTRUP, PRESIDENT, NATIONAL RAILROAD PASSENGER CORP.
(AMTRAK)

Mr. Chairman, Members of the Committee, Amtrak is pleased to respond this afternoon to the Committee's request for our comments on proposed legislation that would authorize an immediate start on a national roadbed, right-of-way and track improvement program.

I would like to say at the outset that I wholeheartedly applaud the Subcommittee's interest in this problem, which is serious today and is only going to get

worse unless we can find a way to stop talking and start doing the necessary work. Federal assistance to halt and reverse the serious decline in this nation's physical rail plant is a subject that can be studied to death. Good track crews know what to do and where to do it. The policy problems are difficult but they are not insoluble. I believe we are in a position today to offer the Congress a practical program for getting started.

I am not going to try to define a national transportation policy here today, although I hope I may be able to shed some light on the policy questions. Amtrak is not a policy-making agency of the Federal government. Amtrak is an implementing organization. Legally, we are a railroad but we operate through contracts with the participating railroads, which actually operate the Amtrak trains. At the same time, we are the government's corporation of choice for expenditure of Federal funds, for which we are to provide, on behalf of the Amtrak public, a continuing and improved intercity rail passenger service. In furtherance of this goal, which is national policy as embodied in the Rail Passenger Service Act, Amtrak has already received or has on order more than \$525 million worth of new locomotives, cars and Turbo-trains. So we can say that we are doing something about the equipment problem we inherited.

We've also got to start doing something about the track problems. We have, I am very pleased to say, actually begun some upgrading work in the Northeast corridor north of New York City in cooperation with the Department of Transportation, and other corridor improvements now are programmed south of New York. But we have serious problems beyond the Northeast corridor. We have had track deterioration on many Amtrak routes and on all routes that are on bankrupt property. Just as serious, especially now that we have new equipment coming on stream, is the fact that since 1971, when we began, there has not been one single case in the entire country of a substantial track improvement permitting Amtrak's basic schedule times to be reduced by any significant amount.

To put the matter in its simplest terms, the Federal government is not going to get full value received for the investment in new, high-speed equipment unless track is improved. In broader terms, the whole intent of the Rail Passenger Service Act will be frustrated unless something is done. In still broader terms, the whole economy is going to pay a steep price if this country's rail plant is permitted to fall into further disrepair.

It is a large job, but we can approach it on the principle of "fixing the worst first", and the important thing is to get started. We believe the most rational approach is to focus first on the Amtrak routes, for it is on these routes that we already have a Federal involvement and therefore an immediate public interest. There will be other public benefits as well, to the freight shippers and consumers, although they are harder to quantify. The benefits to Amtrak service are first, more reliable schedule performance and smoother rides to reduce the wear and tear on equipment as well as passengers, and second, faster schedules.

These benefits can be achieved by implementing certain fundamental types of improvements—slow-order removal and general track upgrading for smoother operation and higher speeds. What is involved ranges from lining and surfacing the existing track, the installation of new ties, new rail and ballast, restoration or upgrading of alternative route segments for faster through service, improvements to signalling to permit higher speeds or to reduce interference from other traffic, provision of grade-crossing protection or crossing eliminations, and selective right-of-way fencing.

The approach now being considered by this Subcommittee can provide exactly the kind of program necessary to begin making these kinds of improvements. We have been working on plans as to what we might realistically be able to achieve under this sort of approach. Since the program contemplated is relatively short-term and intended to impact directly on unemployment among railroad maintenance-of-way workers, Amtrak can concentrate its efforts on slow-order eliminations and other spot projects where work can begin almost immediately and be completed quickly. Where possible within the time frame and within the resources available, we will also do more comprehensive projects. In every case the improvements will be measurable.

A key question that will be raised about this proposed approach is whether or not it is in fact feasible in terms of the legislative intent, which is to put currently unemployed resources, both labor and equipment, back to work. Another question is how this program, which by definition is an interim measure based

on the availability of the unemployed resources, can be integrated into the longer-term comprehensive solutions to the nation's physical railroad-plant problems. I will speak to each of these questions in turn.

Right now trained and skilled personnel are sitting idle. Sophisticated equipment and the supporting work trains are sitting on sidetracks. Crews live on the job and can be widely deployed. There is no reason why crews cannot work anywhere. They can go to the work. The Amtrak system spans the continent, from border to border, and it is always good construction weather somewhere. If we are granted the necessary funds, we can act as the Government's prime contractor, with the railroads as subcontractors whose crews will be recalled to actually do the work. For example, furloughed Santa Fe crews could be used on Penn Central projects. There are a number of administrative problems, but we have been working on them and we believe they can be resolved. At any rate, we have identified enough projects to guarantee an almost immediate start, and if we have difficulty in one area we can proceed in another. It now appears that the constraint will be in the funding rather than that of materials or work opportunities.

The problems of integrating the work done under this program with longer-term solutions that have yet to be designed is not as difficult as it may appear. We know what routes we are on, and in almost all cases we know that we will stay on them. Our contractual rights for the use of track extend to 1996. We have been working closely with the United States Railway Association, and we have integrated our proposed projects with USRA's track improvement plans as they now stand. The maps we have with us today show how what we will do is keyed not only to the worst track problems we have on our present Penn Central routes but also how they relate to the likely future development of combined freight-service and passenger-service routes in the "Conrail" areas. It should be stressed that at any rate we will be doing work that has to be done on those lines where we are reasonably certain that we will be able to recover the benefits over the life of the improvements. It is possible to contract for protection of the Federal investment and we would start no project until we are satisfied that such protection is in place. We anticipate no real difficulty in doing so.

A third question that appears to be troublesome to many is the problem of funding improvements to "private" property. Of course, railroads are not "private" property to the same extent that a family's back yard is. The railroad property is suffused with public interest. It is subject to regulation and legislative direction. The very rights-of-way were assembled under eminent domain pursuant to the public interest. In more contemporary terms, for example, every grade separation or protection project funded or partially funded with federal dollars certainly also improves the railroad "property." But the problem recedes to its normal proportion when it is understood that these funds are purchasing public benefits, and that that is the rationale for their expenditure. That there are also many benefits to the railroad is considered incidental, and at any rate it is not considered undesirable because these incidental benefits also accrue to shippers and the public they serve, completing the circle.

The real fear expressed in some quarters is that somehow Federal dollars will flow directly into the pockets of railroad stockholders without doing any other good along the way. As I have indicated, Amtrak will insure that the work is done as contracted for; such work being the right improvements in the right places to benefit Amtrak passengers. As I have also indicated, such work can be contracted for in such a way that the investment is protected and without waiving our existing rights under our contracts for tracks maintained at the May 1, 1971, standards.

Mr. Chairman, in response to the questions you asked of us in your May 1 letter concerning this hearing, we have been working on the preliminary detailed list of projects that could be undertaken given the authorization and funding that has been proposed. Our list is still necessarily "preliminary", but it is already quite solid. We have made considerable progress during the past six weeks in defining the options and mobilizing the support that will be necessary for a prompt start.

We have attached to the end of this prepared statement an identification of project areas and types, consistent with the total \$700 million funding that has been discussed. If the Congress and the Administration would prefer that we proceed on the basis of a smaller amount we are prepared to do so, but we have staffed out the list to the larger figure because we do believe we could deploy

these resources to this extent within the time-frame under consideration. This is in direct response to your question, Mr. Chairman.

We have identified a number of major areas for improvement programs of different sorts. Predominant among them, as might be expected, are the Penn Central routes where we are experiencing the worst delays and roughest rides. Also, we have the Penn Central route between Chicago and Detroit where we are now operating the Turbotrains with good marketing success, and we will do even better if we can get some time out of the schedules. And we have programmed some work along the new route between Boston and Chicago via Cleveland, which is also in Penn Central territory.

The plan, as we have now developed it, excludes Northeast corridor projects for two reasons. One is that work has already begun on the corridor and more is programmed for funding under other measures. The second is that we have attempted to develop a plan that is geographically fair to the taxpayers across the country and still not spread so thin as to preclude meaningful and measurable improvement on selected routes.

Beyond the Penn Central we have identified routes in the Midwest, the Southwest, the Pacific Northwest and Pacific Southwest for spot or major improvements. The Chicago-St. Louis corridor operated by Illinois Central Gulf is potentially a high-speed route where we are already offering Turbotrainer service, but at lower-than-optimum speeds.

A number of route improvements are in order in Texas. On the Inter-American route, which terminates at the Mexican border, track work can gain us higher speeds and also reduced mileage by opening a shorter track between Temple and Taylor to passenger service. These, together with a small switching improvement at Fort Worth should permit the Amtrak trains to connect with the Mexican passenger-train service at Nuevo Laredo, as was originally contemplated when this route was specified in an amendment to the Act. Also, upgrading work, in accordance with the outcome of arbitration concerning the matter, will permit Amtrak to finally provide direct service between Dallas and Houston as was intended for the original Amtrak basic system.

On the West Coast two potential corridors currently are operated on good or relatively good track but at suboptimum speeds because of safety considerations. Between Seattle and Portland there are some 97 unprotected public grade crossings and the route is heavily impacted by local-ordinance speed restrictions. A selective grade-crossing-protection program coupled with some right-of-way fencing should give us and the Burlington Northern leverage to persuade communities to lift or liberalize a number of these speed restrictions. Similar improvements are proposed for the Los Angeles-San Diego corridor where in the future Amtrak would like to be able to offer higher-speed service.

In the East, the Chessie System route through Charleston, West Virginia, also needs improvement to minimize delay to the Amtrak trains. This route has gained in importance with the addition of Mountaineer service via the Norfolk and Western, as the Mountaineer trains merge with the James Whitcomb Riley tralus to provide through service to Cincinnati and Chicago. Chronic schedule delays on one route therefore mean delays to two services and extend the operating benefits of the track upgrading.

As noted, much of the work is programmed for Penn Central lines. Provision is made for the restoration of track in upstate New York pursuant to the interest expressed and the amendment adopted during floor debate during passage of the Amtrak Improvement Act. In addition to the restoration of the 12 miles of track between Post Road Crossing and Rensselaer, another short restoration will give us a direct route through Schenectady. In addition, a fairly heavy upgrading between Boston and Albany will give us better running time, more flexible scheduling and a smoother ride.

The two worst Penn Central routes in terms of late trains are between Pittsburgh and St. Louis and between Pittsburgh and Chicago. The Broadway Limited, to Chicago, and the National Limited, to St. Louis, have operated for months at a time without ever arriving on schedule. We are lengthening these schedules so that we can be honest with our customers, but this is not the correct way to fix late trains. We have therefore programmed considerable upgrading to reduce the number of slow orders on both these routes. Similarly, we would propose to fix the tracks through Indianapolis from the south and southeast toward Chicago, which are presently out of service as far as Amtrak is concerned.

There are further details on the attached sheets, and we have the maps with us. I would conclude these prepared remarks with the summary statement that we

believe what is proposed here is feasible and will yield very practical results. It will also get us off dead center with our track problems, which are getting worse daily. Thus a program of this sort is completely in accordance with my belief, as I have stated a number of times, that the tracks are Amtrak's number-one long-term problem, and that we ought to get started promptly in doing something about it.

TRACK, RIGHT-OF-WAY, ROADBED AND SIGNALLING PROJECTS
[In millions of dollars]

Project	Railroad	Estimated cost
1. Chicago-Detroit.....	Penn Central.....	85.0
2. Pittsburgh-Chicago (New York-Washington-Chicago).....	do.....	65.0
3. Pittsburgh-St. Louis (New York-Washington-Kansas City).....	do.....	70.0
4. Chicago-St. Louis.....	Illinois Central Gulf.....	45.0
5. Post Road to Rensselaer (Albany) [New York City-Buffalo].....	Penn Central.....	4.0
6. Crenan to Hoffman [New York City-Buffalo].....	do.....	4.0
7. Boston-Albany (Boston-Chicago).....	do.....	40.0
8. Temple-to-Taylor cutoff.....	Missouri-Kansas-Texas.....	2.0
9. Cincinnati-Indianapolis (Washington/Newport News-Chicago).....	Penn Central.....	50.0
10. Seattle-Portland (corridor and part of Los Angeles-Seattle).....	Burlington Northern.....	35.0
11. Access to Cincinnati Union Terminal (for all services via Cincinnati).....	Penn Central, Chessie System, et al.....	3.0
12. Louisville-Chicago via Indianapolis and Kankakee (Chicago-Florida and part of Washington-Chicago).....	Penn Central.....	100.0
13. Chicago connection.....	ICG-PC.....	9.0
14. Dallas-Houston.....	Southern Pacific.....	15.0
15. White Sulphur Springs-Huntington (Washington/Newport News-Chicago).....	Chessie system.....	30.0
16. San Antonio station.....	MKT.....	5.0
17. San Diego-Los Angeles (Grade crossing improvements and elimination).....	Atchison, Topeka & Santa Fe.....	138.0

Discussion of each of these 17 possible projects follow. In every case of track upgrading except for the Dallas-Houston work (project 12) it is contemplated that the appropriate stretches of track will be improved to Federal Railroad Administration Class 5 standards. Dallas-Houston would be upgraded to Class 4 standards, because Class 4 was the basis of the arbitration award for this route.

Normally, both Class 5 and Class 4 will give open-country track speeds of 79 mph. Class 5 nominally allows up to 90 mph speeds for passenger service, but only where cab signalling has been installed. At 79 mph, class 5 track will give a better ride with less wear on equipment. Amtrak hopes in many areas that this signal rule will be excepted by FRA, so as to permit higher speeds without the major expense of a cab signalling installation. Amtrak's position is that the 79 mph signal rule is applicable to freight service, with the longer stopping distances required for freight trains, but that it is an undue restriction on passenger-train operations, which can stop within shorter distances.

PROJECT 1

	<i>Million</i>
Chicago-Detroit corridor (Penn Central).....	\$10
(Two stage upgrading program).....	+75
Total.....	85

Penn Central has agreed on costs of initial \$10 million program. Work entails the correction of the worst areas first, followed by a general upgrading of the whole route and restoration of safe, smoothriding, reliable service.

Stage 1 entails an estimated:

- 120,000 crossties.
- 111 switches rehabilitated.
- 182 grade crossings rehabilitated.
- 120 miles of track surfaced.
- 120 miles of ballast cleaned.

Replacement of temporary and deteriorated signal cable and installation of 6 miles of signal wire; signal and relay replacement.

Bridge repairs to decks, ballast retainers ; raising parapet walls.
100,000 tons of ballast.

Stage 2 entails further upgrading and improvement over the May 1, 1971 levels. The estimated work requirements for the 279-mile route is :

150 miles of tie renewal.

50 miles track gauging.

200 miles of track surfacing.

150 miles of ballast cleaning.

100 miles of rail grinding.

50 miles of new welded rail rehabilitation of interlockings (power switch complexes) rehabilitation of drainage.

PROJECT 2

Pittsburgh-Chicago (Penn Central), \$65 million.

BROADWAY LIMITED ROUTE

As with the National Limited, the Broadway Limited's published schedule has remained at the May 1, 1971, speeds due to contract disputes with the Penn Central. The actual significantly on-time record of the Broadway Limited has suffered greatly, and has been deteriorating significantly in recent months. Trains are currently averaging one or more hours late due to deteriorated track. To restore safe, reliable, comfortable operation on the proper schedules, the necessary work is estimated as follows :

420 miles of track gauging.

550 miles of tie renewals.

825 miles of track surfacing.

550 miles of ballast cleaning.

350 miles of surface and rail head grinding.

110 miles of new welded rail.

In addition to the above, considerable work is also required to :

Rehabilitate interlockings.

Rehabilitate bridges.

Repair drainage.

Revise and rehabilitate signaling.

Weld rail ends.

PROJECT 3

Pittsburgh to St. Louis (Penn Central), \$70 million.

NATIONAL LIMITED ROUTE

While the timetable schedule has remained essentially the same since May 1, 1971, the normal on-time performance percentage for these trains has been 0.0. The train operates several hours late daily due mainly to deteriorated track on this segment. Without extensive rehabilitation, the schedule for the National Limited will have to be lengthened by several hours.

Estimated requirements to restore safe, Class 5 track for comfortable, reliable operation :

400 miles of track gauging.

555 miles of tie renewals.

850 miles of track surfacing.

600 miles of ballast cleaning.

410 miles of surface and rail-end grinding.

120 miles of new welded rail.

Considerable work is also needed to :

Rehabilitate interlockings.

Rehabilitate bridges.

Restore proper drainage.

Revise and rehabilitate signaling.

Weld rail ends.

PROJECT 4

Chicago-St. Louis (Illinois Central Gulf), \$45 million.

Provide for safe, smooth, reliable, comfortable trackage for Turboilner service. Class 5 track is contemplated ; a waiver of the 79 mph FRA signal rule has been applied for.

Estimated required work:

- 150 miles of track gauging.
- 300 miles of tie renewals.
- 300 miles of track surfacing.
- 300 miles of ballast cleaning.
- 100 miles of surface and rail end grinding.
- 135 miles of new welded rail.

Extensive work also required to:

- Rehabilitate interlockings.
- Restore drainage.
- Rehabilitate bridges.
- Revise signal systems.
- Weld rail ends.
- Rehabilitate highway crossing protection.
- Separate selected grade crossings.

PROJECT 5

Post Road to Albany/Rensselaer (Penn Central), \$4 million.

12.1 miles of right-of-way exist with no track. Without work, up to 45 minutes is required for complicated backing motion and switching south of Albany to get on the east-west mainline. Construction to Class 5 track with grade-crossing protection is proposed.

Work entails an estimated:

- 12.1 miles of 140 lb. rail.
- 38,300 crossties.
- 55,000 tons of ballast.
- 2 power switches.
- Install automatic signal protection at 4 grade crossings.
- Complete signal system.

PROJECT 6

Carman to Hoffman (through Schenectady) (Penn Central), \$4 million.

Restoration of Schenectady Station and 13.4 miles of track between Control Point 8 at Milepost 156.5 and CP 11 at MP 169.9 is proposed to end the present detour route via Carman Branch, Hoffman's Branch, and the West Shore Branch. Restore trackage to Class 5 and protect seven grade crossings.

Restoration would provide direct downtown service to Schenectady instead of Schenectady suburbs at Colonie.

Some rail and a switch at the west end connection (CP 11) has been removed and would require replacement. Existing signal system has been vandalized and would require rehabilitation.

Work entails an estimated:

- 17,000 crossties.
- 13.4 miles of track rehabilitation.
- 7 grade crossings rehabilitated.
- New modular Schenectady station.
- Rehabilitation of signal system.

PROJECT 7

Boston-Albany (Penn Central), \$40 million.

Restoration and upgrading of 201 route miles (double and single track) to Class 5 for portion of Boston-Chicago service to permit fast, safe, comfortable service.

Work entails an estimated:

- 50 miles of track gauging.
- 350 miles of selected tie renewals.
- 400 miles of track surfacing.
- 350 miles of ballast cleaning.
- 150 miles of rail head surface grinding.
- 50 miles of new welded rail.
- Rehabilitation of most interlockings (power switch complexes).
- Rehabilitation of bridges.
- Rehabilitation of ditch and drainage of roadbed.
- Rehabilitation of signaling and installation of Central Train control signaling from Control Point 100 to CP 148 and from Palmer to Brookfield.

PROJECT 8

Taylor-Temple cutoff (Missouri-Kansas-Texas), \$2 million.

Eliminates about 50 extra minutes of running time for the Inter-American trains. With increased speeds on other segments of route, the work will permit scheduled connections with the Mexican passenger service.

Estimate of work required:

43,000 crossties.

37 switches rehabilitated.

930 carloads of ballast.

39 miles of trackage rehabilitated, employing about 55 men.

Rehabilitation of southeast wye connection on the Texas and Pacific at Fort Worth.

Construction of connection between Atchison, Topeka and Santa Fe and Missouri, Kansas, Texas at Temple.

PROJECT 9

Cincinnati-Indianapolis (Penn Central), \$50 million.

Route segment of James Whitcomb Riley and Mountaineer.

As with the Louisville-Chicago segment, the track has deteriorated and the train has been forced to move off the Penn Central route and onto the C&O route. These trains no longer serve Indianapolis. The Chicago-Indianapolis-Cincinnati route segment was identified originally by the Amtrak Incorporators as a possible Midwest corridor. To restore safe, efficient, comfortable, reliable service on the route, work has been estimated as follows:

200 miles of track gauging.

350 miles of tie renewals.

400 miles of track surfacing.

400 miles of ballast cleaning.

100 miles of surface and rail-end grinding.

80 miles of new welded rail.

Work is also required to:

Rehabilitate interlockings.

Rehabilitate bridges.

Restore drainage.

Revise signal system.

Weld rail ends.

Rehabilitate grade crossings.

PROJECT 10

Seattle-Portland (Burlington Northern), \$35 million.

Seattle-Portland is one of Amtrak's main west coast corridors and the route is also served by a through train to Los Angeles. To provide safe, efficient, comfortable, reliable operation on the route, the following work has been estimated as needed:

50 miles of track gauging.

150 miles of tie renewals.

200 miles of track surfacing.

100 miles of ballast cleaning.

100 miles of surface and rail head grinding.

80 miles of new welded rail.

In addition, the following work would also be required:

Rehabilitate interlockings.

Rehabilitate bridges.

Repair drainage.

Weld rail ends.

Signal system revisions to improve crossing protection.

There are 97 public highway grade crossings on this 186-mile segment, of which 39 would be upgraded by adding gates to the existing light warnings, and 44 crossings would be upgraded by installation of both flashers and gates.

PROJECT 11

Restore Amtrak service to Cincinnati Union Terminal (CUT) (Chessie System; Penn Central), \$3 million.

Restoration of Amtrak service to the CUT would have a short-range and a long-range advantage. CUT is located in downtown Cincinnati and can provide good downtown access for the Washington/Newport News-Chicago James Whiteomb Riley trains and for the Norfolk-Cincinnati Mountaineer trains. If the Chicago-Indianapolis-Cincinnati rail lines were improved, CUT could serve quite well as the terminal for corridor service on that line. In the longer run, several proposals for corridor service in Ohio with Cincinnati as one end-point have been forwarded by the United States Railway Association. While these proposals must still be completely evaluated by Amtrak, and the rail lines through Ohio improved, CUT would be the best location for the terminal since most of the east/west and north/south rail lines serve the terminal.

Work required:

- Construct 10,945 feet of new 115 lb. track.
- Install 4 each No. 10 turnouts.
- Install 3 each No. 10 crossovers.
- Platform extension 19,700 sq. feet.
- Restore Southwest Connection.
- 2,570 ft. rail.
- Construct 309 linear feet of timber pile trestle.
- Bridge tie renewals.
- Land acquisition of 6.31 acres.
- Install and rehabilitate signals.
- Install coach and engine watering facilities.

PROJECT 12

Louisville-Chicago via Indianapolis and Kankakee (Penn Central), \$100 million.

Part of Chicago-Miami/St. Petersburg Floridian route and the Washington/Newport News-Chicago service operated over the Indianapolis-Chicago segment.

This trackage was part of the basic system until the track levels deteriorated so badly that the Federal Railroad Administration condemned the tracks for all passenger service. The Floridian has been rerouted four different times and now operates over a segment of the I&N from Chicago to Louisville, which serves neither Indianapolis nor Kankakee. The James Whiteomb Riley no longer serves the segment either, since it was rerouted off the Penn Central and on to another railroad, the C&O. The C&O does not serve Indianapolis either.

To restore this condemned trackage to the May 1, 1971, Class 5 levels, work is estimated as follows:

- 300 miles of track gauging.
- 800 miles of tie renewals.
- 800 miles of track surfacing.
- 800 miles of ballast cleaning.
- 100 miles of surface and rail-end grinding.
- 150 miles of new welded rail.

Work is also required to:

- Rehabilitate interlockings.
- Rehabilitate bridges.
- Restore drainage.
- Revise and rehabilitate signals.
- Weld rail ends.
- Rehabilitate grade-crossing protection.

PROJECT 13

Chicago connection (Illinois Central Gulf, Norfolk and Western, Penn Central), \$9 million.

Considerable backing movement is required for trains bound for Chicago from the Illinois Central Gulf Chicago-New Orleans mainline. This includes the Panama Limited, the Shawnee, and the Illini. The movement is required be-

cause Amtrak has consolidated all train operations in Chicago at Chicago Union Station, which was not originally designed to handle traffic from the ICG lines. A study has shown that an improved connection at Grand Crossing can eliminate approximately 15 minutes for the scheduled running time for each train handled between the ICG line and Union Station.

With restoration of the route via Lafayette and Kankakee for the James Whitcomb Riley/Mountaineer and the Floridian trains, this improvement will accommodate four additional daily long-distance trains.

To improve these track connections in Chicago it will be necessary to:

- Revise interlockings.
- Perform bridge work.
- Revise signal systems.
- Rehabilitate track.

PROJECT 14

Dallas to Houston (Southern Pacific), \$15 million.

To provide direct, safe, efficient, high-speed, reliable, comfortable service from Dallas to Houston on the best available route, and make preliminary preparations for Dallas-Houston high-speed corridor service.

In preparation for Amtrak access to the SP main freight line, Amtrak and the SP submitted to arbitration to determine the necessary upgrading program. The details of the arbitration award, with subsequent inflation factored in, were used to develop the preliminary dollar costs.

Included are requirements to:

- Rehabilitate trackage to Class 4 level.
- Replace rail between Hempstead and Navasota.
- Extend Hempstead siding.
- Construct new siding on the SP-Missouri Pacific joint-use track at Millican.
- Construct new siding, two crossovers, relocate main line, extend existing Central Train Control to control the mainline at Hearne Yard.
- Construct new mainline and install CTC at Ennis.

PROJECT 15

White Sulphur Springs-Huntington (Chessie System), \$30 million.

Portion through West Virginia of the James Whitcomb Riley route. On-time reliability and riding comfort have deteriorated and considerable work is required to restore 192 route miles of this service to safe, reliable, comfortable Class 5 operation.

Estimates for the work require:

- 50 miles of track gauging.
- 150 miles of tie renewals.
- 180 miles of track surfacing.
- 100 miles of ballast cleaning.
- 50 miles of surface and rail head grinding.
- 80 miles of new welded rail.

Also, work would be required to:

- Rehabilitate interlockings.
- Rehabilitate bridges.
- Restore drainage.
- Revise signal systems.
- Weld rail ends.

PROJECT 16

San Antonio trackwork (Missouri-Kansas-Texas) to consolidate stations, \$5 million.

Presently, the east-west Sunset Limited and the north-south Inter-American train use different tracks through San Antonio and do not share stations. The Sunset Limited uses the SP station, while the Inter-American uses a street location.

To consolidate services at San Antonio in order for one station to accommodate both services and any future services, considerable revision of trackage, switching, and operations are required. The trackwork will permit the operation of the Inter-American train through the Southern Pacific station and then to return it to the Missouri Pacific lines to Laredo and Mexico.

Improvements will entail :

- Land acquisition.
- Signalling revision.
- Installation of power switches.
- Track construction.

PROJECT 17

San Diego-Los Angeles (Santa Fe), \$138 million.

There are 106 grade crossings along this very fast corridor route. The work would provide complete grade separations at 25 locations to eliminate the extreme hazards involved in passenger train operations at speeds of up to 90 mph.

Mr. ROONEY. Mr. Reistrup, first of all, I would like to commend you for the excellent job you are doing with Amtrak. Traveling all over the country, taking a look at the facilities.

In your travels, what have you found to be the greatest problems facing Amtrak?

Mr. REISTRUP. The greatest problems that are directly under our control today, really, are equipment maintenance, air-conditioning now that summer is upon us, and the greatest problem that we are having a great deal of difficulty with—because we can't do much about it—is the track. I am going to ride today what is supposedly the worst train in the country.

Mr. ROONEY. Are you coming to my district?

Mr. REISTRUP. I'll ride the National Limited, which runs from Washington and New York to St. Louis and Kansas City. It operates so slowly over some of this territory that the batteries cannot be charged, and therefore we have air-conditioning failures because it is going so slowly. We feel, and I have looked at a lot of the tracks, the undercarriages, we feel a lot of our maintenance costs are due to this bad track. It is developing a cracking of some of the castings caused by the banging.

I really feel that your approach, the committee's approach here in trying to address this track issue expeditiously is one of the best things that has happened. Let's get to work this summer on the track. It will be worse next year.

An example is that our trains 52 and 53, the Floridian, are now on their fourth route. It is a little bit of, "Car 54, where are you?" Train 53 is now on what used to be the Monon railroad because we cannot physically operate over either of the Penn Central lines.

It is a significant problem. It is not going to get better. It appears there will be Federal financing on the Penn Central lines, at least, which is 41 percent of our operation. Let's get with it rather than delay.

Mr. ROONEY. I had an opportunity to look over your statement last evening and review the figures, and you certainly come up with that magic figure of \$700 million, I see. Every nickel is accounted for.

The thing that bothers me somewhat, in San Antonio you want to spend \$5 million for a new railroad station. Is that upgrading tracks?

Mr. REISTRUP. There is some track work involved in it.

Mr. ROONEY. How much have you allocated for the station?

Mr. REISTRUP. The station portion of it would be a considerable amount. That would probably be close to \$2 million. We can provide that actual breakdown. Our program is not entirely track, although a good bit of it is.

We can carve out what is strictly track maintenance from our total program, but when you are working on the track you ought to be at the same time repairing road crossings with the highways, so the work is done in a unified program.

Mr. ROONEY. But not building a \$2 million railroad station. This is something that is not needed. If we are going to rehabilitate the roadbeds, I don't see how we can possibly get into refurbishing or rebuilding new railroad stations. I think that is secondary.

Mr. REISTRUP. These stations will be refurbished and rebuilt in some manner, and again we are responding to the committee's question: How would you spend this money?

It is very possibly not appropriate in this particular legislation if this is strictly a track bill. My understanding was it is largely to put people who are unemployed back to work, though. There are carpenters as well as maintenance-of-way men that are out of work.

Mr. ROONEY. There is a bill going to come out of this committee dealing with this type of legislation which is going to the upgrading of the trackage.

Let me ask you about the Illinois Central Gulf. Tell me something about that railroad's financial condition at the moment.

Mr. REISTRUP. I really don't know what it is at the moment. I have read the reports. It lost money in substantial sums in the first quarter.

Mr. ROONEY. But it is still a viable profitmaking railroad or system?

Mr. REISTRUP. Yes; it would be generally categorized in that way.

Mr. ROONEY. How can you justify giving them \$45 million?

Mr. REISTRUP. This route particularly is the former Gulf, Mobile, and Ohio railroad which was the fast route from Chicago to St. Louis and is in rather good condition, generally, but not set up for the high speed operations which we could attain with the turbotrains that are on that run.

This program is an actual definite improvement above and beyond the state of the track in 1971. This is more than just track repair which you would have in the case of Penn Central. This is an upgrading so we can reduce the running time from Chicago to St. Louis to be truly competitive. Right now the run is about 5 hours and it is just too long to attract that many passengers. Roughly 286 miles.

There are other examples, Mr. Chairman, like this. The San Diego-Los Angeles would be one. It is a viable railroad.

Mr. ROONEY. Atchison, Topeka, and Santa Fe, \$138 million. One of the most profitable railroads in the country.

Mr. REISTRUP. That is right. We are running three trains each way. We may be running a fourth each way, and it is one of the heaviest air corridors in the country, unbelievable. San Diego to Los Angeles air traffic is heavy, and we ought to be competitive on a run that short on the rail.

There is a very severe curve and several curves in the middle of that operation which I recall are about 30 miles an hour. Some of that track is good for 90. With all that slow running it is a "hurry up and slow down" operation.

Mr. ROONEY. Don't you believe that the \$700 million, you pointed out in your report, that that could be more useful in the Northeast corridor between here and New York—between Washington and Boston and New York and Philadelphia?

Mr. REISTRUP. As far as actually upgrading and repairing track, Mr. Chairman, that is true. Of course, they could use, as I understand it, \$6 billion of just track upgrading in the Northeast. Our program is trying to be responsive to putting the men to work that are out of work across the country, not merely on Penn Central.

If we were going to respond to just a track repair program for Penn Central, we would state perceivably a \$5 billion program and giving priority to the worst passenger lines such as the National Limited route.

Mr. ROONEY. Mr. Reistrup, do you believe that the Department of Transportation should be completely eliminated from administering this legislation?

Mr. REISTRUP. No; I do not. We have worked in concert with them on the program between New York and Boston. Amtrak is actually in the form of a contracting officer for that project. We get our funds through the Department of Transportation, actually requisition of it. It should be, I think, a coordinated effort. I do think it is better to have an implementor rather than a policymaking agency actually supervising and doing work.

Mr. ROONEY. So you don't think that type legislation is needed: you can work with the Department of Transportation?

Mr. REISTRUP. I think we could; yes.

Mr. ROONEY. How are your projects listed as far as priority is concerned?

Mr. REISTRUP. They are listed and attached to my statement, and I believe you received copies. They are in the order, really, of the most need, the Penn Central projects, for example, and then for the greatest improvement for the passenger and our competitive position in the marketplace. Let's take a few examples:

Chicago-Detroit has new turbotrains on a substantial investment by the United States of America. Some \$1½ billion has been invested by this country to operate over tracks that are not too good. This track, and I have ridden over a part of it, can be repaired for not too much money and you really can have a beautiful operation from Chicago to Detroit, three trains each way, and I assume every train would be running practically full.

The business is already up 61 percent just by improving the trains themselves.

The Pittsburgh-Chicago and Pittsburgh to St. Louis portions of Penn Central—the Broadway Limited, National Limited route—that is just track repair and I indicated earlier the problems on those operations. Those trains are always late. It is a rarity when the National Limited is on time. Its on-time record is zero.

Chicago-St. Louis would not be a rehabilitation program. It would be an improvement program so we can get a truly high-speed operation. I think that goes far enough.

Mr. ROONEY. You have your fourth priority as the Illinois Central Gulf getting \$45 million.

Mr. REISTRUP. Yes.

Mr. ROONEY. How will our money be protected?

Mr. REISTRUP. In that case very similarly to the New York-Boston situation in that we would actually put a work program together, what work to do where, we audit it, we monitor it, we have supervising

engineers in the field, and then we will sign a contract with the railroad to make sure that investment is maintained.

What actually happens is the level of utility increases from what it was the day of Amtrak's beginning, May 1, 1971; the track maintenance level that ICG would have to maintain would be better than it is today, because today they are supposed to keep it at 1971 conditions.

That is not good enough for turbotrains. They are idling there now at 79 miles an hour and the train can run 120.

Mr. ROONEY. Mr. Adams.

Mr. ADAMS. Mr. Reistrup, following on the question that the Chairman asked you, I am concerned about the arrangement that Amtrak has with both the companies that are doing the work and with the testimony that you have on page 4 of using crews from one railroad on another.

Are you simply entering into a contract with the railroad and saying, "We want this work done," and then you pay them so much money and they do the work? Is that the method by which you are presently handling Amtrak's track program?

Mr. REISTRUP. No; Mr. Adams.

Mr. ADAMS. Are you putting your own crews out?

Mr. REISTRUP. We are using the railroad's crews and the railroad's on the ground level supervision. We also have Amtrak's managerial supervisors there. The key to it is putting together the program, what work is to be done where, so the railroad is actually carrying out the work but they are carrying it out to our specifications, just as you would order a plumber to install a new hot-water heater in your basement.

Mr. ADAMS. Do you hire crews?

Mr. REISTRUP. No; we do not.

Mr. ADAMS. The railroad company's.

Mr. REISTRUP. Yes.

Mr. ADAMS. That is what I am trying to get at.

Mr. REISTRUP. Yes.

Mr. ADAMS. So that when you have a project that the chairman mentioned on a particular railroad, you go to that railroad, you contract to have that work done and they do it with their management and their crews to your specifications?

Mr. REISTRUP. Yes, sir, that is correct.

Mr. ADAMS. Do they give you any payback or anything else for the improvement of the track over which they are running an extensive freight operation?

Mr. REISTRUP. No.

Mr. ADAMS. In other words, you are doing this for your passenger operation and whatever benefit accrues to the particular railroad is just a benefit that accrues to the railroad, correct?

Mr. REISTRUP. There are clauses, and I think it would be best for our lawyers to get together with the committee staff to show how this works. We do protect this improvement in the level of utility from 1971.

Mr. ADAMS. We would like very much to see that. When we drew the original Amtrak legislation, one of the stipulations was that track conditions should be maintained for the Amtrak trains at the level they were at when Amtrak came into existence.

Obviously, this has not been done. So passing the legislation was a useless exercise.

In some cases it may be because some managements didn't want to; many others could not. I can understand that if you don't have any money you probably are unable to meet the commitments.

What I am trying to get from you is, if we are going to repeat this, do we defend it on the floor as being simply something that has to be done in order to run the trains and the benefit to the companies involved is just there?

Mr. REISTRUP. I feel that it can be defended on the floor as a contractual arrangement which will protect both parties. I believe the staff will find this is what has been done precisely between New York and Boston.

Mr. ADAMS. Mr. Chairman, I would like Mr. Reistrup to cooperate with our staff to give us what that is.

[The following information was received for the record:]

PROTECTION OF PUBLIC FUNDS INVESTMENT IN RAILROADS RIGHTS OF WAY

During the hearings before the Subcommittee on Transportation and Commerce of the Committee on Interstate and Foreign Commerce of the House of Representatives on July 9th, 1975, Representative Adams inquired if the expenditure of public funds for track improvements was "simply something that has to be done in order to run the trains and the benefit to the companies involved is just there?" Mr. Paul Reistrup responded that contractual arrangements had been devised by Amtrak whereby both parties, Amtrak and the railroad involved, would be protected. Mr. Adams requested further information on those arrangements.

While it is clear that the benefit from the expenditure of public funds to improve private property would ordinarily accrue to the property owner, Amtrak has endeavored to insure that the benefits derived from the public funds on railroad rights of way accrue to the public. To date Amtrak has undertaken improvements of private rights of way only between New York, New York and Boston, Massachusetts. In the contracts authorizing this work Amtrak has been careful to retain control over the supervision, inspection, acceptance, and auditing of all projects to insure that all funds are expended only for the intended purposes.

More importantly Amtrak has endeavored to insure that any benefit derived from these expenditures of public funds can be recouped. The contracts covering this work specifically provide that when these properties are transferred to Con-Rail or Amtrak that any enhancement in value attributable to the expenditure of public funds shall be credited toward the transfer price of such properties.

Outside the corridor Amtrak is presently negotiating a contract with the Missouri-Kansas-Texas Railroad Co. for track improvement utilizing public funds. Since that railroad is not under the Regional Rail Reorganization Act the proposed contract specifies that in consideration for the expenditure of public funds to upgrade the track the railroad agrees to maintain the track at its sole expense at the improved level of utility for ten years. This arrangement not only insures improved passenger and freight service to the American public but it also insures that the railroad company whose freight operations benefit from the expenditure of public funds will contribute its share to the costs of such benefits. Since Amtrak operates over these lines on a daily basis Amtrak will know immediately if the railroad fails to live up to its end of the bargain.

Similar contractual arrangements can be negotiated for other rail right of way improvements to insure that all parties receiving benefits from the improvements will contribute to the expense of such improvements.

Mr. REISTRUP. I think it is a guideline type of arrangement. It is working.

Mr. ROONEY. If the gentleman will yield.

You are going to spend \$45 million in upgrading the track in the Illinois Central Gulf area and you are going to enter into a contract

with them and they are going to have to maintain that kind of service forever?

Mr. REISTRUP. That is correct.

Mr. ADAMS. It is my understanding that, in the final system plan recommendations—it was in the preliminary system plan so it seems to be agreed upon—the Northeast corridor is going to become an Amtrak passenger operation. You would own that track and there it would be a subsidiary freight operation that would run alongside of it.

Now, have you a work program for that track?

Mr. REISTRUP. We do, with the Department of Transportation in that case taking the lead. The reason for the difference from New York to Washington is that the track was, in fact, much better in 1971 than it is today.

Mr. ADAMS. That is what I understand.

Mr. REISTRUP. We cannot spend legally today without this legislation south of New York. So the Department of Transportation is proposing to spend money in a similar fashion to the way we are north of New York on the New York-Washington section protecting the investment of the public in that track, to bring it back to 1971 conditions. That will cost about \$25 million and is a 2-year program.

I think we are going to be overtaken with the Rail Reorganization Act coming into being and Amtrak probably taking over the corridor. Then all those forces will be our employees if that happens.

Mr. ADAMS. That was my next question: Then they will be your employees?

Mr. REISTRUP. Yes.

Mr. ADAMS. Since the Penn Central doesn't have, as you indicated, as many crews on furlough, do you have places elsewhere where you can draw crews?

Mr. REISTRUP. We would hire, and I would hope that we could attract people that are out of work in this section of the country, but others would be welcome to come also.

Mr. Crotty or his representative—I don't believe he is going to appear in person—probably can help the committee with just how one railroad's maintenance-of-way employees might be put to work on another railroad.

There are administrative problems but I think ones that can be addressed by an agreement. That is really up to the brotherhoods and the railroads.

Mr. ADAMS. You would then be having your own crews.

Mr. REISTRUP. Yes.

Mr. ADAMS. And that has not existed before?

Mr. REISTRUP. That is correct.

Mr. ADAMS. Thank you, Mr. Chairman. I have no further questions.

Mr. ROONEY. Mr. Florio.

Mr. FLORIO. Briefly to get it clarified, you would have no difficulty with a provision in the law that passed which would require that maintenance-of-way employees be utilized by the railroad, in the event the number of maintenance-of-way employees available was insufficient, they would be required to go to other such employees from other railroads first?

Mr. REISTRUP. I would favor that. I would like to have experienced people working on the track.

Mr. FLORIO. My last question is, you specified and emphasized very accurately, I think, that what we should be doing is attempting to expedite this bill as rapidly as possible to get the benefit as quickly as possible. I was wondering if you had any thoughts as to which approach would provide for that rapid process more expeditiously—grants or loans?

Mr. REISTRUP. That is a very difficult question for me to answer, and I would if I could. Amtrak itself, of course, is being shifted now to a grant situation from loans because we cannot repay and we just carry the interest charges which makes the loss worse if we get loans. I think that this might be the case for many railroads.

Mr. FLORIO. If, in fact, the bill that comes out of here is exclusively loans, will that exclude you from taking part?

Mr. REISTRUP. Yes; it would.

Mr. FLORIO. Would the answer have to be—if we are going to talk about your participation—it has to be a grant program?

Mr. REISTRUP. Yes.

Mr. FLORIO. Thank you very much.

Mr. ROONEY. Getting back to your projects, list of priorities, and I note again, going back to the San Antonio station, am I not correct that all or part of the funds necessary for these projects were all appropriated by Congress in 1974 when it mandated the initiation of the Inter-American route?

Mr. REISTRUP. The funding for the Inter-American route is a little bit confusing to me. I don't know specifically what was funded. There are those of the opinion where a lot of specific items were included, but one opinion is that the operation was funded, but not specific improvements such as the San Antonio station.

I would say, however, we do have the ability to build this San Antonio station within the "station improvement" funding that we got from the act that was just passed a few months ago. There is some duplication. There is going to be duplication in this program or any, I think, that you see, and the USRA, the program for railway rehabilitation in the Northeast, and also the "put the people back to work" program. What this list is, is a place to put them to work.

Mr. ROONEY. One final question, and perhaps you can tell me whether or not you are improving on this since you have taken over. It has been suggested that 190 million Americans are paying for train rides that they never ride. Is that true?

Mr. REISTRUP. Only about 2 percent of the population rides on Amtrak's passenger trains. So there are many of them who do not ride who are paying.

It is apparent that the public desires to have these trains whether they ride them or not, as is evidenced by the Harris poll which was conducted and made available to Members of Congress, and also I think by the intent of Congress as a swelling and growing opinion in the land that this travel-transportation alternative should be available.

It is much the same as the freight alternative. Certainly you can get along without a freight railroad, but you lose something by not having it.

Mr. ROONEY. Thank you very much, Mr. Reistrup. We appreciate your being here today.

Mr. REISTRUP. Thank you.

Mr. ROONEY. Our next witness will be Mr. J. Raymond McGlaughlin, national legislative representative, Brotherhood of Maintenance of Way Employees.

Will you kindly identify your associates for the record?

STATEMENT OF J. RAYMOND McGLAUGHLIN (ON BEHALF OF HAROLD G. CROTTY, PRESIDENT) NATIONAL LEGISLATIVE REPRESENTATIVE, BROTHERHOOD OF MAINTENANCE OF WAY EMPLOYEES, ON BEHALF OF THE RAILWAY LABOR EXECUTIVES ASSOCIATION, ACCOMPANIED BY WILLIAM G. MAHONEY, COUNSEL, BROTHERHOOD OF MAINTENANCE OF WAY EMPLOYEES; AND DONALD S. BEATTIE, DIRECTOR OF GOVERNMENTAL AFFAIRS, RAILWAY LABOR EXECUTIVES ASSOCIATION

Mr. McGLAUGHLIN. Thank you, Mr. Chairman and members of the committee. As you stated, my name is J. Raymond McGlaughlin and I am national legislative representative of the Brotherhood of Maintenance of Way, with offices at 400 First Street NW., here in Washington.

With me is our counsel, Mr. William Mahoney, on my right, and Mr. Donald Beattie, director of governmental affairs for the Railway Labor Executives' Association.

President Crotty wanted to personally testify on this very important subject today but could not be here because of a long-standing commitment, and asked me to appear on his behalf.

With your permission, I will read Mr. Crotty's statement.

Mr. ROONEY. No objection.

Mr. McGLAUGHLIN. The RLEA is comprised of the chief executive officers of the Railway Employes' Department, AFL-CIO, and the following standard national and international railway labor organizations whose names I would appreciate your having copied into this record as if read:

American Railway Supervisors' Association.
 American Train Dispatchers' Association.
 Brotherhood of Locomotive Engineers.
 Brotherhood of Maintenance of Way Employes.
 Brotherhood of Railroad Signalmen.
 Brotherhood Railway Carmen of the United States and Canada.
 Brotherhood of Sleeping Car Porters.
 Hotel & Restaurant Employes and Bartenders' International Union.
 International Association of Machinists and Aerospace Workers.
 International Brotherhood of Boilermakers and Blacksmiths.
 International Brotherhood of Electrical Workers.
 International Brotherhood of Fireman & Oilers.
 International Organization Masters, Mates & Pilots of America.
 National Marine Engineers' Beneficial Association.
 Railroad Yardmasters of America.
 Seafarers' International Union of North America.
 Sheet Metal Workers' International Association.
 Transport Workers Union of North America.
 United Transportation Union.

I appear before you today to present the views of the members of the Railway Labor Executives' Association (RLEA) on the legislation pending before this committee which, if enacted and enacted quickly, would alleviate three serious problems now confronting this Nation—the severe unemployment caused by the present recession, the abominable condition of the tracks, roadbed, and related facilities of most of our railroad network, and the energy crisis which we face now and which will grow more acute in the future.

The members of the RLEA wish to express their appreciation to the authors and sponsors of the bills now before you dealing with these problems. This legislation serves a high public purpose and its authors and sponsors have expended great effort and evidenced imagination and practical commonsense in the creation and introduction of these bills. Rail management and rail labor are united in support of legislation which would put unemployed persons back to work in the essential task of improving the Nation's rail lines.

The enormous increase in unemployment throughout the Nation is well known to all. Among the employees represented by my brotherhood who build and maintain the tracks, roadbed and certain related facilities of the Nation's railroads, employment has declined seriously. In April 1975, the number of maintenance of way employees declined to 77,312 from the 91,970 who were employed in October 1974. This decline will continue as the effects of the economic recession worsen.

Conversely, derailments, accidents, property damage, injuries, and death due to defects in track and roadbed increase as employment declines in the maintenance of way departments of the railroads.

Attached to my prepared statement is an appendix "A" which I ask be incorporated into the record of this hearing.

Mr. ROONEY. No objection [see p. 189].

Mr. MCGLAUGHLIN. Appendix "A" is a listing of derailments and accidents due to track defects for the first 11 months of 1974—the latest figures available—and for comparable periods in 1973 and 1972. You will note that derailments increased by 58 percent between the first 11 months of 1972 and the first 11 months of 1974; the number of derailments causing death and injury increased from 114 to 188, or 65 percent, between the same periods; the number of persons injured increased by 119 percent; and the number of those killed increased by 111 percent.

Accidents on the railroads caused by defects in or improper maintenance of way and structures numbers 4,032 in the first 11 months of 1974 as compared with 2,372 over the same period in 1972, an increase of 70 percent. Accidents which resulted in injury or death increased by 57 percent; injuries increased by 119 percent. While 1 person was killed in 1972, 10 were killed in 1973 and 3 were killed in 1974 by accidents resulting from defective tracks, roadbed, and related facilities.

Testimony before your committee earlier this year by the Acting Administrator of the Federal Railroad Administration confirms that track failures are the No. 1 cause of railroad accidents in the United States, accounting for 41 percent of such accidents in 1974. House Commerce Committee Report No. 93-1083 on Federal Railroad Safety and Hazardous Materials, 1974, concludes at page 9 that the primary

cause of railroad accidents is track failure due to deferred maintenance. That report stated the loss of property from such accidents to be \$52 million in 1972.

According to the Chairman of the National Transportation Safety Board, Mr. John Reed, who testified before the Senate Commerce Committee's Oversight Subcommittee, one of the biggest safety problems confronting his Board is the existence of poor track conditions resulting from a number of years of deferred maintenance.

Clearly, the present condition of the tracks and roadbeds of much of our rail system in this country is a menace to the safety of human life and property which worsens with each passing year.

Enactment of legislation which would reduce the effects of the recession by increasing employment in the railroad industry would also greatly increase the safety of the operations of that industry.

In addition, such an increase in employment would go far toward providing the sound, efficient rail network which is vital to our Nation's progress.

The present condition of the roadbed and related facilities renders them unable to measure up to traffic demands. Slow orders, restricting speeds to 30 miles per hour or less on rail lines originally designed to transport trains at 60 miles per hour, are all too common throughout the country. Many lines suffering from years of deferred maintenance are being abandoned, even though industries may be in need of them, simply because the cost of bringing them up to a reasonable standard of maintenance is too great. Service on other lines has been reduced to the point where shippers have been forced to transport by motor carrier or relocate their plants.

The result of the deterioration in the rail lines of this Nation has been to unbalance our transportation system in terms of increasing use of and dependence upon less efficient motor carriers and more expensive highway.

To return a proper balance to our transportation system, we must now place first priority upon the rehabilitation of the most efficient method of transportation we possess, the railroad. It is most efficient in terms of cost per unit transported; the most efficient in use of energy per unit transported; the most efficient in use of land; and ecologically it is by far the least offensive of any mode of transportation.

As I said a moment ago, we support legislation which would provide employment and upgrade our rail network. The bills before you would accomplish that purpose. We would support enactment of any of them. We believe a bill containing certain basic minimum elements, which I will now discuss, would provide the best approach to the problem confronting us.

Members of the RLEA have given lengthy and studied consideration to the matter of the use of Federal unemployment funds to rehabilitate the deteriorated rights-of-way of our Nation's railroads. We have conducted extensive discussions with representatives of railroad management regarding this matter. As a result, we believe that legislation designed to combat unemployment and revitalize our rail service should encompass certain essential principles. These principles are set forth as appendix "B" to my prepared statement. I ask that they be copied into the record of this hearing.

Mr. ROONEY. No objection [see p. 189].

Mr. MCGLAUGHLIN. Among the criteria established to determine which roadbeds and facilities are eligible for funds, which has been mentioned earlier this morning, section 6(4) of H.R. 6808 and S. 1730 would limit eligibility outside the final system plan for the Northeast to lines with "track usage of at least 5 million gross ton-miles per mile of road per year during at least 1 calendar year following January 1, 1970." We do not believe the discretion of the Secretary should be so restricted. If the Secretary determines a line is desirable for present or future needs, he should be able to provide the funds for its restoration, otherwise such line—which indeed may now be transporting several million gross-tons annually—will surely be abandoned.

The track and roadbed of the Nation's railroads can be rehabilitated only during certain times of the year. Generally, the winter months, due to the cold in the North and rains in the South, restrict track and roadbed maintenance. We are now almost past that time of the year which provides optimum conditions for repair and rehabilitation. If we are to take advantage of those conditions and realize the objectives of the legislation pending before you, its enactment must be swift.

Let me again express the gratitude and appreciation of each of the members of the Railway Labor Executives' Association and the employees they represent to you, Mr. Chairman, for scheduling these hearings on this most important subject; to Chairman Staggers and Representatives Florio and Heinz for authoring and to those members of this committee who cosponsored the positive public service legislation before you today.

We appreciate the opportunity to present our views and the attention you have given us, and we hope we can respond to any questions you may have.

[The appendices referred to follows:]

APPENDIX A

RAILROAD ACCIDENTS (CAUSED BY DEFECTS IN, OR IMPROPER MAINTENANCE OF WAY AND STRUCTURES)¹

	Number	Resulting in casualties	Deaths	Injuries
January to November:				
1974.....	4,032	265	3	435
1973.....	3,332	233	10	270
1972.....	2,372	168	1	190
Deraillments:				
January to November:				
1974.....	7,713	188	38	478
1973.....	6,588	178	38	370
1972.....	4,893	114	18	218

¹ Source: FRA form No. 6180.

APPENDIX B

USE OF FEDERAL UNEMPLOYMENT FUNDS FOR RAILROAD RIGHT-OF-WAY WORK

The railroad industry and its employees are united in support of legislation to put the nation's unemployed back to work in the essential task of improving the nation's rail lines. Legislation of this kind is uniquely capable of contributing in a major way to two of our most pressing current problems, namely, unemployment and the deteriorated condition of many lines of railroad.

Such legislation would encompass the following essential principles:

1. Funds that are authorized to be appropriated for the relief of unemployed persons shall be made available to reimburse railroads who have put unemployed persons to work on maintenance, restoration and improvement of railroad lines.

2. The program shall be administered by the Secretary of Transportation, who shall make funds available to railroads for the above purposes upon the application of individual railroads.

3. Grants to railroads under the program shall cover wages, fringe benefits and other payroll costs of persons employed, and low interest loans shall be made available to railroads for material, machinery, and supplies as needed.

4. Such grants and financial assistance shall be equitably apportioned by the Secretary of Transportation among the railroads and regions of the United States.

5. Persons employed by railroads under this program and with the aid of such grants shall be railroad employees, who will be paid at rates of pay and with such fringe benefits as are provided for such work under existing collective bargaining agreements applicable to such work. Such employees shall be subject to the same managerial control of the railroad as are other railroad employees, and shall be covered by the collective bargaining agreements applicable to such employees, on the railroad by which they are employed.

6. Railroads participating in the program shall observe the following priorities in hiring unemployed persons:

(a) Furloughed railroad maintenance-of-way employees and other furloughed employees who performed work on railroad line and right of way prior to being furloughed.

(b) Furloughed railroad employees, other than those referred to in (a), above.

(c) Other unemployed persons.

7. The Secretary of Transportation will establish regulations for the administration of the foregoing program which shall incorporate, among other principles, the following:

(a) Work to be performed under such program shall be in addition to work that would have been performed on a railroad in the absence of such grants or funds.

(b) The Secretary of Transportation, in considering applications for grants, may take into account the following considerations (among others): the desirability of making grants in connection with track or roadway that is used in rail or urban commuter passenger service; the desirability of apportioning funds for the performance of work on grade-crossing projects of railroads; the need for making such grants for work to be performed on track that is subject to temporary slow orders; and the need for such funds to be used on track on which the performance of railroad service has been interrupted by the existence of emergency conditions.

Mr. ROONEY. Thank you, Mr. McGlaughlin.

On page 3 of your statement, you indicate the number of maintenance-of-way employees in April of 1975 and October of 1974. Is the number of unemployed maintenance-of-way employees the difference between these two figures or some other numbers?

Mr. MCGLAUGHLIN. That is the number of people that were working in October of 1974 as compared with 1975 in April. Those are the latest figures that we have available.

Mr. ROONEY. How many are unemployed?

Mr. MCGLAUGHLIN. Between 10,000 and 15,000. We don't have an accurate number.

Mr. ROONEY. Considering the extent of deferred maintenance in recent years, hasn't the unemployment of maintenance-of-way employees been a chronic problem all along?

Mr. MCGLAUGHLIN. Yes, in the past 25 years employment in the maintenance-of-way department has decreased to about two-thirds.

Mr. ROONEY. How does it compare to the national average?

Mr. MCGLAUGHLIN. I would say about the same. Are you talking about on the railroad?

Mr. ROONEY. Maintenance-of-way.

On page 5 of the statement you claim the enactment of the legislation will reduce the effects of the recession by increasing employment. Assuming grants for labor expenses only amount to \$600 million, how many of the maintenance-of-way employees would you anticipate would be reemployed and for how long a period of time?

MR. MCGLAUGHLIN. Of course, Congressman Heinz's bill spreads over 2½ years; some of the bills for 1 year. I would say that it would range from 20,000 to 60,000.

MR. ROONEY. For how long a period of time?

MR. MCGLAUGHLIN. The larger the number, the longer the period. I would say for 1 year we could probably hire 30,000 additional maintenance-of-way people under the use of the \$700 million figure.

MR. ROONEY. Mr. Adams.

MR. ADAMS. Thank you, Mr. Chairman.

I asked the question to Mr. Reistrup and I notice it is in your appendix B, second page, under item 6, of how people would be hired. You would start with furloughed railroad maintenance-of-way employees and other furloughed employees who performed work on the railroad line. Then you indicate "furloughed railroad employees other than those referred to in (a) above." I assume by that you mean everyone from clerk to those who have been laid off from various other parts of the particular railroad; is that correct?

MR. MCGLAUGHLIN. Congressman, when the legislation first had its beginning, I think the first piece of legislation that was drafted perhaps in the Senate and maybe in the House, the first people to be recalled would be furloughed maintenance-of-way people. After they had been called back, other furloughed railroad employees would be recalled. After that group had been depleted, then you would go to outside industry and hire unemployed workers in that sector.

The legislation, I think, that is pending before us today would only recall furloughed maintenance-of-way employees; that would be on one railroad and not go over to another railroad. You would recall the furloughed maintenance-of-way people on that railroad. Then after they have been recalled, you would go on the outside and hire other furloughed people not connected with the railroad industry.

MR. ADAMS. Which is the better approach to what we are dealing with? I understand Penn Central has 235—that figure was mentioned, I don't know if it was right or wrong—furloughed in their department. Would you go then to the other bankrupt lines where people have been laid off and bring in maintenance-of-way people or would you be hiring people off the streets, or should we put anything in about it at all?

MR. MCGLAUGHLIN. I would like to make this comment, in listening to the testimony this morning, this legislation, as I understand it, is a jobs bill, it is primarily for the purpose of putting people to work.

As I said a moment ago, all of the legislation that I have seen would recall the furloughed maintenance-of-way people on one particular railroad. After that was exhausted you wouldn't go to another railroad, you would go outside the railroad and hire unemployed people.

Now, going to other railroads and picking up furloughed people, as Mr. Reistrup said, on the Santa Fe and bringing them into the Northeast, this is something new to us. We have not given this any consid-

eration. Possibly it could work maybe over a short territory. This is something we would have to give a lot of consideration to.

There would have to be a lot of cooperation between Amtrak, between the unions, between the railroad companies, between the DOT. I couldn't begin to give you what our position would be today.

I like the concept of it, after you exhaust the unemployed people on the railroad, to go pick up the other unemployed on another railroad; but this is something I think requires a lot of study on our part.

Mr. ADAMS. We would appreciate, at least this member would, your working with the staff and giving us information on that as to whether there should be anything in or something on that point.

That brings me to the second part of your appendix B, which is why I asked the question earlier about that, you indicated such grants shall be in addition to the work that would have been performed on the railroad in the absence of such grants or funds. This is on appendix B, page 3, it is part (a).

It is my understanding, and your statement says this earlier when you indicate the decline in maintenance-of-way people, that what is happening in the United States at the present time on the existing rail system is that as inflation goes up they are incapable of maintaining their capital plant. In other words, their right of way, that simply is the thing that is cut off first as their operating costs rise above the revenues.

It is also my understanding that at the present time even the profitable railroads in this recession are running at losses. That was why I asked the question earlier, and you have indicated this is a jobs bill.

What is your recommendation to the subcommittee as to what we should do about the fundamental long-range problem that we have. How in some fashion to put funding into the railroads for their right of way. They simply cannot meet your standard of this program going on top of work that is being done because that work is having to drop because they don't have any money to pay for it?

Now, that was why I mentioned, do you want a total package. I am not trying to stop the passage of this bill. I would be happy to see it. I don't know how many times we would go to the well on this subject, I would like to know how many times do you go to the floor with a railroad financial assistance package? Should we do it all at once? Do you have confidence we could do a jobs bill and later a railroad rehabilitation bill that involves a specific amount of money? I am talking now of \$2 billion to \$5 billion.

Mr. MCGLAUGHLIN. I can sympathize with the frustrations which you talk about, because I have personally been involved in the STA bill since 1970. And it seems like just the moment we think we are going to make some headway, we take two steps back.

As I stated a moment ago, this legislation, as I view it, is a job bill which at the same time would accomplish the purpose of doing some very needed and important work. I would hope that this subcommittee would report out legislation, to the full committee, and eventually be passed by the Congress. We are certainly in favor of an overall surface transportation bill and we will do everything we can to enhance its enactment.

Mr. ADAMS. Our problem, so that you understand it, from the questions that went to the others, and when I say "our problem" I am referring to all the members on the subcommittee and the full committee, is that we need something from the Senate on the overall bill because until we have that we can't move on the overall problem.

There is an administration bill up here now which is pending. The chairman has it worked into the schedule of the subcommittee, too.

What I am saying to you is the same thing you heard Mr. Florio and I ask questions about before, we are not trying to get any guarantees of no veto or enough votes to override, but we need all the assistance that you can give us in terms of advice or how we deal with this problem of the overall rehabilitation bill, the administration bill and this jobs bill.

I gather from your testimony and from what we heard before that the feeling of the witnesses so far has been to take this bill and go with it and if the administration vetoes it, well, the administration vetoes it and we should go back to the drawing board and do another. If you have a different feeling, please tell us because we are trying very hard to get legislation out that will be signed and will have effect. So could you tell me what your advise is at this point? That is my last question.

Mr. MCGLAUGHLIN. Of course, the bills we are talking about today are short-term measures. The revitalization bill that the administration sent up and the bill you introduced, and maybe some others, are long-term legislative matters.

I like to think the bill we are talking about today as maybe a cash advance. It is something until we get the revitalization bill or the STA bill enacted that we can get some cash advance and start doing some work that Lord knows needs to be done and at the same time create jobs, not make work jobs, but create productive jobs in the railroad industry.

I think if we can get this money advanced and if it is decided later that maybe it can be deducted, like when you are returning your expense book—that is what I do sometimes when I go on a trip. I get a cash advance and pay it back later.

Mr. ADAMS. All I can say is I appreciate very much your testimony. I hope the message can be sent over to the Senate side that if we are able to act on this, we would like some action on the other bills so we can get this problem wrapped up, because I know that it is very difficult for many of us to keep going on the floor with large money bills for the railroad industry. The fewer times we have to go, the more successful we are going to be.

Mr. MCGLAUGHLIN. We get the message.

Mr. ADAMS. Thank you, Mr. Chairman.

Mr. ROONEY. Mr. Florio.

Mr. FLORIO. I would like to thank you for your testimony this morning. Just to amply tie the points that were raised, we are in a dilemma of finding ourselves being concerned of taking two approaches that are mutually exclusive. Do we do the short-term thing or do we concentrate our efforts over the long-term thing, and if we try to do both, might we be defeating both efforts.

I have the impression that the administration would prefer the long-term approach rather than the short-term approach. One of the reasons

for that approach, the long-term approach, as far as the administration is concerned, is granting of money for rights-of-way improvement is then a lever to achieve other legislation goals. That is the policy being if they want to facilitate mergers, the administration approach can then be applied so as to facilitate mergers, and rate decreases.

I have the very frustrating feeling here we are not going to get support for the short-term approach. I think it is crucial if we are going to. I think it is commendable, but not exclusively designed to deal with the track problem.

Our efforts here and the efforts that have been put into the legislation before us is to talk about the track program. I don't think the administration sees the track program that important.

I would like to echo the comments of the previous speakers and we look to you for as much assistance that you can give to us so we are not wasting our time on this thing—we can put our time to better use—and maybe expedite the long-term approach. Anything you can do we would appreciate it.

Mr. MCGLAUGHLIN. I would like Mr. Mahoney to speak. He has had a lot of experience and knows a lot of the STA legislation as anybody in Washington.

Mr. ROONEY. You may proceed, Mr. Mahoney.

Mr. MAHONEY. In response to Mr. Florio's question. I think that when this legislation or this type of public works legislation first came out, there was a decision that had to be made because of a recession. They wanted money for jobs. What kind of jobs? I remember somebody talking about leaf raking, why make work. Let's do something constructive.

Somebody else decided the best place to do that was on the railroad lines since they are in such an abominable shape. Bills were drafted for that purpose. All of a sudden those bills became all confused with railroad surface transportation legislation. They really weren't that.

The railroad part of it was accidental, but the real basic reason for the legislation was the jobs. If we decide the recession is over, we don't need the jobs, we don't have to put money into that type of work.

We are all for overall surface transportation legislation. We have to have that. We are much delayed in getting that kind of legislation. We should have it as soon as we can get it.

These two things, I am afraid, will be confused. This type of legislation we are talking about today and the type of legislation we are going to be talking about before this committee next week, the rehabilitation bill and these others, if possible, they ought to be kept apart, and I am afraid they can't be. I am afraid when they get to the floor, they are going to say, "You rebuild a railroad for a year over here for 400 and over here you have this great big overall package."

I think even the Secretary of Transportation confused it a bit because I seem to remember quite clearly he sort of supported this type of legislation that is before you today. He supported that.

There was some problem in the administration, maybe. The President or somebody didn't like that type of bill. We need a package approach. He would rebuild the rights-of-way in an overall package.

It is a different animal, the overall package. You are talking about rebuilding a railroad as a primary objective in the overall package.

Here we are talking about making jobs through rebuilding railroads. It could be through rebuilding highways or digging ditches or something else. It happens to be railroads. It is all confused.

I do think this is vital and is necessary and should be done. I think it is just an equitable, reasonable way to spend public funds to make jobs for people in a time of recession. This is a very constructive way to do it. It should be done. It is good legislation. It should be passed.

You have practical political problems in the Houses of Congress. You gentlemen know a great deal more about that than I do, and know how to handle it. I think this legislation stands on its own two feet as public works legislation aimed at rebuilding railroads.

Mr. FLORIO. I was just going to say I would like to echo the clear implications that things have changed as far as the administration perceives the problems over the last number of years.

We have had statements of the high representatives in the administration. The bottom is here, we have got, notwithstanding the projection for next year of 7.9 unemployment. The emphasis of the administration is not to be that concerned of unemployment, and we are shifting over to the long-term railroad problem. That is going to be our dilemma on this committee, and we have to make up our mind what approach we want to take. I think the gentleman has put his finger very much on the problem.

Thank you, Mr. Chairman.

Mr. ROONEY. These hearings will now conclude, and we will reconvene tomorrow at 10 a.m.

[Whereupon, at 11:35 a.m. the subcommittee was adjourned to reconvene at 10 a.m., Thursday, July 10, 1975.]

PUBLIC WORKS JOBS ON THE RAILROADS

THURSDAY, JULY 10, 1975

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TRANSPORTATION AND COMMERCE,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to notice, in room 2218, Rayburn House Office Building, Hon. Fred B. Rooney, chairman, presiding.

Mr. ROONEY. Our first witness this morning will be one of our colleagues, the Honorable David Treen of Louisiana, a Member of the U.S. House of Representatives.

You may proceed.

STATEMENT OF THE HON. DAVID C. TREEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF LOUISIANA

Mr. TREEN. Thank you. I appreciate very much the opportunity to speak briefly, and I will be brief because I know your principal witness is the Secretary of Transportation.

Mr. ROONEY. We had a colleague who took an hour yesterday, so, Mr. Treen, you have as much time as you want.

Mr. TREEN. Thank you, sir.

I appreciate the chance to speak to all of these bills, several of which appear to be similar.

The general thrust of the legislation is, of course, to provide some additional opportunities for employment and to provide those opportunities in an area where we can do some good for the country; that is, in the area of improving railroad roadbeds and facilities.

My purpose, Mr. Chairman and members of the committee, is to try to get the committee to broaden the scope of the legislation so that it will not be restricted to simply the improvement of deteriorated roadbeds and facilities.

I am prompted in this regard by a situation that exists in my district where we have approximately 4 miles of railroad that intersect a heavily populated area, and where there is a great deal of pressure for relocation of the railroad and indeed the subject has received the attention of the Department of Transportation already. The Federal Railroad Administration has spent about \$100,000 for a study of the feasibility of relocating this track. It is an interchange track that is heavily used. There are over 30 freight movements per day, according to the FRA study, through this area.

This roadbed is not deteriorated, but it seems to me that the purpose of this legislation would be satisfied by this type of activity. First of all, it would provide the employment. You don't have to work on a deteriorated roadbed to provide employment. Second, it would meet some of the other criteria set forth in sections 6 and 7 of some of the bills to provide additional safety in terms of hazardous cargo that may be carried, elimination of crossings, the danger of collision and indeed, in the particular case in my district, the relocation of this track would greatly facilitate the movement of freight traffic.

That, of course, is another one of the goals, to move as much freight as we can with the least amount of effort and expenditure of energy. The local government has countered in this dispute, which has been going on, I would say, about 30 years between the railroad and the community, by imposing an ordinance to limit the time that a railroad may block a vehicular crossing for 5 minutes. The validity of the ordinance was all the way to the Supreme Court of the United States which deemed it constitutional. So you have the impediment of the railroad traffic as a result of that ordinance.

I am a little concerned that in the wording of the various bills, section 4 of S. 1730, and H.R. 6962 particularly, we talk of the improvement of severely deteriorated roadbeds, and while someone might be able to argue that the Secretary, under this legislation, would be permitted to grant to eligible applicants funds for the relocation of a railroad, someone in the legal department would probably argue that that is not a deteriorated railroad you want to relocate.

It would seem to me that you might have in projects, which are primarily for the improvement of a deteriorated roadbed, a section of that roadbed which would be better abandoned and the track relocated somewhere else. So not only in the sort of situation I am talking about in my district, but in other situations, you might very well want to provide the opportunity to include new routing for railroad tracks in addition to the improvement of substandard or hazardous railroad track.

So that is the thrust, Mr. Chairman and members of the committee, of my appeal here to you today. It is prompted by a situation that arises in my district, but it seems to be that we should not narrowly confine this legislation to simply improvement but permit, in the discretion of the Secretary and under the guidelines set forth in these bills, applicants to include in the grant application sections of railroad that would be better relocated.

I think that in many instances it would be in the national interest and would meet the purposes of improving our railroad facilities and providing employment.

Thank you, Mr. Chairman.

[Mr. Treen's prepared statement, follows:]

STATEMENT OF HON. DAVID C. TREEN, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF LOUISIANA

I am pleased to have this opportunity to testify with regard to H.R. 6962, H.R. 4622, H.R. 6808 and S. 1730.

On June 23, the House passed H.R. 5358 to provide \$43.75 million during this fiscal year for Federal Railroad Safety Act programs. In your report on that legislation, this Committee noted that the number of train accidents and the

number and severity of accidents involving hazardous materials had increased sharply since 1973. These figures are most ominous to those of us who represent urban or suburban areas where railroads run through heavily populated areas creating many possibilities for contact between automobiles and freight trains. I am especially sensitive because of a section of track, 3.7 miles in length, used by the New Orleans Terminal Railroad which runs through Metairie, Louisiana.

Jefferson Parish is the fastest growing parish (county) in the state of Louisiana. Over half of the parish's 380,000 population is concentrated in an unincorporated area on the East Bank of the Mississippi River known as Metairie. Most of this growth has occurred since the last track of the New Orleans Terminal Railroad was built.

Metairie is intersected by 3.7 miles of the New Orleans Terminal Railroad, a subsidiary of the Southern Railway System. This line is the principal connecting line between eastern and western rail carriers entering the New Orleans area for all through interchange movements. It is used by not only the Southern Railway, but the Louisville and Nashville Railroad, the Missouri-Pacific Railroad, and the Southern Pacific Railroad. Running from the East City Junction (of New Orleans Terminal Railroad with the Southern Railway) to the Illinois-Central Gulf Railroad north-bound main track west of Shrewsbury Road, the double tracks of the N.O.T. require 5 vehicular grade crossings between the 17th Street Canal (border of Orleans and Jefferson Parishes) and Labarre Road.

The Federal Railroad Administration has counted 24 to 31 railroad freight movements passing through the area daily and reports the average number of vehicles over eight crossings per 24-hour period to be 34,800, 3100 of which must stop for railroad traffic. 17,113 vehicles cross the Metairie Road crossing alone. Local officials have attempted to deal with the problems of long delays due to lengthy trains and slow posted operating speeds by adopting an ordinance prohibiting railroad preemption of a crossing for a period greater than 5 minutes. Needless to say, this ordinance has been very difficult to enforce, and it has not diminished the problems of noise from locomotive horns and bells at crossings, poor maintenance at railroad highway grade crossings, the dangers of collision, or the passage of railroad tank cars containing hazardous materials within 50 feet of residences.

And, needless to say, compliance with this ordinance "seriously inhibits the expeditious movement of freight or passengers," the alleviation of which is a major objective of Section (4) of both S. 1730 and H.R. 6962.

The Consad Research Corporation has just completed a study for the Federal Railroad Administration identifying the problems in Metairie that I have described to you, and considering alternatives to continued operation along the existing track. Among its recommendations was a relocation of the "long siding" track which intersects Labarre, Atherton and Hollywood Streets. The recommended relocation site is the right-of-way of the Illinois Central Gulf Railroad where no adverse impact will result.

I hope this legislation will at least provide the means of making this relocation possible, if not the relocation of both main tracks as well.

What a shame it would be for Congress to authorize funds for the repair of railroad roadbed facilities and, at the same time, neglect utilization of funds to lay new track to divert traffic from heavily populated areas! I am pleased to note that Section 7 of Senate Bill 1730 and H.R. 6962 call for the coordination of the repair and rehabilitation work it authorizes "with other national transportation priorities such as the elimination of grade crossings and similar safety problems . . . and the modernization of facilities . . ." I believe Section 6(5) of S. 1730, H.R. 6962 and H.R. 6808 would permit states, political subdivisions thereof, or regional commissions to identify areas where the construction of new track would significantly contribute to improvements in or the continuation of essential present or anticipated transportation needs. I hope your report will make clear that new track is included. Further, I would urge the Committee to amend Section 7(5) to insert the words "or safety" between "transportation" and "needs" to specifically include those areas that have been designated by any state, political subdivision there, or regional commission, as significantly contributing to improvements in safety.

In addition, I hope the Committee will adopt language in the bill and the Committee Report stating clearly that the construction of additional railroad tracks and beds in an area near or adjacent to an urban or suburban community, to

replace existing track which necessitates numerous grade crossings within that community, could be designated by the state, political subdivision thereof, or regional commission for priority in receiving funds under this Act.

I note that H.R. 4622 provides at (f) (2) on page 6 that the Secretary may give preference to railroads with "high-density freight lines, and lines (including passenger lines) with serious safety hazards or substantial bottlenecks in rail lines and yards." I suggest such language be incorporated in the Committee's bill with the addition of the language "and highway grade crossings."

Mr. Chairman, these are public funds, and I fervently hope they will be used to achieve work chiefly of value to the public.

I note that Section 4 (3) of H.R. 6808 would require any proposed project to be completed within 18 months of the work's commencement, and Section 7 (4) of H.R. 6962 and S. 1730 requires substantial completion within that time. While I would concur with the spirit of these provisions, because of the need to impact our present unemployment problem, I hope your Committee will make clear that time for work on highways or to reduce impediments to highway traffic will not be counted toward those 18 months. A timetable which may be reasonable for railroad work alone may not be realistic for work that involves both a railroad and a highway.

Federal assistance for resolving the problems of grade crossings to date has been limited to a few communities which have been designated as demonstration projects. Let us take advantage of the opportunities that this legislation offers other communities to implement needed improvements for the safety of railroad crossings.

Mr. ROONEY. Thank you, Mr. Treen for your testimony and for your written statement.

Where is this 4-mile section?

Mr. TREEN. It is in the unincorporated area of Jefferson Parish, La., called Metairie, which is a suburb of New Orleans.

Mr. ROONEY. I take it, it really blocks traffic in the peak hours of the day.

Mr. TREEN. Yes.

Mr. ROONEY. You say it is 30 railroads?

Mr. TREEN. There are 30 freight movements. This is strictly freight.

Mr. ROONEY. How many railroads are involved?

Mr. TREEN. Quite a few; Southern Railroad, Louisville and Nashville, Missouri-Pacific, and Southern Pacific Railroad. It is an interchange track for western carriers and eastern carriers.

Mr. ROONEY. How much is involved here as far as the cost of the relocation?

Mr. TREEN. It will depend on how far you go with it. One of the recommendations I believe the FRA is going to make in its final report—it is not out—is to relocate part of this track along an existing roadbed of the Illinois Central. This would cost—I am just guessing, Mr. Chairman—I am guessing that relocation would cost in the neighborhood of \$3 to \$5 to \$6 million. Complete relocation of this railroad, depending on how far you go, could cost as much as \$31 million of which only \$5 million would be railroad related. I am not suggesting that under this program the entire cost should be funded by a Federal grant, but the local community might very well have some funds.

The highway department, of course, is needed for the structures that need alterations. I am not suggesting that this should fund overpasses and underpasses at all. The State highway department would fund that. But the building of the roadbed and relocation of the railroad track would be that which would be eligible under this program if it is broad and efficient.

Mr. ROONEY. Amtrak testified they needed a \$5 million train station in San Antonio, Tex. There is no difference in relocating tracks and building terminals.

Mr. TREEN. The main thing, Mr. Chairman, that I am suggesting is that you necessarily are going to have to give the executive branch a good deal of discretion to determine which project should be funded, within the guidelines that you are talking about. So I don't think in broadening the statutory language we are going to defeat the overall purpose of this legislation, but would in those cases that strongly suggest a better application of funds—and these are public funds. after all, we are talking about spending here—that some relocation might be more advantageous than the rebuilding of an existing roadbed.

Mr. RONNEY. Thank you.

Mr. Metcalfe.

Mr. METCALFE. I would like to welcome you and compliment you on your fine statement. How do you pronounce it? The name of the community affected?

Mr. TREEN. Metairie.

Mr. METCALFE. Is that in your congressional district?

Mr. TREEN. Yes, sir, it is.

Mr. METCALFE. It is across the Mississippi River?

Mr. TREEN. No, sir, it is on the same side as the bulk of the city of New Orleans. It is just west of the city.

Mr. METCALFE. What has happened in the city? I am familiar with that locality. What happened in the city of New Orleans in the last 15 or 20 years that has been one of the major problems of the railroads running on the ground surfaces? Has there been any elevation of that? Have they been able to alleviate the congestion caused by the switching of the track? Can you still go from one part of the city to another without allowing a half an hour to be delayed?

Mr. TREEN. It is pretty hard, Congressman. About 20 years ago there were great separations for passenger traffic. Of course, it is not the passenger trains that cause the trouble today. It is the freight trains. We have Interstate 10 which runs east and west through the city and you can get from one end of the city to the other without delay. For local traffic there are great impediments. In this particular area, sir, with the population of about 250,000 people, the impediments to traffic are very severe. Emergency vehicles, ambulances, police vehicles are impeded by these railroad movements.

Mr. METCALFE. Is any part of New Orleans in your district?

Mr. TREEN. No, sir.

Mr. METCALFE. I would hope you would include New Orleans.

Mr. TREEN. This particular trackage is in the suburbs. Mrs. Boggs represents part of the parish or county, in which this track runs. As well as a part of New Orleans. She would be quite interested in this.

Mr. METCALFE. Thank you, Mr. Chairman.

Mr. ROONEY. Mr. Hastings.

Mr. HASTINGS. Thank you, Mr. Chairman.

Have you any idea if such situations might exist around the country—I know it is a difficult question to ask—obviously you cannot pinpoint one particular situation in the country.

Mr. TREEN. No.

Mr. HASTINGS. Would you have any idea as to how many situations which might present this problem?

Mr. TREEN. Mr. Hastings, I might point out in other legislation, out of the Public Works Committee, there are about 14 areas in the country that have been designated for demonstration projects for separations and relocations. Some are separations, some are relocations. I believe Mr. Madden got one in Hammond, Ind., last year's mass transit bill designated for some funds. I think there are a number of areas but I can't pinpoint them for you. I might say, too, though, to be sure that I am understood, I am not suggesting that this legislation be structured for one particular project.

Mr. HASTINGS. I understand.

Mr. TREEN. I just wanted to get away from the idea of just improving existing roadbed and at least being broad enough.

Mr. HASTINGS. If you are familiar with one situation, have you any idea of the cost of the relocation of the miles of tracks?

Mr. TREEN. The chairman asked me about that. I can't give detailed figures. The FRA has done a study of relocation of this trackage altogether. In their study they included all costs such as rebuilding of certain highway overpasses. When you get into all of that, it gets to be a sizable sum depending on how quickly the work is done anywhere from \$20 million to \$30 million, but the railroad bed building part of it would be a very small part, in the magnitude of less than \$10 million, I will be happy to furnish the committee with further cost data by letter.

Mr. HASTINGS. Is this a profitably operated railroad?

Mr. TREEN. Yes, sir, it is owned by a subsidiary of the Southern Railroad. I realize that is a problem. I think many members want to look only at railroads that are in trouble in this legislation. I can appreciate the reason for that.

Mr. HASTINGS. I would hope we would not deal exclusively with those railroads.

Mr. TREEN. I would hope so, too, because we want to improve railroads.

Mr. HASTINGS. There are profitable as well as bankrupt railroads. I think it is a very novel approach that you offer for consideration. We certainly will consider it when we get to markup. We very much appreciate your testimony.

Mr. ROONEY. Thank you, Mr. Treen.

Mr. TREEN. Thank you, Mr. Chairman, for this opportunity to address the committee.

Mr. ROONEY. Our next witness will be a very distinguished gentleman from Philadelphia, Pa., Secretary of Transportation, Secretary Coleman.

**STATEMENT OF HON. WILLIAM T. COLEMAN, JR., SECRETARY,
DEPARTMENT OF TRANSPORTATION; ACCOMPANIED BY JOHN W.
SNOW, DEPUTY UNDER SECRETARY; AND ASAPH H. HALL, ACT-
ING ADMINISTRATOR, FEDERAL RAILROAD ADMINISTRATION**

Secretary COLEMAN. Good morning.

Mr. ROONEY. Mr. Secretary, we welcome you to this very distinguished committee.

Mr. HASTINGS. Mr. Chairman, I would like to ask your consent that Mr. Heinz, because of his great effort in this legislation, be allowed to sit with us during the testimony of Mr. Coleman.

Secretary COLEMAN. I would love that.

Mr. HEINZ. Thank you, Mr. Chairman.

Mr. ROONEY. Mr. Secretary, this committee meeting may be disrupted by a quorum call. We go into session at 11 o'clock this morning. Hopefully you will be able to conclude before this happens.

Secretary COLEMAN. Yes, sir, I will try.

Mr. ROONEY. You may proceed.

Secretary COLEMAN. Good morning, Mr. Chairman and Members of the committee. I appreciate this opportunity to appear before you today to discuss first the condition of the Nation's railroad rights-of-way and, second, bills designed to improve those rights-of-way and, at the same time provide jobs for railroad and other workers who are presently unemployed.

The bills before this committee today would authorize the Secretary to provide funds to railroads and, in some cases, to States and local governments and to regional commissions, to finance labor costs associated with short-term railroad rehabilitation programs. The Senate-passed bill (S. 1730) authorizes \$600 million in grants to finance these costs while other bills before the committee, including H.R. 7065, authorize \$2.5 billion for such financial assistance. The Senate-passed bill also authorizes \$100 million in grants and \$100 million in loan guarantees to assist in the acquisition of materials and equipment necessary to carry out such railroad rehabilitation.

These bills represent an approach to one facet of the railroad problem which at first glance offers considerable appeal. Its supporters have pointed out that it provides an opportunity to attack simultaneously two problems of national significance.

And the problems, I would say, are—and both political parties in the Congress and everyone in the administration are in common agreement—the deteriorating rail plant and unemployment.

Because of this potential, the Department began some time ago a very thorough review of such proposed legislation. On the basis of our analysis, however, we have concluded that the adoption of any of these bills is not the right approach to take at this time. In fact, this legislation would be a mistake. It would result in a massive expenditure of Federal dollars without necessarily improving the roadbeds and track which are needed for a truly efficient, excellent national railroad system. Moreover, if \$700 million to \$2.5 billion can be found for railroad expenditures in the present national budget for railroad expenditure there are better, more intelligent and more effective ways to spend it.

We recognize that the railroad industry in this country, by and large, is in a sorry state. Most people are aware of the severity of the problem in the Northeast and Midwest because of the bankruptcy of several railroads in these areas. However, some of the railroads that operate in the plains States also are in poor financial condition—witness the bankruptcy of the Rock Island—and there is a danger of the problem spreading to other areas.

For many years, the income generated by bankrupt and other railroads has been insufficient to meet the requirements of plant main-

tenance and rehabilitation, and with an industry average rate of return of three percent or less, it has become extremely difficult for many railroads to obtain funds from outside sources. As a result, much of the rail plant has become delapidated and is unfit for high-speed operations. In fact, it is not uncommon for train operations on main-line tracks to be limited to speeds of 10 to 20 miles per hour. In addition to cutting down on the efficiency of operations, these conditions are contributing to an ever-increasing number of accidents and derailments.

I am extremely concerned about this situation and I am convinced that a strong rail system is an absolute must to the future well-being of the whole country. Despite many years of decline, the railroads still carry nearly as much freight as motor carriers and inland waterways combined. And, in view of the energy and environmental problems facing the country, I believe it is important that the railroads be in a condition to move quickly and safely a significantly increased amount of freight and passengers. As coal production is increased in an effort to reduce our dependence on oil, we must continue to look to the railroads to play a predominant role in its transportation. Over the next 10 years it may be necessary to double our coal production to meet our energy needs and it appears that more and more of this production will occur in the Western part of the country. These factors could require a very substantial increase in ton-mile production by the railroads. Increased use of rail transport also can lead to savings in energy, for rail transportation is the most energy-efficient of all our modes of transportation in terms of long-haul movements.

I hope the committee would appreciate that I talk in terms of long-haul movements and am also assuming full utilization of the rail. That does not mean, if you have one train which goes up one track once every 2 weeks that that is the most efficient way to move that freight. And in those cases certainly the most efficient way to do it is by truck.

MR. ROONEY. Mr. Secretary, if you will yield for a moment.

Thus far you have given every reason why we should have the legislation. I hope you will come up with some kind of a solution before you get to the end of the statement.

SECRETARY COLEMAN. I think as a political officer in the administration, I have a duty to come up and indicate the facts, those that I think will support my position and those that skillful advocates might use to come up with a different solution. I do not think I am up here solely to advise the Congress which is the appropriate way.

MR. ROONEY. I commend you for it.

SECRETARY COLEMAN. As for the many difficulties of the railroads, I should point out—and this is particularly important in the context of the bills now before the committee—that the poor condition of the track and roadbeds and the large number of railroad bankruptcies are symptoms of a number of basic ills that plague the industry. Among the most important of these basic ills are redundant facilities, excess rail competition, undue fragmentation of ownership and outmoded regulations. We realize that symptoms should not be ignored and symptoms often require treatment. But rather than adopt short-term temporary programs that address only the symptoms and that may be inconsistent with long-range objectives, I believe the time has come to get to the heart of the problem and attack the basic ills themselves.

The railroads do need financial assistance, but providing that assistance under bills of the types before the committee today, without changes in the basic rail structure or in the regulatory regime, will lead to a waste of funds. At the present time, we in the Department do not have in hand a picture of what the rail system in all the different parts of the country should look like. To put this picture together would require a great deal of analysis and the careful consideration of the viewpoints of many interested parties, including the railroads themselves, and the shippers and communities they serve.

We not only face the question of how to finance the rehabilitation of deteriorated rail facilities, we must also take steps to rationalize our present overextended rail system. If we approach this matter properly, we can insure that we will not spend money improving lines that should not be retained in the system, and we can afford appropriate priority to the lines that should be retained, both in terms of the order in which we proceed and the amount of physical improvement that is made in each individual case. To accomplish this we need to mount an overall broad-based attack.

As you know, in the Department we have been dealing with the problem of the Rock Island. I would urge everyone on the committee to take a look at the Rock Island because there we recall it was proposed that the Government provide \$100 million in loan guarantees and yet we found out that if we didn't do that and the Rock Island closed down, something like 98 percent of the service would be picked up by other railroads.

We also found out that between Omaha and Chicago, for example, there are six different railroads with mainline tracks, all of which are in need of fixing up. But it certainly is not in the public interest to spend Federal money to fix up six mainlines going between those two points when obviously that service can be much more efficiently rendered on fewer lines.

We do think it is the responsibility of our Department to try to find out which lines should be preserved, and we do think in the meantime that the Federal Government ought not to be spending money to preserve lines which would be obsolete or redundant under any criteria.

Mr. ROONEY. I also think, Mr. Secretary, you made a very wise decision. At the present time the cash flow of the Rock Island is in the neighborhood of \$5 million to \$7 million and they said they would close up within 30 days if they didn't get the \$100 million.

Secretary COLEMAN. Yes, sir, I just say, not from you, but from other people in the Congress, it was rough going. I used to get a lot of telephone calls and a lot of people told me that I was being irresponsible by not putting up the \$100 million, but I thought it was not in the public interest to do it. I also felt that if I didn't do it, they would find another way to stay in business.

A major part of our present railroad difficulties lie in the Northeast and Midwest. In February, the United States Railway Association issued its preliminary system plan to restructure the railroads in that area and later this month the Association will transmit its final system plan to the Congress.

As you know, Mr. Chairman, because you had a lot to do with it, the Regional Railroad Reorganization Act of 1973 required the formulation of a plan to reorganize the railroads, and the only Federal com-

mitment was to provide \$1.5 billion in loan guarantees and \$250 million to take care of employees that would no longer be needed.

In the preliminary plan and certainly in the final plan—and since a preliminary draft has been filed at the ICC it is public knowledge—the USRA indicated that in excess of \$4 billion in loan guarantees might be needed. If you provided for grants, you would be talking in terms of somewhere between \$1.7 billion to \$2 billion and that is the reason why earlier in my remarks I said that if there is available in the budget the type of money we are talking about in these bills, I assure you at some place we will have a prior call on that amount of money. That is another reason why at this time, though I certainly admire Congressman Heinz and others that are sponsoring these bills, I really can't support them.

Some place in life you have to make a choice. That is the choice Congress ought to make and that is the choice the administration would like.

We are carefully analyzing the work of the Association and intend to announce our views on it very shortly. The approach that is finally adopted will be of utmost importance in determining whether this part of our rail system is going to get back on its feet or whether it will continue to founder.

Complementary to adopting a sound approach for the Northeast and Mideast, we believe it is essential that the Congress adopt a comprehensive railroad bill, applicable nationwide, which together with providing financial assistance will make possible important reforms to the system for the economic regulation and restructuring of the railroads. This is the approach we are taking in the Department's proposed Railroad Revitalization Act, H.R. 7681, which the President transmitted to the Congress in May, and which this committee has set for hearings on July 17.

As in the case of the proposed Transportation Improvement Act which we submitted to the last Congress, our new comprehensive railroad bill includes, first, improvements in ratemaking which would remove limitations on an individual railroad's freedom to establish rates and to compete effectively with other modes of transportation. The railroads will benefit from increased traffic revenue, and the consumer will benefit from lower transportation costs.

Second, the bill would impose restrictions on certain practices of rate bureaus which tend to dampen competitive forces in the ratemaking process and to discourage pricing flexibility and service innovation.

Third, the bill proposes other regulatory reforms such as prohibiting discriminatory State taxation and mandating a new accounting system for the ICC.

Finally, the bill establishes a substantial financial assistance program, \$2 billion in loan guarantees at advantageous interest rates which will help the railroads to rationalize and upgrade the facilities and equipment necessary to provide efficient rail transportation service.

In fact, we submit that if the bill were adopted in its present form the cost savings to the industry would be in the neighborhood of \$17 billion over a period of 10 years. All of these programs would permit the railroads to hire people and to rehabilitate the track.

We not only believe it is highly——

Mr. SKUBITZ. Mr. Secretary, did I understand you to say with the adoption of the revitalization bill that the railroads would save about—

Secretary COLEMAN. Our calculation is, I don't want to preview our testimony, that the savings to the railroads over a period of 10 years would be in the neighborhood of \$17 billion.

Mr. SKUBITZ. Would you care to give us an idea of how much that would be the first 2 or 3 years?

Secretary COLEMAN. Yes, sir. We think, sir, that the rate runs at about a billion dollars per year and then there would be an upward swing resulting from the savings expected from railroad restructuring which we believe would go from \$130 million to \$1.3 billion depending on how it is done and how quickly.

But, aside from that, the other items in the bill would yield to the railroads about \$1 billion a year and all this would be available for creating jobs and that sort of thing.

We not only believe it is highly essential to provide a substantial amount of financial assistance to the railroads, but we believe it is equally important that the financial program be administered in a manner which will provide the most return for the taxpayer's money. Thus, we propose that a number of important conditions be imposed upon the provision of such funds. A central factor we would consider is the contribution the proposed improvements would make to the establishment of a rational, efficient, and economical railroad transportation system. Very importantly, we propose that the Secretary be empowered to require as a condition to the approval of financial assistance that a railroad enter into agreements for mergers and consolidations and for the joint use of tracks, terminals, and other facilities, or for the purchase or sale of other assets.

Such agreements would be approved under expedited procedures. The railroad problem is critical and consolidation of rail facilities is crucial to revitalization. We can no longer afford to take twelve years to reach decisions as happened in the Rock Island situation. Thus, in addition to providing badly needed funding to the railroads, this financial program would promote the elimination of excess railroad capacity, without the cumbersome regulatory procedures administered by the ICC.

I should point out that the program for financial assistance in our comprehensive bill is not designed to accommodate railroads reorganizing under the Regional Rail Reorganization Act of 1973. While the planning process is still under way under that Act, we believe that we should continue to use the funds the Congress authorized in February to provide for the operation and improvement of those bankrupt railroads. Of course, the 1973 Act also contains substantial authorizations for the rehabilitation of the rail system in the Northeast and Midwest once it is restructured under that act. As I mentioned before, we will announce very shortly our views as to the appropriate way to restructure the railroad system in the Northeast and Midwest, including our recommendations with respect to the need for rehabilitation of the restructured system.

As I indicated before, if the railroads in the Northeast were reorganized under the 1973 act, you are talking about \$1 billion being avail-

able for rehabilitation. Under the projections, USRA is talking about even more money. The final system plan will be submitted to the Congress on July 26 and will be acted upon within 60 legislative days thereafter, and under the present plan ConRail would take over early the following year.

At that time all of this rail rehabilitation work will begin under that legislation. Also, if the proposed Rail Revitalization Act is enacted, another \$2 billion would be available in loan guarantees and a substantial amount of cash would be saved under the various provisions for regulatory reform in that bill.

I am urging this committee not to pile additional money on top of that, particularly in view of our current budgetary problems.

Up to this point I have discussed what I think is the proper approach to solving the problem of the railroads, including the rehabilitation of tracks and roadbeds, namely, a comprehensive approach which deals with root causes rather than symptoms. Before I close, however, I would like to make some comments on the bills before the committee and the concept of providing immediate relief from the unemployment problem by establishing a railroad rehabilitation program.

Certainly we are all deeply concerned over the current high level of unemployment and the serious difficulties it is causing many people throughout the country. However, this is a problem which the administration has taken into account, first, in preparing for fiscal year 1976 a budget designed especially to stimulate the economy; second, in approving the Tax Reduction Act; and third, in approving extensions to emergency employment assistance and unemployment benefits.

I would like, if you will indulge me, to review the figures. As you know, President Ford originally recommended a budget which called for a deficit of \$51.9 billion, and within that budget there was to be a \$16 billion tax reduction for purposes of stimulating the economy.

Congress proposed a \$30 billion reduction in taxes and as a result of intelligent compromise, the final tax reduction enacted was \$24 billion, which meant that the deficit then went to \$59.9 billion.

The measures already taken by the Congress and the administration will result in a deficit for fiscal year 1976 higher than any year since World War II, and the administration is committed to placing strict limitations on any new spending programs. A new spending program of the type contained in the bills before the committee today is one of the many emergency employment proposals before the Congress which would aggravate current budgetary and economic problems. In addition, much of the impact of the legislation would occur after the current unemployment problems are expected to subside.

We are now in the middle of July. The bills provide that once they are passed and become law, the Secretary has 30 days to adopt implementing regulations. Thereafter, additional time will be necessary to process applications for financial aid.

So, I think that in the large part of the country the building season essentially will be over before \$1 would be available for this program. Then as we go into next year, I think both the Rail Reorganization Act and our Revitalization Act should pick up and make available money needed for rehabilitation.

In fact, it is possible that at the end of this year and next year, one of its principal effects of the bills before the committee today might be to contribute to the inflation problem. The President expressed his concern with proposed legislation of this nature when he vetoed the Emergency Employment Appropriations Act. It is important that the proposed legislation be considered in the context of existing budgetary problems, the timing of the legislation and its possible long-term effect on the economy.

I have already stated my concern that the bills before the committee would have us proceed with railroad rehabilitation programs without the ability to rationalize and restructure the systems. If we do that we are in danger of proceeding with rehabilitation in a very inefficient way. I am also concerned that if one of these bills is enacted, there would be considerable inefficiency in the attack on unemployment. In many cases we may find that tracks that would be rehabilitated would not be required and we will find in many cases that the areas where employment needs are greatest do not match up with those where the track is in greatest need of rehabilitation. In addition, there are two other problems with the approach taken by some of these bills that should not be overlooked.

First, while I am very concerned about the plight of the railroads and their unemployed maintenance-of-way personnel, I am troubled by the approach these bills take to the unemployment problem. I have reservations about an approach which provides special employment benefits to a particular group of employees, regardless of whether they may be the most needed. I would also have reservations about channeling funds to particular businesses to undertake programs benefiting those businesses regardless of whether they are capable of carrying out the programs with their own funds.

For example, H.R. 7065 provides that the first people that have to be put back to work are laid-off maintenance-of-way workers and then all other railroad employees. It also provides that the rate of compensation would be the union rates under collective bargaining agreements.

According to my records, the averagely hourly earnings of maintenance-of-way personnel are \$6.25 an hour. It is also my understanding that as of June 1975, the maintenance-of-way employment is 5.9 percent less than the June 1974 employment.

Obviously, any unemployment is serious, but the fact is that the rate of unemployment for these railroad workers, if these figures are correct, is less than the national average.

I think it is relevant also that, as I understand it, if railroad employees are furloughed, they receive unemployment benefits administered by the Railroad Retirement Board and the rate of pay is \$12.75 per day. I think there is some debate in Congress requesting an increase in that rate. Compare that with the fact that the minimum wage—and whether it is a proper one, that is beside the point—is \$2.25 an hour.

Also, I find it hard to see how a bill can be thought of as a public employment bill which provides benefits to people who don't have as high a rate of unemployment as exists in other sectors of the community.

Secondly, if you are going to put these people to work, should the

Government finance putting them to work at the minimum wage or some other wage like that, rather than at the union rate?

The point I am making is, I find that being a city boy it is difficult to think in terms of the proposal being a public works bill.

Mr. SKUBITZ. Mr. Secretary, it worries me, too. In fact, it worried me about 3 o'clock this morning. I was thinking of this particular point.

Secretary COLEMAN. Yes; maybe I believe in mental telepathy, for that is the time I thought about it, too. You see it is not in my prepared statement. I got your message.

Mr. SKUBITZ. Mr. Chairman, what I was doing at 3 o'clock, I was thinking of marking up this bill today. That is what kept me up to 3 o'clock.

Mr. ROONEY. I should think you should be very pleased because you are a cosponsor of this legislation.

Mr. SKUBITZ. The fact I cosponsor something actually doesn't mean I am in favor of all the details of what I am cosponsoring. I agree in the principle of this, but in order to get this committee moving—

Secretary COLEMAN. Finally, I am concerned that under some of the bills before the committee, the hiring of workers for these short-term rehabilitation projects might increase the protection benefits paid under the Regional Rail Reorganization Act of 1973. We do not believe that the costs associated with those special benefits should be borne by the Federal Government under the type of program envisioned by the bills before the committee.

In conclusion, we urge that the committee not act favorably on any of the bills it has under consideration today. Instead, we believe it is preferable to attack the railroad rehabilitation problem through the adoption of a sound final system plan for the Northeast and Midwest and through early enactment of the Department's comprehensive railroad bill.

With respect to the unemployment problem, we believe we should await the impact of budgetary and other actions already taken by the administration. These actions should help bring about the upturn in the economy which will provide more jobs.

Finally, I would like to summarize my points as follows:

We do have programs which would be in place by the time of the next railroad building season which will make the money available. And, therefore, we see no need for these bills.

Second, we feel strongly, and we think the Congress feels strongly, that leaving aside the details as to whether the proper deficit is \$50 billion, \$60 billion, or \$75 billion, there is a limitation on what we can spend. We think we are at that limitation. The Congress feels we are not.

We feel there are other programs which are much more pressing and important that should be taken care of before you turn to this program, particularly when, as I say, what you are committing yourself to is to pay for the maintenance-of-way at the rate of \$6.25 per hour when you have many people that are unemployed or are not getting the type of compensation the railroad employees are getting, and haven't had the history of getting that type of compensation in the past who truly need to be employed and who would eagerly accept

jobs at the minimum rate. Finally, we feel that any type of Federal expenditure for rail rehabilitation will result in your spending money on obsolete track unless you first come to grips with the restructuring problem. Also, there is no necessary cognate relationship between where the track is bad and where there is a maximum unemployment.

For these reasons, even though it is very popular to come up here and say: "Sure, spend the money," we feel we cannot support the proposed legislation.

Thank you.

Mr. ROONEY. Thank you, Mr. Secretary.

Would you like to identify your colleagues for the record, please?

Secretary COLEMAN. This is Mr. Ace Hall who is the Acting FRA Administrator, and this is Mr. John Snow who is Deputy Under Secretary of the Department.

Mr. ROONEY. Mr. Secretary, I do appreciate your very fine statement and your approach to this problem. I take it that you think the cure all for the railroad industry is the adoption by Congress of the President's rail revitalization bill.

Secretary COLEMAN. Mr. Chairman, I don't have that much ego. I am pretty sure more will be needed, but I think that will be a significant first step.

Mr. ROONEY. You gave some very interesting figures.

Secretary COLEMAN. There are other things that have to be done in addition. I think that we have to make sure that the railroads are in a competitive position. I know it is very unpopular politically, but you have the problem of the water barge competition. Also, the railroads claim that the truckers don't pay their fair share of system costs. That is a problem we are looking into. I do think the Rail Revitalization Act and its \$2 billion loan guarantee program would go a long way toward putting the railroads back in the shape that I know everybody on this committee wants them to be in.

Mr. ROONEY. Mr. Secretary, we have heard testimony after testimony that just to revitalize the roadbed in the Northeast corridor is going to take between \$5 billion and \$7 billion. How are you going to distribute \$2 billion in loan guarantees and grants and think you are going to cure the problem of the railroads? It is just impossible.

Secretary COLEMAN. Mr. Chairman, I pointed out in my testimony that we are approaching the Northeast problem separately. As I tried to—I guess the word is not too strong—warn you, when the final system plan comes up here you are going to be faced with the fact that we will need \$2 billion in grants for the Northeast or \$4 billion in loan guarantees just for the Northeast. If there is \$700 million floating around, or this \$2.5 billion as proposed in some of the bills before the committee today. I assure you come July 26, there is going to be a request for you to spend it. I think that is a more intelligent place to spend it.

Once you get out of the Northeast, we feel there are a lot of rail systems that could take advantage of the loans and that the funds would go a long way toward handling the problem in the rest of the country.

What we are trying to do in the act is to anticipate by maybe 5 years where we think the rest of the country will be if we don't change our public policy and have something like the Rail Revitalization Act.

I think the House last year realized that. The act didn't get through the Senate, but we think that is the way to go. The \$2 billion is also a revolving amount. Another fact is—we have made a projection, if you want to hear it—that in the next 10 years about \$100 billion should be expended to completely modernize the railroads. We have also indicated that if the railroads continue to spend what they have been spending on rehabilitation about \$71 billion of that \$100 billion will be their own money.

We feel that if the Rail Revitalization Act is passed that will bring savings, as I said before, of an additional \$17 billion. If my arithmetic is right, that will give you a shortfall of about \$12 billion which the loan guarantee program and our efforts in the northeast will greatly alleviate. I think that is the approach the Department is trying to develop.

Mr. ADAMS. Will the gentleman yield?

Secretary COLEMAN. Yes.

Mr. ADAMS. Will the administration be willing to take a position that the \$700 million in grants would be in effect, a downpayment on the larger bill, which I agree with the Secretary is going to have to put together if the Regional Rail Reorganization Act is going to work.

Secretary COLEMAN. I think that is not necessary, sir, because when you reread these bills, you will find provisions in them that indicate that is not the way to go if you really expect to rehabilitate the railroads.

Mr. ADAMS. Suppose we change some of the provisions of the bill so that they deal directly with job stimulation and accomplish the grant purposes, which, I agree, are going to be necessary for the Northeast rail solution and perhaps in certain areas of the Midwest, particularly on the Rock Island.

That bill may take a long time; we have been working on it for 4 years now, and it hasn't been acted on by the Senate. So we are a little pessimistic as to when this is going to start.

Secretary COLEMAN. I want to get to the problem and not resort to Band-aids, particularly when I think Band-aids will mislead people. Why spend \$700 million as a down payment fixing up railroads if when you finally get around to it, the system is going to be changed?

Mr. ADAMS. We are not interested in spreading \$700 million like man on the land. Some of the bills, particularly the ones that have been introduced by members of this committee, are limited to either Amtrak routes or to routes within the final system plan. We might very well tailor the bill toward routes that are within the final system plan. What we are saying is that a great deal needs to be done now and then.

If the Chairman will yield to me a little further, I am going to ask you where you got your economics?

Secretary COLEMAN. From the University of Pennsylvania.

Mr. ADAMS. That is what I thought. If the chairman will yield just a moment.

On page 9 and 10, you say this, "However, this is a problem"—unemployment and stimulus—"which the administration has taken into account, first in preparing for a budget designed especially to stimulate the economy."

Mr. Secretary, there is a rule of thumb that is agreed on by all three econometric models in the United States including the model developed by the Wharton School, that for every percentage point of unemployment, you lose about \$14 billion in revenues because of the reduction in gross national product. Also, you pay out about \$2 billion in unemployment benefits.

And in the President's budget itself, on page 46, admits the fact that because unemployment has gone up from 4.5 percent to over 8.5 percent, you have got a 4 percent rise in unemployment or about a \$64 billion deficit that is caused by the recession itself.

So the President's budget, when it came in, was a restrictive budget and, incidentally, in the early part of this year when he was still talking inflation, he stated that the budget was directed toward fighting inflation, not providing stimulation.

So we came in with a different budget, if you will remember. It projects a deficit \$68.8 billion. At the present time we are \$1.2 billion below that figure. Part of that is because of three vetoes. We would be \$6 billion below that \$68 billion figure, but for the fact that the President increased the defense budget by 13 percent, he increased international programs by over 6 percent. We didn't cut the defense program all the way back like we did all the other programs. We only cut half of the President's increase in defense, an amount of \$5 billion. He is up here saying that bill has to be passed. We have to spend that much more. I don't want to argue with you. You are the Secretary of Transportation. I have a great deal of fondness for you.

Secretary COLEMAN. I am a Cabinet officer. I feel responsible for the administration's point of view.

Mr. ADAMS. That is why I am saying your economics on stimulus are violently disagreed with by the overwhelming majority of the Congress. So when we are talking about stimulating there is not an econometric model in the United States, either Wharton or Chase, or Data Resources, Inc. that can show any increase in the inflation rate for any amount of additional deficit above \$75 billion, because we are only operating at 65 to 70 percent of capacity. We have unemployment at over 9 percent.

So all I am saying to you is that your arguments on pages 9, 10 and 11 of why we should not pass a bill now on the economics of it, are, in this Member's opinion, wrong.

Now, the second part of your argument as to whether we ought to be tailoring it to meet the long-range problem, I think I am very much in agreement with you, but I am very concerned, and this has been expressed by some of the other members of the committee who introduced the bills, that we are not taking care of the problem this summer with the unemployment.

In other words, to say that those bills would use public jobs money to carry out a public purpose of rehabilitation, that is accurate.

Secretary COLEMAN. I agree we should be accurate.

Mr. ADAMS. Then why do you object to it?

Secretary COLEMAN. I don't think you had come into the room when I said it. Look at the date, today is July 10.

Mr. ADAMS. I was here when you said that.

Secretary COLEMAN. Today is July 10. Now, when do you think the bill will be passed? Say you pass it tomorrow. You will then go into conference because I hope you are not going to accept the Senate bill. So maybe if we are optimistic, we are talking about August 1 when it would become law.

Mr. ADAMS. All right.

Secretary COLEMAN. Assuming that it is permitted to become law. After that, the Secretary has 30 days in which to draw up implementing regulation. I think that will be tough. During that 30 days Congress may be away on vacation. I don't mind. I will do the work here. Therefore, it will be after Labor Day before the first application can be made for the money.

Now, as I understand it, certainly in the part of the country which you think needs it most, the Northeast, there is a point of time beyond which you don't go out and do your rehabilitation of track. I take it the spring and the summer is the rebuilding season. So I think that without any bad faith on the part of the administration, you are not going to get this done until the spring.

Mr. ADAMS. I just find, Mr. Secretary, that in the United States it takes us a certain amount of time to gear up. If we start August 1, we are a year further ahead than if we start August 1 next year.

Secretary COLEMAN. You missed the point. If that is going to happen, that is going to be because of a delay by Congress. Come July 26, the final system plan will be here. Sixty legislative days thereafter, November 1, you have to approve it, say it is wrong or require some alternative action. The takeover—don't hold me to it—is March 1.

Mr. ADAMS. Should we start it now?

Secretary COLEMAN. No, at that time under that legislation, there will be \$1 billion in loan guarantees for rehabilitation. It is clear there is going to have to be more than that. The money will be there. That is the season when you can begin to do the work. You have also the Railroad Revitalization Act.

Now, if you are telling me that because we are slow, Congress is slow and we can't agree upon an intelligent and proper bill by December, I don't think the American people should be called upon to pay a penalty of \$700 million on the \$1 billion or \$2.5 billion in the other bill. I am ready to act, and I don't want to pay \$700 million because I am going to be slow.

Mr. ADAMS. Mr. Secretary, all I am saying to you is that if we can agree on the principle of what has to be fixed where and start the crews to work on it, that it can be a downpayment, in effect, on the eventual bill that comes up. I am just indicating to you and trying to find out from you whether you would support this program if we tailor it to the bills that are coming, if the administration will be willing to support it?

I would like to see the bill that you are referring to, in some form, passed. I haven't seen it come back from the Senate, and we are not going to run up the mountain until we see what they bring back. Because we sent a bill, over last year. What we need to do is find out from you if you want this downpayment now, because the members of the committee and myself are concerned about the economics. With 9 million unemployed, why not use this money for this process?

Secretary COLEMAN. We do not think this is the appropriate down-payment. We think it will be destructive rather than productive. Getting back to the economics, I guess I should not take you on. I have a document in front of me that describes your background. I just think, Mr. Congressman, as I look upon it, I just don't believe that idea that a country like ours can get into a recession and when you want the normal processes to work and where every time they begin to work, everybody comes into the Federal Government and says, "Oh, no, you have to bail me out." We are faced with it all the time. I feel that in a capitalistic society like ours we have a system of profit and loss, and I don't see why every business that has a loss because it may be inefficient should get money from the Government.

Second, I feel that in the bargaining process, we get somewhat out of kilter. We have the mayors coming in this afternoon: They are after \$2 billion or \$3 billion. You name it, I can come up here with a laundry list of demands of everybody that comes in. I don't think the Federal Government can spend its way out of that type of problem. I think the President and the administration can put programs in place, if given an opportunity. They will work and I think that if every time we add a different band-aid we are going to end up where the normal system will never work any more.

Now, it is one thing to repeat this rule of thumb, that every 1 percent of unemployment has a certain effect on the economy, but not until we strike oil some place in the North Sea or some place where we own it. And as for this idea that you have this unlimited amount of money that you can pour out, where do you get the taxes to pay for it?

Mr. ADAMS. Mr. Secretary, under the program that we have with the stimulus that is in it, revenues and receipts will cross in the year 1979 because of both the growth in population and the remaining residual effect. We are trying to hold the programs. We can't hold it if the President doesn't help. He spends more in defense and international affairs than in these areas. The argument that everything—

Secretary COLEMAN. It is all right to say he spends more. If you are talking about quantum dollars, you are correct.

Mr. ADAMS. That is the only thing you can talk about if you are going to match receipts and outlays.

Secretary COLEMAN. It isn't, because the fact is, in 1967, this society was spending one-fifth more for defense than it was for all social programs.

Mr. ADAMS. You know why, Mr. Secretary, because we had a 3 to 4 percent—

Secretary COLEMAN. You had a Democratic President. There are other reasons.

Mr. ADAMS. You had prosperity, Mr. Secretary, which is what you don't have now.

Secretary COLEMAN. We have prosperity. We are still running deficits.

Mr. ADAMS. We balanced the budget in 1968, 1969 which was during the term of the last Democratic President.

Secretary COLEMAN. Hear me out. What is the percentage of the gross national product now which is spent for social programs and

for aid to cities and other governmental programs as against defense? I think you will find it has been shifted completely around. I am not up here to defend Secretary Schlesinger's budget and I am not saying that you don't have to take a hard look at it. If you really look at what is happening in this country you will see, and rightfully, that of the total Federal money spent, there is much more now, as it should be, being spent for social programs and being spent for aid to the cities and the States than is being spent on defense.

That does not mean that maybe the defense budget should not be looked at hard, and we should not try harder in the areas. I think we do and in justice to the Congress and to the administration when people say, "Oh, take it out of defense."

Mr. ADAMS. I don't see that.

Secretary COLEMAN. The people yesterday up in Boston, the mayor, backed off and took out of their resolution that the defense budget should be cut.

If you really look at the facts, that is a sacred cow that has been whipped which I don't think should be whipped. There are tremendous problems in this country, and I don't think you are going to solve them by saying, we should spend more money here and take it out of the defense budget. I don't think on our side of the aisle that you can get the votes to really cut that defense budget.

Mr. ROONEY. The committee will recess until after the quorum call, and I do hope when we return, now that we have all our budget problems straightened out, we will be able to put the trains back on the tracks.

[Brief recess.]

Mr. ROONEY. The reason for the second quorum call was the fact that the elevators were slow. They are like the railroads in this country. And some of us missed the first quorum and I was one of them. One of the elevators got stuck and consequently they called a second quorum call and the members should be here shortly.

The committee will resume its session.

Mr. Secretary, on page 2 of your statement you say that your Department has made a thorough review of this legislation. What does your review show with respect to the objectives of this legislation? How many jobs can be provided and what rehabilitation can be accomplished?

Secretary COLEMAN. Sir, I am not prepared to answer that question, but I will submit a response for the record.

Mr. ROONEY. I will be very happy to keep the record open.

[The following information was received for the record:]

JOBS PROVIDED AND REHABILITATION THAT COULD BE ACCOMPLISHED
WITH A \$600 MILLION PROGRAM

The attached chart indicates the number of jobs that could be provided and the amount of rehabilitation that could be accomplished over a one year period on the basis of an authorization of \$600 million for grants to finance labor costs associated with railroad rehabilitation programs such as that contained in the Senate-passed bill (S. 1730).

\$600,000,000 PUBLIC WORKS PROGRAM

	Month—												Total
	1st	2d	3d	4th	5th	6th	7th	8th	9th	10th	11th	12th	
Number of people.....	10,500	20,000	30,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	30,000	20,000	20,000
Monthly cost (thousands) ¹	\$14,000	\$26,660	\$40,000	\$66,000	\$66,650	\$66,650	\$66,650	\$66,650	\$66,650	\$53,320	\$39,990	\$26,660	-----
Accumulative cost (thousands).....	\$14,000	\$40,660	\$80,660	\$147,310	\$213,960	\$280,610	\$347,260	\$413,910	\$480,560	\$533,880	\$573,870	\$600,530	\$600,530
Miles of rail ²	306	583	875	1,458	1,458	1,458	1,458	1,458	1,458	1,166	875	583	13,136
Number of ties (thousands) ³	700	1,334	2,001	3,334	3,334	3,334	3,334	3,334	3,334	2,667	2,001	1,334	30,041

¹ Based on \$16,000 total annual compensation per employee.

² 1 track mile per man-year (35 percent of total effort).

³ 2,000 ties per man-year (40 percent of total effort).

Note: Remaining 25 percent of total effort allotted for general clean-up maintenance.

Mr. ROONEY. Yesterday one of our colleagues testified, Mr. Secretary, that for every dollar that is spent in this legislation there will be a dollar in return. He was talking about getting people off welfare, off unemployment compensation. Do you believe in this theory. If so, isn't this the best way to spend public dollars?

Secretary COLEMAN. I have heard that theory more and more. I frankly have some difficulty with it. I just don't think it works that way.

In the first place, you are talking about spending money at a much higher level than you would if you paid compensation. I take it that compensation in part is a funded program and taxes pay for it. That is just one of the judgments in the system that when people are laid off there is compensation, but at a lower rate. And if every time you have a reversal and have unemployment, you are going to say, "no; we are not going to let that happen, we are going to subsidize at the full labor rate," then you have distorted that part of the system.

It is also my understanding and all the economic models say that the rule-of-thumb is that for every dollar you spend or for every person you get off the unemployment rolls, it has a certain effect on the budget.

It is also my understanding that for every dollar we spend there is an effect on the inflation rate.

Mr. ROONEY. I don't know whether or not you had an opportunity to see the Rivlin economic report that appeared in today's newspaper that, "Given the depressed state of the economy at the moment, expansionary fiscal policies to reduce unemployment would have only minor ill effects on the inflation rate."

Secretary COLEMAN. I would say that perhaps that is that gentleman's view. I did not read that. I also know that Mr. Greenspan's view is different, and I would say that you should check with other leaders of the economic council and advisers to the President.

Mr. ROONEY. Now, that the battle of the budget has been concluded, we will try to get the trains back on the tracks in concluding your testimony today.

Mr. Secretary, it seems to me that this administration is listening to some red pencil robot in the OMB because every time we come up with some kind of a plan that will alleviate unemployment in this country they say it is too much or too little. I happen to agree with you with respect to this legislation. I don't think this is the proper approach to putting people back to work or rehabilitating the roadbeds, but I do think, Mr. Secretary, that we have got to come up with a revitalization railroad bill that is going to provide much more than \$2 billion. I am going to support that legislation and I am going to see whether or not we can work out some compromise to increase the \$2 billion so we can really go after the problems facing the people in this country with regard to the railroad situation.

Secretary COLEMAN. Sir, if I have any personal ambitions, I hope by the end of my term I will have put in place and the Congress will have accepted a program which in 5 to 7 years after acceptance—and I don't expect to be around to see the fulfilment—will result in the complete modernization of the American railroads.

I want to work with this committee to get that done because I think

the people on this committee feel the same way. It has to be done but it has to be done in the appropriate way.

We talk about this approach. The fact is, according to our statistics the maintenance-of-way employment in the eastern districts happens to be up 2 percent over what it was last year.

Second, contrary to what Congressman Adams said, we are already spending money in the Northeast on the rail rehabilitation program. We are spending \$60 million in addition, as you know, at Altoona. We are fixing up and modernizing that place. I think we have committed—

Mr. HALL. It is about \$57 million.

Secretary COLEMAN. We do think we are at the point where all forces are coming together and if we sit down and work hard for the next 60 days, we can really come up with a plan which will take care of the Northeast and the rest of the country, but we don't think that a plan that comes in under the guise of a public employment bill should be permitted to upset the normal forces in motion.

Mr. ROONEY. I commend you for your optimistic outlook, and you can rest assured that this committee will work closely with the Department of Transportation. I hope in the interim of the next 5 or 7 years we will be able to work out this problem. You have an 18-month lease, Mr. Secretary.

Secretary COLEMAN. I thought it was down to 17. According to my financial budget, that is where the two lines meet.

Mr. ROONEY. Mr. Metcalfe.

Mr. METCALFE. Thank you, Mr. Chairman.

Mr. Secretary. I compliment you on your statement and the stress you place as you did on page 10 of your statement on the need, and I quote from your statement, "for the adoption of a sound fiscal plan."

I also applaud you for your statement on page 7 concerning the Rock Island and the approach taken by the ICC in this matter.

However, you state on page 3, "That it is not uncommon for trains operating on mainline tracks to be limited to speeds of 10 to 20 miles per hour."

This no doubt is caused by what is referred to as deferred maintenance. However, granting this problem, do you not conceive that it is possible to move ahead with legislation such as S. 1730 or the legislation that Congressman Heinz introduced in such a manner as to work on lines that conceivably would be of any final plan? In other words, these lines could be included in any final plan no matter when that plan is made. Should we not proceed?

Secretary COLEMAN. The first thing is, as I read these bills, I don't think you will find a complete correlation between the places where the track needs to be fixed up and the locations where unemployment is greater. Therefore, I think the standard creates a problem in this bill.

Second, we have bills before the Congress, all of which we know will be revised and changed as the chairman just mentioned, but nevertheless, bills which will accomplish just that, and all we say is that since you will be at the end of the maintenance and building season by the time S. 1730 or similar legislation is enacted, you will have other legislation on the books, hopefully, by February of next year when you can really get started, why go through this exercise and adopt these bills

when we think there has to be a different approach to the entire problem.

Mr. METCALFE. That causes me some concern, a different approach and the time factor. I have been in and out, so maybe you have answered my question already, Mr. Secretary, as to when are we going to get this final plan. You just mentioned a moment ago, hopefully this legislation will be out by February of next year.

Secretary COLEMAN. As for the plan for the Northeast, as you know, under the statute, USRA has a statutory duty and will comply with it, to file a final system plan with the Congress by July 26. The statute provides that 60 legislative days thereafter Congress has to vote it up or down. So you ought to have the answer 3 months after July 26.

Under the statute, ConRail will take over the bankrupt railroads as of March 1 of next year. Then you will have the money, and you can start to work.

The reason I said "hopefully" with respect to the Rail Revitalization Act, which we sent up in May, and on which the first hearing of this committee will be next week, the House acted fast last time and the bill got out, but I can't predict what the Senate will do. They may still be counting the votes in New Hampshire, but I don't know what the time factor will be.

I think by February of next year, both pieces of legislation will be in place at the start of the new building season. There is not much reason in the interim to enact the legislation before the committee today, particularly in view of all its defects.

Mr. FLORIO. Will the gentleman yield?

Mr. METCALFE. Yes.

Mr. FLORIO. You held out hope in terms of saying we should not go the direction the committee is inclined to go as a result of these bills. Rather by saying next February ConRail and the final system will be in operation, the money will be available there. Does that mean the administration is going to support or stay out of the debate with regard to the adoption of the final plan? There was some speculation that the administration was enthused about the final plan. They were going to have their own program, controlled liquidation. If you are going to be consistent, you are going to have to say "Fine, we will go with the final system plan."

It is somewhat questionable to say we are holding out hope in the final system plan but don't make it clear.

Secretary COLEMAN. As to the extent to which current lines should be retained in the system, we support the proposed 100 percent. However, when we found out, and we accepted it as being accurate, that the magnitude of Federal involvement would not be \$1 billion as the Congress originally thought, but if it is going to be loans, \$4.2 billion, or if it is going to be grants, about \$1.8 billion or slightly more, we felt that once ConRail was set up, if we found a better solution—namely, where solvent carriers would take over the same system and operate it under a different arrangement—we didn't want an independent corporation which was basically a Government corporation having the right to call on the Public Treasury for money. That is the only extent to which we are apart.

Mr. FLORIO. Do you see the administration's apprehensions as to the original concept, as you just specified, in any way inhibiting the timetable development?

Secretary COLEMAN. We have been working at it night and day.

Mr. FLORIO. I hope not; that might be a problem. Really, what you are asking us to do is not do anything, because hopefully next April the program will take effect and have money available for rail rehabilitation, but at the same time you hope—

Secretary COLEMAN. This will be money by July 26, and in legislative life that is a short time.

Mr. FLORIO. Is that the administration's position?

Secretary COLEMAN. The fact is the ConRail plan will be up here, and we will know by July 26 whether it will contain those provisions which I am sure the Congress would want in there as much as we do. That is 16 days from now.

Mr. SANTINI. Will the gentleman yield?

Mr. FLORIO. Yes.

Mr. SANTINI. In regard to the pending legislation, H.R. 6962, H.R. 6808, and S. 1730, I gather from your testimony then that you, individually, Mr. Secretary, are opposed to all or any of these legislative proposals?

Secretary COLEMAN. The answer is yes, but I would like to go on to say it is also the position of the Department and it is also the position of the administration. Even though I am an individual, I think as a political officer it is not my independent will, it is the—

Mr. SANTINI. You are representing, then, the executive department in that conclusion?

Secretary COLEMAN. Yes.

Mr. SANTINI. Would it be the position of the President that he, too, is opposed to each of these particular bills?

Secretary COLEMAN. Yes, sir.

Mr. SANTINI. And he would then veto any one of these bills that was passed by the Congress?

Secretary COLEMAN. Sir, the first time I lost a case—

Mr. SANTINI. Please don't go into a story.

Secretary COLEMAN. I will tell you what my problem is. The first time I lost a case, a reporter asked me, "Obviously, you are going to take an appeal." I said, "Certainly." The next day the gentleman chewed me out. He said, "You, first, haven't read my opinion as to whether you are—"

Mr. SANTINI. Have you read these bills?

Secretary COLEMAN. I hope we have a President of the United States, which I know we do, who attempts to cooperate with the Congress and does not exercise the veto power arbitrarily, and whenever the Congress enacts a measure, there is a complete review. From everything I know, I would think that review would probably lead to a veto. But I don't want to state a final conclusion on any legislation. As long as President Ford is President, we are not going to have an administration which is going to threaten Congress and say, if you don't do what we want you to do we are going to use the veto. I don't think we want to do that and that is why I have paused. Other than that, I think this legislation is unwise and unreasonable.

Mr. SANTINI. I would like to follow through in developing this line. What concerns me is, as we engage in a legislative exercise in futility, the President has said on several occasions his veto and exercise of the veto, whether to translate that into a threat or statement, is almost irrelevant and it has occurred in the past. I would like to see this thing work out. I know that is your state of mind. My point of frustration is, where are we going and what are we accomplishing. We seem to be at a point of confrontation and different points of view. I would like to see it reconciled as an administration or majority viewpoint.

Secretary COLEMAN. Unless you have been reading documents I have not been reading, I don't think there is any instance on any bit of legislation where the President has told Congress, if you do so and so, I will veto it.

I know on the tax bill it was very difficult. It was majority legislation. The administration really struggled with it after it was acted on by the Congress. I wish the country could get a different feeling as to how President Ford is trying to conduct his office.

Mr. SANTINI. I can't believe you ever lost a case.

Mr. SKUBITZ. Would the gentleman yield?

Mr. SANTINI. Yes.

Mr. METCALFE. I have the time. I will be glad to yield.

Mr. SKUBITZ. If I understand you correctly, Mr. Secretary, you are saying to this committee these bills in their present form do not meet with the approval of the administration.

Secretary COLEMAN. That is 100 percent true.

Mr. SKUBITZ. Frankly, I have read through the four bills and there is a lot about each one of them I don't like. If we can come up with a bill, a revised bill, after listening to all this testimony, you are not in a position at this moment to say what the President would do about that type of bill; is that correct?

Secretary COLEMAN. That is true.

Mr. SKUBITZ. You are simply saying—

Secretary COLEMAN. I think he feels he has great access to me and he has great access to the chairman. I am not going to come up here and threaten you. I think I would judge that he would veto it, but I am not going to say that because I have not seen the product.

Mr. SKUBITZ. I misinterpreted your remark, and I agree with them, these bills, as they are written, you are saying that the administration objects to them.

Secretary COLEMAN. We do strongly.

Mr. SKUBITZ. And you are not saying any bill that would come out of the committee would be vetoed. If we can draw up a bill that had merit to it, this is a bill you are not ready to speak to.

Secretary COLEMAN. Yes; that is true. If it contained regulatory reform and restructuring provisions, that would be a completely different problem.

Mr. METCALFE. Mr. Secretary, I have one final question. Am I right in my assumption that in view of the fact that you have stated that you are opposed to all of these bills and have elaborated on, as my distinguished colleagues have questioned you on, that you do have some basis in view of the fact that you have read what this final system plan is,

and you predicate your decision to not support these bills on that. Now am I right in that assumption?

Secretary COLEMAN. In part on that and in part upon studying the whole railroad situation and really part upon reading the bills. I think these bills don't even do what they purport to do.

Mr. METCALFE. Mr. Chairman, thank you.

Mr. ROONEY. I recognize the gentleman from Kansas, Mr. Skubitz.

Mr. SKUBITZ. Mr. Secretary, I want to commend you on your statement. Some of it I disagree with. There are other parts I am in full agreement with. I hope out of all this we can develop something. But, as I look at all the bills before us, although we talked about railroad modernization and building up the deteriorated railroads throughout the country, the fact is that all these bills came to life as an answer to an unemployment problem; isn't that correct? Is that your interpretation?

Secretary COLEMAN. That is my understanding.

Mr. SKUBITZ. And really it is an unemployment bill taking care of the unemployment problem rather than the incidental, which is taking care of the railroads. One of your objections is, as I understand it, you say, if you want to do a bill here to take care of unemployment, fine. But don't charge it against the railroads because we are coming here for \$700 million now and we are coming in for \$2 billion under your revitalization bill. We will be coming in for still more money under the Northeast bill.

Secretary COLEMAN. That is part of my objection; yes, sir.

Mr. SKUBITZ. In listening to your testimony and trying to follow it at the same time, do I get the feeling, although you may not have set it out directly, that you question whether or not it is proper for the Congress to actually take money, taxpayers' money, and to revitalize the railroads and yet not help other industry? You ask what right do we have to help the railroads and yet not help build up other industries for the benefit of the stockholders of those industries.

Secretary COLEMAN. On that I would have to say, Congressman, that the railroads do present a special situation and there might be some reasons why you would, under certain terms and conditions, provide some support for the railroads where you wouldn't, for example, for the sugar manufacturers. There are differences, so I can't go along. I would like to, but I can't go along 100 percent in saying that the railroad situation is one where under no circumstances there should ever be a situation where the Federal Government might not make money available.

Mr. SKUBITZ. You raised a point, Mr. Secretary, that I was thinking about in the wee hours of the morning and that was the problem of the Federal Government, through unemployment programs, picking up the total check for hiring people. You raised the point, as I understand it, of the hourly wage being about \$6.20. If you are going to put a railroad man to work under an unemployment bill and Uncle Sam picks up the check for \$6.20 an hour, it seems to me if it is an unemployment program, we would be far better off in using what dollars we have to create as many jobs as we can, whether it be in some other areas other than the railroad. Would you agree with that?

Secretary COLEMAN. I would agree with that. The practical problem is that obviously if work is to be done on the railroads, and rightfully so in part the unions do have collective bargaining agreements and I guess there are limits to which you can have nonunion people come in and work on the property. But that is the reason why we felt that our program tended to make more sense than what is in these particular bills.

Mr. SKUBITZ. The point I am getting at here, Mr. Secretary, is this. What would you think of a program whereby we might subsidize, if we should draw up legislation, although you disapprove of it, the railroads on, say, a one-third, two-thirds basis in their improvement program.

Secretary COLEMAN. Of course that would go part way toward curing the objection that I raised on that particular issue. My understanding is—and the railroads can speak for themselves—some railroads would say with respect to the labor component that they won't want to put up two-thirds of the money. But until you restructure the railroads, have a more favorable regulatory climate and determine which lines will be preserved, I think any type of governmental aid would not be the best way to spend the limited amount of Federal dollars that we have in this country today.

Mr. SKUBITZ. Going the other way, if we are going to allocate dollars for the rehabilitating of the rail lines it isn't the duty of the Congress to pay the full \$6.60 an hour. Probably we could have some sort of a matching program, one-third to two-thirds, 60 to 40 or something like that.

Secretary COLEMAN. Congressman, you raised a very basic thing. I hate to get unpopular with the labor people, but I find this reoccurring and I think of this problem not only in terms of aid to the cities. If you have a situation where you are talking in terms of trying to take care of their problems, I have some difficulty in saying that you should take the general Federal tax dollar and contribute to the compensation paid to the people that are unemployed at the rate in the existing union agreements. This is off the top of my head. I just think it is something that the Congress and the administration and labor ought to be taking a look at. I do know, for example, in the housing program where they are going to rehabilitate houses in depressed urban areas that the AFL-CIO has finally agreed that a certain part of the labor force hired for that would not be paid the going union contract rate. I think this is something we have to think about. I don't know what the answer is.

Mr. SKUBITZ. Mr. Coleman, I am not asking the unemployed labor workers to accept less money. I find them to be reasonable fellows. They are intelligent fellows. They try to get all they can, and if their contracts call for \$6 an hour and they go back at that sort of work, they are entitled to their \$6.

My question is, if you are going to repair a roadbed, should Uncle Sam put up the full \$6 when the benefits of the improved roadbeds will ultimately go to the stockholders of the respective companies? That is why I am suggesting that if we should go into this sort of a program that it would be best if it were some sort of a matching program, and if the Government puts up one-third of the \$6, and the

railroad puts up the other \$4. I am sure we will find plenty of matching money in order to take care of all the money that we would put into this type of legislation.

Secretary COLEMAN. As I just said, Mr. Congressman, I am against these bills. If the committee still feels that despite my testimony and my feelings that it is going to propose some type of legislation, I think you have raised the type of problems that we would really have to take a hard look at, discuss and try to come up with an answer.

Mr. SKUBITZ. I think this is right.

That is all, Mr. Chairman.

Mr. ROONEY. Mr. Santini?

Mr. SANTINI. To continue in a line of thought we developed earlier, Mr. Secretary, I am much concerned about the exercise in futility I suggested with regard to this legislation, as I know you are. Would you be willing to sit down to discuss the possibility as proposed by Mr. Adams that some sort of rail rehabilitation assistance through mechanisms such as we are examining now could be implemented as a small part of a very large solution to the rail needs in this country?

Secretary COLEMAN. I certainly would be willing to sit down and discuss with Congressman Adams and with you and other members of this committee this subject and any other subject. But I am just saying that by July 26, we are going to have part of the answer in place, and starting on July 17, Chairman Rooney has scheduled hearings on the Rail Revitalization Act, so we may get part of the answer there. I just don't see what the compelling reason is for this piece of legislation, amended or revised, to have the priority that your question would suggest. But I want to end the way I started by saying that any time you call me, I will be up here within 24 hours to see you.

Mr. SANTINI. I gather by that, there have been no calls in the past.

Secretary COLEMAN. Yes, I have discussed with several of the Congressmen here, this and other problems in this field. I would gladly discuss it with you and I have talked with Congressman Florio, generally, about the problem. I have talked with Congressman Skubitz about these particular bills. I have talked to Mr. Adams. I feel my responsibility is to come up here within 24 hours after I am called on any issue that any Congressman, particularly those in the leadership, ask me to discuss. I am going to conduct my office in that way.

Mr. ROONEY. Would the gentleman yield for an announcement?

After the Secretary concludes his testimony, we are going to come back at 2 p.m. so those witnesses who are here now can leave and we will reconvene at 2 o'clock.

Mr. SKUBITZ. Mr. Chairman, are there any witnesses that can't come at 2 o'clock?

Mr. ROONEY. I know the other witnesses and I know they are not too far from reach.

You may proceed, Mr. Santini.

Mr. SANTINI. Thank you, Mr. Chairman.

Then, Mr. Secretary, such a discussion, I am certain the quality of both our chairman and Mr. Adams, who are far more steeped in the facts and figures of this problem, would not itself be an exercise in futility.

Secretary COLEMAN. No; the answer is no. In fact, Congressman Adams was really educating me as to just what a model is.

Mr. SANTINI. Returning to railroads, I also observed on page 6 of your testimony—and I believe in talking with John and other representatives from the Department of Transportation—that regulatory reform is a critical pillar in the administration's approach to the solution of the rail problem in this country.

Secretary COLEMAN. Yes, sir, knowing from our figures that if you enacted it, there are \$17 billion to be picked up over 10 years, it seems to me that ought to be one of the important pillars in any approach to the rail problem. I think this House recognized that last year, but unfortunately the Senate didn't move at the same speed that people over here moved.

Mr. SANTINI. I believe also the administration has a regulatory reform package presently pending before this subcommittee.

Secretary COLEMAN. It has been up here since May 19. It is H.R. 7681 and hearings have been set for July 17 by this committee.

Mr. SANTINI. In regard to that phase of the problem, I assume the administration has received input from the rail industry and rail managements with regard to the contents of that regulatory reform?

Secretary COLEMAN. Yes; we have had a lot of discussion with the industry, with labor, and with other people. I guess like most proposed legislation, even though some of them indicated they supported it in principle and most of it, I can assure you there are variations each one of them would like to see in the bill.

Mr. SANTINI. Recognizing the inevitable variables, is it the administration's understanding that rail management, as a whole, supports the substance of the regulatory reform proposals that you are presenting to us?

Secretary COLEMAN. My answer to that would be yes.

Mr. SANTINI. Then this proposal has the support of the rail industry in general?

Secretary COLEMAN. They have some additions and changes that I am sure they will suggest to you, but I have been told they support the legislation in general.

Mr. ROONEY. Our witnesses this afternoon are going to speak on behalf of the railroads.

Mr. SANTINI. Thank you, Mr. Chairman.

Secretary COLEMAN. We are talking about the Rail Revitalization Act.

Mr. SANTINI. Yes, regulatory reform.

Secretary COLEMAN. It has three parts.

Mr. SANTINI. That particular phase of it. If it did not have the support of the rail industry, would the Department of Transportation then withdraw that phase of its proposal?

Secretary COLEMAN. No sir. We think we have a duty to consult with industry, but we think, in the final analysis, we have the duty to come up here and recommend what we think is proper. I think the Congressmen feel the same way. I think you consult with your constituencies and the industry, but I am pretty sure the bill you put in finally is the bill you feel best can serve the public interest and you would put a bill in that serves the public interest even if the particular industry you were regulating disagrees.

Mr. SANTINI. Industry response to my inquiry with regard to the various regulatory reform proposals has been notably less than enthusiastic. I have not found one supporter in the industry for it.

Secretary COLEMAN. Do you want to bring exhibits in?

Mr. SANTINI. Or names in the industry that support it.

Secretary COLEMAN. I will let them come in themselves. My understanding is that one of the things they would disagree with is that they don't like the extent to which we would outlaw some of the practices of the rate bureaus. But I would expect the industry to object to that. I wouldn't expect that I could convince any industry that has an exemption to the antitrust law that if we are going to take away that exemption, they —

Mr. SANTINI. The incentive behind that is to improve the profit posture of the railroads.

Secretary COLEMAN. I am just saying, in my experience as a lawyer and since I have become a public official, I have not been able to find anybody who is going to restrict what he has been doing for a long time.

Mr. SANTINI. I believe the motivation for breaking down the rate structure, as I understood it, was to provide for profit incentive in the industry. But the industry says it will destroy profit or incentive factors or diminish it.

Secretary COLEMAN. You ask your colleague in the Senate, Senator Williams, when he suggested changes in the regulation of the securities industry, how many people really agreed with him. Most people think that what happened there is probably best for the industry.

Mr. SANTINI. I view in that arena and this one, too, but again I would sure like to see us back up and take an omnibus approach and see the whole thing go forward.

Secretary COLEMAN. That is what I have been trying to say. I think that is the way to approach the problem. If I can convince you that that is the right approach, I would say that you would not push forward with this legislation at this time. We would wait, and on the 17th of July you are going to have "act two." At that point I think we can move ahead and try to have a total program.

Mr. SANTINI. As long as the curtain doesn't come down on act two.

Secretary COLEMAN. I am sure Congressman Adams will provide act three. We all realize that we have to get finished, certainly by the middle of November.

Mr. SANTINI. Are you willing to project whether or not it will be a comedy or tragedy?

Secretary COLEMAN. I think it will be a responsible performance on the part of the administration and also on the part of Congress. I think both political parties realize this is a serious problem and if we don't solve it now, we are all going to be in more trouble than we have now. Therefore, whether I call it a comedy or tragedy, I think it will be a serious performance on everybody's part and I know the Congress is geared up and wants to get to it. I know the administration wants to and I hope we have the pleasure and opportunity to do that.

Mr. ROONEY. Mr. Florio.

Mr. FLORIO. I will be brief. I think you have answered most of my questions. I think it is commendable that you are here to clarify exactly what your position is. You did. I think your position is suc-

cinctly that you don't support any of those approaches. What you would rather do is have an omnibus approach and have reorganization of the railroads, the railroad industry in a sense. I am not totally opposed to that. I think there is some commendable direction to be provided to Congress in that area. I have some difficulties with some basic philosophic concerns with regard to the employment, particularly. I think the difference between our positions is that you don't regard the unemployment position or unemployment problem in the gravity that other people do. I think that is the official administration position.

Secretary COLEMAN. No; come on.

Mr. FLORIO. I am trying to agree with you.

Secretary COLEMAN. Let's not say that. I don't think there are any elected public officials that don't regard the unemployment problem as one of the most serious problems facing this country today. The problem is, what is the best way to resolve that problem and not start up the inflationary process again and do it in such a way that society comes out of this trauma much better off. I will never say to you that you have any insensitivity to this problem just because we disagree on means.

Mr. FLORIO. My point is, defining what is coping with the problem, you said that these bills will deal with the unemployment problem after it has been partially resolved. All I am saying is the administration's projection for the current year and next year really says nothing more. We are still going to have 7.9 unemployment. For the balance of this decade they are talking about 6 to 8 percent unemployment.

These bills, in my opinion, provide a highly sociable vehicle for dealing with unemployment and getting some other benefits. The benefit of revitalizing the rail system, the benefit no one has ever mentioned, of the safety considerations.

We talk about how we will deal with it some time next year. How many derailments are we going to have to endure between now and then? My particular bill and some of the other bills are very modest attempts to deal with this problem now; \$600 million is not a great amount of money as compared with the ultimate need. We can deal with a number of very important problems. The first thing I conclude upon is that I am more than willing to accept Mr. Adams' suggestion that perhaps we can look at these bills and come up with a compromise version to deal with them as a down payment. I am willing to scale down by bill, which is the lowest amount, to get the money into the economy now, to deal with a needed problem, the railroad problem, but also to put people to work.

Regarding your point about paying \$6 an hour, pursuant to collective bargaining agreements and somehow being offended by that, I am impressed by your defensive selection of free enterprise. I spoke candidly and articulately about the needs. It seems to me the collective bargaining agreements are very much a part of the free enterprise system. I don't think we can criticize the bills because they are going to preserve the living wage of people.

Secretary COLEMAN. I wrote that sentence myself. When you talk in terms of a public service bill, to my uneducated mind it should deal with people that are really unemployed and on relief. It seems to me when you read the bills before you, you find that is not what you are really talking about. You are talking about people that have been

working full time, have been working at \$6.25 an hour, have unemployment benefits and you are going to put them back to work. I say that can't be described as "a public service bill," at least in the part of the country I come from. That is all.

Mr. SKUBITZ. Would the gentleman yield?

Mr. FLORIO. I will conclude with one final question, just a technical question. My understanding is that the Railroad Revitalization Act is going to rely largely upon loans for purposes of rehabilitation of the railroads.

Secretary COLEMAN. Loan guarantees.

Mr. FLORIO. We heard from the president of Amtrak yesterday. My bill deals with grants for the most part. I asked him, as a loan bill, did he think Amtrak would be able to participate? His answer was no. Are you apprehensive about our bill, the Revitalization Act, in any way, of leaving people who need assistance out because they are not able to participate in a loan program?

Secretary COLEMAN. I think most of the railroads can participate. To be perfectly candid with you, I do know that when the bill was up here before some of the railroads said that it didn't provide all the assistance they would like. They thought they ought to have some grant money.

With respect to Amtrak, Congress has just passed legislation which has been signed by the President which sets a level of subsidy of \$350 million for fiscal year 1976 and \$355 million for fiscal year 1977. In addition, that legislation provides an additional \$110 million for the payment of capital expenditures.

All I am saying is go back to when you lived at home, and I am pretty sure your mother and father were willing to give you anything you wanted they felt you needed. At some point in time, they would say, "Look, in the family budget there are x number of dollars." Once we have made a commitment of \$350 million a year to subsidize Amtrak passenger service, when you know you have unmet needs in housing, unmet needs in mass transit, and unmet needs in other areas, you have to make the political judgment that even though there certainly could be more money spent and spent without being considered wasteful, can you spend that in the context of what you have to spend for other things.

I think that is what Government has to be about today. I think that by setting up the budget committee, the Congress has recognized that. That is what the struggle is in the administration. There are many programs I would be willing to recommend. I am catching heck from the highway lobby. I am faced with the problem of how to allocate the highway money. Do you spend \$8.9 billion a year on highways when you have mass transit and other facilities that need money? Is that the proper distribution? I think more and more it has to be Congress' problem. Assuming there is a finite amount of money, how do you divide it up? That is what we are struggling with. I think the Congress is coming to grips with it and is beginning to struggle with it.

Mr. SKUBITZ. Will the gentleman yield?

Mr. FLORIO. I would be happy to.

Mr. SKUBITZ. I hope with my discussion, you didn't get the impression that I was opposed to collective bargaining. I think the

Secretary was agreeing with my point of view at that time. Basically, I repeated that I wasn't opposed to the railroad unemployed workers getting \$6 an hour. I didn't think under an unemployment bill Uncle Sam ought to foot the whole bill, that there ought to be some sort of a subsidy program. For example, the thing I am getting at in this, you recall that we did pass H.R. 4995, a joint resolution, making continuing appropriations for fiscal year 1976. In that we provided for activities under title VI of the Comprehensive Employment and Training Act, \$1,625 million to remain available until June 30, 1976.

I am just wondering if there isn't some way this committee and some of the Members of Congress see that about \$400 million of this be used in the improvement of railroads rather than trying to go out with the bill from this committee to get \$700 million to revitalize the railroads and then come back with another revitalization railroad bill that you gentlemen are proposing for another \$2 billion and then the Northeast railroad. I don't think the Congress will accept us coming there three times with \$1 billion once, \$2 billion and God only knows a third time what it is going to be.

Mr. ADAMS. Will the gentleman yield?

Mr. Secretary, is the administration willing to consider the possibility of using either CETA funds, which were referred to by Mr. Skubitz, or a unified trust fund with a portion of the moneys that are there as a part of a grant program, in addition to a loan guarantee program in a total revitalization act?

Secretary COLEMAN. The administration is willing to consider any responsible proposal made by Members of the Congress. Our present thinking is that that is not the way to resolve these problems. That doesn't mean for a moment I want to stop any meaningful conversation between the members of this committee and the members of the administration.

Mr. ADAMS. Thank you.

Mr. ROONEY. Mr. Florio.

Mr. FLORIO. I have nothing further.

Mr. SKUBITZ. Mr. Secretary, in due respect to you, I don't think you can speak to the point of what the administration would or would not do or of how funds out of this bill would be used.

Secretary COLEMAN. That is one reason why, when I was asked the question, I paused for a moment to give the answer.

Mr. SKUBITZ. Thank you, sir.

Mr. ROONEY. Thank you, Mr. Secretary.

Secretary COLEMAN. Thank you.

Mr. ROONEY. We are adjourned until 2 o'clock.

[Whereupon, at 12:37 p.m., the committee recessed, to reconvene at 2 p.m., the same day.]

AFTER RECESS

[The subcommittee reconvened at 2 p.m., Hon. Fred B. Rooney, chairman, presiding.]

Mr. ROONEY. We will resume our hearings now and our first witness this afternoon will be Mr. Jack Curran, legislative director of the Laborers International Union, Washington, D.C.

You may proceed.

STATEMENT OF JACK CURRAN, LEGISLATIVE DIRECTOR, LABORERS' INTERNATIONAL UNION OF NORTH AMERICA, AFL-CIO; ALSO IN BEHALF OF THE INTERNATIONAL UNION OF OPERATING ENGINEERS

Mr. CURRAN. Thank you very much.

Mr. ROONEY. Will you introduce your colleagues for the record?

Mr. CURRAN. My colleagues who were supposed to be here are Mr. J. C. Turner and Mr. Paul Hallisay. J. C. Turner had to attend a funeral today of a very prominent labor leader and secretary-treasurer of the Maritime Trades Department and so he asked me to continue without him, and with your permission, I will speak for both of us.

Mr. ROONEY. We all know your great interest and concern about these problems. You may proceed on your own, Mr. Curran. I know no one who is more able and more knowledgeable in the problem dealing with the labor and construction industry than you and we welcome you to the committee. You may proceed.

Mr. CURRAN. Thank you very much. Mr. Chairman, members of the committee, my name is Jack Curran. I am legislative director for the Laborers' International Union of North America. Today I am speaking on behalf of the Laborers' and for the International Union of Operating Engineers, AFL-CIO. On behalf of the many thousands of our members who have for many years found employment with contractors working for the railroads, I am pleased with this opportunity to speak to the issues raised by H.R. 6962, the Emergency Rail Transportation Improvement and Employment Act of 1975.

First, let me make it clear that the Laborers' and Operating Engineers totally support the intent and purpose of this legislation. The railroad industry, which has contributed so much to the development of our Nation, is in dire need of the help described in H.R. 6962. It is clear to us that the vast sums of money needed to overcome the woeful deterioration of the railroads' physical plant, cannot be generated by the private money market in these inflationary times. In order to effect the transformation of our railroad industry from its present depressed state to a viable transportation system within any reasonable time, we must turn to the Federal Government for a massive infusion of funds. Such an infusion is proposed in H.R. 6962 and the companion Hartke bill, S. 1730, already passed by the U.S. Senate.

Mr. ROONEY. What do you think is a massive infusion of funds? We have heard all kinds of funds suggested here this morning.

Mr. CURRAN. I was dismayed, Mr. Chairman, when I heard that there was some thought about a reduction in the total amount of \$700 million which is contained in H.R. 6962, which we are prepared to support but are not totally locked into and indeed we are prepared to support the type of funds that are mentioned in H.R. 4622, which is \$2.5 billion. That is the kind of money that we think is necessary to help this industry.

Mr. ROONEY. You represent the Laborers' International Union. I think the Nation's unemployment right now is somewhere between 8.5 and 9.2 percent. What is your rate of unemployed workers in your union?

Mr. CURRAN. The unemployment nationwide in the whole construction industry is more than twice the amount of the unemployment in other industries. The 9.2 figure that you just mentioned or the 8.5 to 9.2 compared to the overall figure of the construction industry is less than half.

The figures that come to mind are better than 21 percent of all the construction industry nationwide and indeed certain areas are as high as 60 percent unemployment in the construction industry. As far as the laborers are concerned, we have high pockets of unemployment reaching between 21 percent and 60 percent in different parts of the country.

Mr. ROONEY. You may proceed.

Mr. CURRAN. We are concerned, however, with the relative lack of recognition given to the role of contracting out in H.R. 6962 and, to a lesser extent, in S. 1730. This role, we feel, should not be an afterthought in either bill since the contracting out of railroad work has a long history in our industry. Over 200 contractors employing many thousands of members in our unions have done railway work in this country for many years. Indeed, an association of such contractors, the Railroad Construction and Maintenance Association, headquartered in Springfield, Ill., and the Laborers' and the Operating Engineers' International Unions have recently concluded an agreement for this class of work covering 37 midwestern States in which the contractors and our local unions have been doing such work in the past.

It is not my intention at this hearing to lay a claim to work which will deprive present and furloughed railway employees of their traditional function. Indeed, we support the language of both the acts referred to above which gives first consideration to such railway employees. I would, however, submit to this committee that the contracting out of work should be more than an afterthought in terms of your legislative intent.

The object of this legislation appears to be to revitalize the railroad industry in the shortest practical length of time and at the lowest possible cost. These objectives can only be achieved if contracting out is given a priority second only to the employment of presently employed and furloughed railway workers.

The deterioration of the railroads physical plant has taken place over an extended period of time and has been accompanied in the nature of things by a parallel decline in the railroads quantitative management capacity for maintenance work. The sudden infusion of Federal funds into this picture will require a massive buildup of both maintenance employment and managerial capacity in the railroad maintenance field in order to meet the time frame prescribed in H.R. 6962. Such a short-term buildup is not easy and indeed may not be possible unless the railroads can reach out to other sources of maintenance management and manpower. The contracting industry has traditionally fulfilled this role for American industry. The managerial skills exists among railroad contractors and there is a massive pool of unemployed skilled workmen available to do this work that should not be ignored or slighted by this committee.

There appears to be an assumption built into this legislation that contracting out of maintenance work somehow conflicts with the ob-

jective of easing unemployment among railway workers and others presently on the unemployment rolls. Nothing could be further from the truth. An unemployed rail maintenance worker will be the most desirable employee for this type of work whether it is done by the railroad or by a maintenance contractor. Actually, in the final analysis, any employer must hire from the unemployed, thus the issue here is one of efficiency, not employment.

If an operating company can get more maintenance and track improvement in a given length of time by contracting out a part of the work, it should be able to do so without penalty. Believe me, a change in the legislation in this regard will greatly increase the impact on unemployment which you hope to achieve.

We urge, therefore, that the language of H.R. 6962 be adjusted to give greater recognition to the role that contracting out has played for many years in the railway industry, both as a claim of simple justice for our members who have been working at this type of employment and as the most practicable means for recruiting the substantial increase in employment that will be generated by this legislation.

Mr. Chairman, I wish to express to you and the committee sincere appreciation for the opportunity to appear before you this afternoon.

Mr. ROONEY. Mr. Curran, of the number of bills that have been presented before the committee for consideration, which one would you support, or which bill does your union support?

Mr. CURRAN. We would support in principle all of the bills. I don't think they differ that much in intent and purpose. The figure of H.R. 6962 which we indicate that we support is a minimum figure. We would support a higher figure in terms of money that would do the job than is being asked for by the committee.

The question of providing work for the unemployed in the area is a far-reaching and important question that has to be answered.

Second in importance and not in that order is the question of safety which was raised by Congressman Florio this morning and I was sorry to hear that the Secretary did not recognize that there is a need for improving the rail roadbeds of this country in terms of providing safe working conditions for the workers in the industry and also for the passengers who use railroad service.

Mr. ROONEY. To really put forth a bill that would put your union members back to work, how much do you think you would really need in this form of legislation?

Mr. CURRAN. We would support the maximum figure that has been mentioned so far, \$2.5 billion.

Mr. ROONEY. How many workers would that put back to work as far as your industry is concerned?

Mr. CURRAN. I don't have the answer to that, Mr. Chairman, but I know it would substantially assist our workers who are presently unemployed.

Mr. ROONEY. Would you propose that DOT offer bids directly to contractors and completely bypass the railroads?

Mr. CURRAN. No, sir, not at all. We believe that the present system whereby the railroad maintenance employees are given first crack at a job should be continued in that fashion. What we say is that where it is necessary to do the job, that the work be contracted out. But we are

not taking away the right of the railroad maintenance-of-way people from performing the work that normally has been performed by them and it seems to me the way this has been done in the past has been the work that they could not handle has been contracted out, but they were given first crack at it. But because of the lack of equipment or manpower, the work was contracted out and so we have a nationwide agreement with the people who maintain new sophisticated equipment that can be operated by our people.

Mr. ROONEY. There was some discussion here this morning about the Davis-Bacon Act and the Walsh-Healey Act. Would you like to comment on that?

Mr. CURRAN. I see on all of the bills that have been before this committee that there is provision for maintaining the Davis-Bacon rates, the Walsh-Healey rates and rates under the Service Contract Acts. I would not like to see the Federal Government become a party to depressing rates that have been set by union contract or otherwise. I would hate to see the Federal Government be a party to bringing in chiseling contractors who want to undermine rates that have been established in an area and do serious damage to the economic health of that community and that is what would happen if Davis-Bacon or Walsh-Healey were disregarded and the Service Contract Act were disregarded.

Mr. FLORIO. Would the gentleman yield?

I just wanted to indicate to you and I am not going to take too much time because I think you and I philosophically feel the same way about the impact of unemployment, but there was an implication this morning particularly dealing with the question about the bargained-for rate that was in some way too high and if we are talking about a public works bill we should perhaps bring in other people to do the work on the rights-of-way.

My impression, and please correct me if I am wrong, this is specialized work. This takes talent. It takes a certain skill to do this work and as a result of that skill, contracts have been bargained for and the rate is calculated.

Am I correct in saying you can't approach this as you would a CETA project, that is recruiting off the street?

Mr. CURRAN. That is a correct assumption, Mr. Florio.

Mr. FLORIO. And the other implication I think that came out in the Secretary's comments was that in some way the person was making \$6 an hour and he is unemployed, that it is not as important to deal with his unemployment problem as it is with someone who wasn't making \$6 an hour. I find that less than persuasive. If a person is unemployed, he is not getting any money except unemployment benefits.

So I think the main thrust of my difficulty with the Secretary's approach has been just not appreciating to the same extent that I appreciate the importance of the unemployment problem in this country and I regard this bill as an unemployment bill first, that is a job bill first with the benefit of also addressing ourselves to one of the serious problems of this country, the railroad deterioration in the country.

I am not going to take any further time because you and I could sit here and do an Abbott and Costello routine, but I would just for the

record like to say that I regard these bills, any of these bills, as a job bill that is going to assist in a very serious social problem area and rehabilitate our rail tracks.

I appreciate your coming today and will look forward to your impact with regard to these committee deliberations of this subject and other subjects as well.

Mr. ROONEY. Thank you very much, Mr. Curran, for appearing before the committee. I am very happy to see that management and labor for the first time, in the time that I have been in Congress, are in direct agreement. Your presentation has been very helpful to this committee and I appreciate very much your being here today.

Mr. CURRAN. Thank you very much, Mr. Chairman. If I might just take 1 second further, we are just dealing with one phase of the problem here today. We are just talking about unemployed railroad workers. We go before the Public Works Committee and talk about people who are unemployed in other phases of the construction industry, people who work on highways, bridges, dams, and so you are just not going to solve all of the unemployment problems before this committee, but certainly we are going to try to solve the problems of those who are unemployed in the railroad industry.

Mr. ROONEY. Thank you. I know the great contribution you have made to the labor movement in this country and we do appreciate your appearance here this afternoon.

Mr. CURRAN. Thank you, sir.

Mr. ROONEY. Our next witness will be Mr. Stephen Ailes, president of the Association of American Railroads, Washington, D.C. I presume that this is the first time you are appearing before this very distinguished committee with unanimity as far as the American Association of Railroads is concerned?

STATEMENT OF STEPHEN AILES, PRESIDENT, ASSOCIATION OF AMERICAN RAILROADS; ACCOMPANIED BY RICHARD BRIGGS, ASSISTANT TO THE PRESIDENT, AND DIRECTOR OF THE OFFICE OF PUBLIC AFFAIRS

Mr. AILES. I am not sure that is really true. I like to think they are together on most things most of the time or fairly close to it.

Mr. ROONEY. We welcome your testimony this afternoon.

Mr. AILES. I have a rather lengthy statement which I would just simply like to submit for the record.

Mr. ROONEY. Without objection, it will be part of the record [see p. 238].

Mr. AILES. It has two appendices with it. The statement contains up-to-date information about the current level of unemployment in the railroad industry, about the amount of material which is on hand and not going to be used for projects which are currently scheduled, some analyses of the work that really should be going on this year and would have been had the industry not run into the severe financial straits that all American business ran into during the first quarter of this year.

We had the first net operating loss for the industry as a whole I think in recorded history this year which is responsible for a lot of these projects being put off.

If I can direct your attention to appendix A, page 7, there is a table there which shows the nature and the scope of the projects and the employment involved. Our staff put the table together after a survey of the industry at the time the Senate bill came up.

You will notice that the summary table shows the projects for new rail and 3,900 employees who could be put to work laying that new rail immediately. There is a relay rail column. When you lay new rail, you produce old rail that you can crop and weld and put down again. We can obtain something like 23 million ties at the present time. A 6,300-man labor force could put down about 16 million of them.

Add ballasting and surfacing, and up to 16,000 people could be put to work overnight. There is a considerable additional amount of work listed under "other," as you can see, which would use up to 45,000 more people.

I call your attention to the material costs that are involved in these items and point out that in the first four categories, they run about double the labor cost. That is interesting, in connection with some of the statements the Secretary was making this morning, because there is a ripple effect or a multiplier effect to putting money into railroad roadbed and track rehabilitation. If these materials are consumed, additional materials have to be purchased to replace them and that itself provides employment. There is a substantial increase in demand for cross ties and rail and ballasting and so on.

There is one item I would like to comment about specifically and that is a continuing concern that the Secretary evidenced about whether if this project went forward or this plan went forward, money would be spent on track which would assuredly be part of a permanent national system. I would like to point out that the whole amount of track involved in all of the items listed in this table amount to something like 2 percent of the national system. It is considerably less than that; it is about 1 percent of the national trackage.

The total amount of railroad which our studies indicate to be abandonable is something like 10 percent of the system, so the problem is to find which of the remaining 90 this 1 percent comes out of.

That doesn't sound very difficult to me. The plain fact is that almost anybody, in determining which projects would be approved, can very easily be sure that the work is going to be done on railroads which for the lifetime of that project, will be an important part of the national system.

I recognized why everyone should be concerned that work like this not be done on railroad track that is going to be useless, but the plain fact is that problem is not very difficult. There are 200,000 miles of railroad in the United States. I don't care what kind of rationalization goes on in the next 10 years. I just don't believe that that number will be reduced below about 175,000.

The notion that the system would be cut in half by route simplification makes no sense politically or in my judgment economically either. Here in the Northeast where the railroad system really is overbuilt, unlike most of the country, the proposed reductions are not on any massive scale. Just not that much railroad is going to be rendered unnecessary. So I really think that there isn't any real problem.

Let me put it another way. Last year in 1974, this industry spent \$2.4 billion on maintenance-of-way and structures. We are talking here about \$300, \$400, or \$500 million worth of projects. Being sure that these government funds are spent on railroad track which will be part of an essential national system seems to me a dead easy job.

Mr. ROONEY. What would you suggest that this bill incorporate as far as funds?

Mr. AILES. May I answer that this way—which is the next thing I was going to say anyway. Our position with respect to this legislation is simply this: We do not consider this a railroad relief measure at all. We just don't think this is the way to attack the railroad problem and in that I agree with many of the statements that were made this morning by the Secretary. Rather this is an unemployment measure and to be justified as such. It reflects a desire and a quite understandable one that money spent to put people to work be spent to put people to work on projects which themselves are in the public interest.

The whole industry fully agrees of course that additional funds to do work on the railroad rights-of-way that can't be done this year because of the economic situation is money well spent. If the railroad industry therefore can be the vehicle for a useful enterprise in terms of the public interest which also helps solve the employment problem, we are delighted to do so and obviously would benefit tremendously from it.

That leads me to the proposition that even if the sum of money involved were only \$1 million we would be happy to cooperate. If the sum of money is \$1 billion, we are delighted to cooperate. The issue is, it seems to me, how much money should be spent to meet the unemployment problem with the related economic effects on the economy as a whole that result therefrom. The issue here is not what has to be done for the railroad industry. This just isn't the way to tackle the really major problems which the industry faces. These are going to be the subject of hearings here in the matter of a couple weeks.

Mr. ROONEY. So why should we tackle it with this kind of legislation? You are not even going to take care of the maintenance between here and the first stop out at Interstate Highway 495 with \$1 million.

Mr. AILES. The point I am trying to make is that the measure of what ought to be done here is not what the railroad industry needs. We have something over \$7 billion of deferred maintenance.

Mr. ROONEY. Where?

Mr. AILES. In the country as a whole, and that depends on how you define it, but we have listed here \$1.382 billion worth of projects. If you just take a look at labor costs, it is \$913 million in this table of work that has been put aside this year.

I was being facetious when I said \$1 million. I was just trying to emphasize that the measure of what you do with this legislation in terms of amount, is what is needed for employment purposes and what usefully can be done on the railroads.

What figure do we have? We say that you do whatever you should do on the employment problem and we are delighted to be the vehicle and will profit from it and be helped by it, whatever is the number.

[Mr. Ailes' prepared statement and appendixes follow.]

STATEMENT OF STEPHEN AILES, PRESIDENT, ASSOCIATION OF AMERICAN RAILROADS

My name is Stephen Ailes, and I am President of the Association of American Railroads. The railroads which belong to the Association operate 97 percent of the trackage, employ 94 percent of the workers, and produce 97 percent of the revenues of all railroads in the United States, other than Amtrak and Auto-Train.

I appreciate the opportunity to testify on behalf of the railroad industry on the pending bills that would provide for the use of Federal unemployment funds for railroad maintenance-of-way activities, these bills being H.R. 6808, introduced by Congressman Staggers, H.R. 4622 and other bills introduced by Congressman Heinz, for himself and other members of the House, and S. 1730, introduced by Senator Hartke for himself and other members of the Senate. S. 1730 was passed by the Senate on May 16, 1975.

We in the railroad industry think that the underlying concept of these bills has timeliness and merit and we are in favor of the commonsense and realistic approach that they make. I have testified earlier before the Senate Committees in favor of the main principles contained in the Senate Bill, S. 1730. A foremost problem faced by the United States at this juncture is that of unemployment which the bills would help alleviate by putting men to work on railroad tracks and roadbeds as promptly as possible. The bills would have the special virtue—unlike certain "make-work" programs of the past—that at the same time that they reduce unemployment they will bring about constructive benefits of continuing value for the nationally needed railroad plant by helping to arrest its deterioration.

The programs that are contemplated by these bills could be launched with a minimum of start-up time and administrative programming. There are large numbers of furloughed railroad workers who could be recalled to service quickly and who would require no training before beginning work. Since October of 1974, total employment in the railroad industry has fallen from 541,981 to 497,665 in April of 1975 (according to statistics of the Interstate Commerce Commission), a drop of 44,316, or 8.2 percent, over a period of six months. The number of beneficiaries drawing unemployment benefits from the Railroad Retirement Board under the Railroad Unemployment Insurance Act climbed from 10,675 in October of 1974, to 31,045 in March 1975, an increase of 20,370, or 190.8 percent.

We think it is appropriate that furloughed railroaders (particularly maintenance-of-way and signal workers) should be accorded priority in hiring—as they would be under the pending bills—because of the speed with which they can be returned to service and because of the experience and training they have already had within the railroad industry. Unfortunately the number of unemployed railroaders could well increase if the economy does not recover quickly. Effective measures to arrest this development would have overriding social and humanitarian value.

With respect to work that could be done and sorely needs to be done on the railroads, our staff at the AAR has made estimates of programs that are *in addition* to the expected levels of maintenance that will be performed in the next 12 months on tracks and roadbeds of the nation's railroads. (Those estimates are set forth in Appendix A to this statement, dated April 23, 1975.) These additional programs include relaying of 2,470 miles of new replacement rail, in which approximately 3,000 employees would be engaged in putting down 500,000 tons of new rail and related track materials. Approximately 3,300 more employees could be engaged in relaying 2,100 miles of track with second-hand but useable rail made available by the laying of that new rail. Approximately 6,300 more employees could be employed to install some 13 million cross-ties. Approximately 2,800 more employees could be used in ballasting and surfacing on more than 23,000 miles of track and roadbed. Other maintenance programs for spot and yard surfacing, crossing repairs, refurbishing of structures, brush removal, and minor track repairs could be performed by as many as 45,000 employees. These programs, collectively, could readily absorb a total of 60,000 workers, at a labor cost of \$913 million and costs for materials and equipment of \$470 million.

I mention these figures to show that there is a large reservoir of useful work projects which—as I mentioned earlier—is over and above levels of work that the railroads expect to carry out. There is no difficulty in finding places where

money can be put to good use. I need hardly say that expenditures under the proposed bills would be enormously beneficial to the railroad industry, and the industry appreciates that fact.

One of the things about the pending bills is that they would provide substantially more funds for labor costs than for materials and supplies. This is understandable, in view of the prime purpose of the bills to relieve unemployment. In this connection, I would like to point out that many kinds of rehabilitation work on track and roadbeds will in fact produce greater employment down the road. For example, when new rail is laid, the old rail that is removed can often be reconditioned and put down as relay rail on other parts of a railroad line, in the process requiring substantial amounts of additional labor. This is spoken of as a "cascading" effect. And, secondly, the consumption of material means that this material must be replaced, and that puts people to work in steel mills, tie plants and quarries.

Many railroads have sufficient materials and supplies to carry out programs under the pending bills or will be able to finance the purchase of whatever materials they need. The northeast railroads in reorganization will have an opportunity to obtain loans for materials under the Regional Reorganization Act. However, there are other railroads that may need the aid of the pending bills that will not have materials and supplies on hand or will have great difficulty financing purchases on their own. To help such roads, I would suggest that consideration should be given to changing H.R. 6808 and S. 1730 to increase the amount of money available for materials and supplies. H.R. 4622 and the other bills similar to it provide no funds for materials at all, and I believe that is a serious drawback in those particular bills.

There are several provisions in the pending bills that we think call for modification, and I would like to bring them to your attention. One is a provision, found in H.R. 6808 and S. 1730, for recapture by the government of the value added by grants for materials and supplies. H.R. 7065, one of the bills introduced by Congressman Heinz, would provide for the recapture of value added by the expenditure of funds for labor costs alone. The essential purpose of these bills is a simple one, namely to put unemployed persons back to work in an industry that is currently short of funds and cannot afford to engage in the work projects in question at this time. Merely deferring payment does not solve the problem and would lessen or even eliminate the projects that would otherwise have been undertaken. The problem of determining the amount of "value added" would be likely to create controversy. The idea of "recapture" here is different from the approach that has been followed in dealing with government expenditures on facilities provided to competing forms of transportation, and I urge that such provisions be deleted from the legislation. If the Committee feels that some form of recapture of value added is required, the recapture should be applied only in the event that the property that is improved is sold or other-disposed of, and certainly there should be no recapture of value added by the payment of labor costs alone.

The second provision is one contained in H.R. 6808 and S. 1730, under which "eligible applicants" for financial assistance include, in addition to railroads, States and political subdivisions, and regional authorities and commissions. We would recognize that a State or political subdivision should be an eligible applicant for assistance to a railroad which it owns and operates. However, we doubt that it should be able to apply for assistance to a privately owned railroad that can make application on its own. The bill appears to authorize the latter kind of application also, and under such arrangement the States and localities would have power to determine where maintenance work on a railroad should be done. It is not clear whether the States would supervise the performance of the work, or what the relationship between the States and the employees performing the work would be. In our opinion, the people who are best qualified to judge where maintenance-of-way money should be spent are railroad people who have made a career in this field, and not State and local government officials. We prefer, in this respect, the approach of H.R. 4622 (and the other bills similar to it) which contains no provisions for participation by State and local governments in maintenance-of-way projects for which funds are provided.

I have some other comments on the pending bills which are contained in Appendix B, hereto. I offer them for consideration by the Committee.

Let me say once again that the railroads warmly approve these proposals, and I appreciate the opportunity to appear in support of them.

APPENDIX A

INCREASED RAIL REHABILITATION WORK FEASIBLE--AND NECESSARY

Railroad reports filed with the Interstate Commerce Commission reflect an accumulation of \$7 billion in deferred maintenance projects and capital improvements as of December 31, 1974. This total of one-time only costs needed to catch up is in addition to future capital requirements estimated at \$3.5 billion a year for replacement and modernization.

Without significantly improved rail earnings or substantial Federal financial assistance, backlogged capital and maintenance needs are certain to mount. The reason is simple: Spending by the industry as a whole has not kept pace with current capital and maintenance requirements, and there is no basis for assuming that it will.

For example, in 1974 railroad capital investments increased by 30 percent over 1973 but remained 30 percent below the desired \$3.5 billion level. Yet, it was one of the industry's best years, from a dollar standpoint, for capital outlays and for maintenance outlays as well. Furthermore, in view of the sharp deterioration in the railroads' traffic volume and financial results thus far in 1975, this year's spending level seems destined to fall far short of last year's inadequate efforts, despite early forecasts of increased spending.

Continued shortfalls are not the only cause of the increase in the dollar amount of deferrals. Inflation is also a vital factor. Primarily, because the cost of materials rose 40 percent and equipment prices also increased 40 percent during 1974, railroads with deferred maintenance and equipment shortages found the costs of eliminating those deficiencies jumping sharply even if there was no further deterioration in the physical condition of their plant and equipment.

The longer the delay, therefore, in catching up, the higher the cost will be. It will take \$2 billion current dollars to equal what \$1.5 billion could have done a year ago and, in another year, the cost could be \$2.2 billion.¹

The \$7 billion in deferred maintenance and capital projects includes expenditures for rolling stock. However, in view of the substantial surpluses of rolling stock as a result of the nationwide recession and the greater comparative ease with which freight cars and locomotives can be financed, the top priority area for immediate action is the elimination of deferred maintenance of the fixed plant.

Included in the deferred maintenance needs are 52.4 million new ties and 6 million tons of new rail. (There are currently 883.6 million cross-ties and over 40 million tons of rail in the roadbeds of the major U.S. railroads.)

In addition to the obvious requirements for major roadbed rehabilitation, a long list of labor-intensive maintenance projects also needs to be undertaken. Projects of this type include track surfacing, grade crossing repairs, bridge repairs, brush removal, tightening of rail fasteners and refurbishing of structures. Cumulatively, these six categories of projects appear to represent over \$700 million in deferred maintenance.

If such amounts of labor and material could be put into the rail plant immediately, the plant could be returned to what might be regarded as standard condition, which means that the average cross-tie has half of its full 35-year life remaining and the average rail still has 30 years of its 60-year life expectancy. Thereafter, optimum normalized maintenance would necessitate the annual replacement of 25 million ties and 757,000 tons of rails. From 1971 through 1973, the railroads actually installed an average of 21.6 million ties and 674,318 tons of rail.² This was a significant increase over the rate of a decade earlier. While it is difficult to project maintenance levels during a severe recession, a rough estimate for the next 12 months is that only 15 million ties and 500,000 tons of rail are likely to be installed under existing circumstances.

So the first step in attacking deferred maintenance is to reach normalized levels and, in 1975, this would require 10 million ties and 257,000 tons of rail more than what the railroads can be expected to install. Activities beyond this level would help reduce the backlog.

¹ While some decline in the recent rate of inflation can be anticipated, a 10 percent rise in labor and materials cost might well be assumed for 1976 over 1975. (Labor costs, based on negotiations already concluded with some rail unions, will increase by 15 percent in 1975.)

² Final 1974 data are not available, but preliminary estimates suggest approximately 770,000 tons of new rail were laid.

MATERIAL SUPPLIES FOR RAIL ROADBED PROJECTS

The basic materials required for rehabilitating rail trackage are rails, ties, ballast, spikes, anchors, switches, and tie-plates. As new rail is laid in existing mainline, the removed rail is generally cropped, welded and relaid in another location on secondary, branch, siding or yard tracks. Some of the rail removed from those locations is then reused in other locations and the rest is sold for scrap. At current prices, the salvage price for a mile of single track is \$18,000. This cascading process varies from road to road and with the condition of the trackage to be replaced, but generally replacing a mile of track with new rail will also result in almost an equal amount of track being upgraded with refurbished rail a little additional cost, except for the labor.

The maximum capacity of the five present mills, which produce steel rails in the United States for railroads is approximately 1.2 million tons per year. In the present environment, railroads could obtain about one million tons with the rest going for mass transit, export and other uses. Without increasing this capacity, the maximum output would permit railroads to increase their annual rail installations by about 50 percent over their 1971-1973 average and to almost double the expected rate for the next 12 months.

Wood ties are in more plentiful supply, particularly with the depressed state of the construction industry. The installation of 28.6 million ties would represent an increase of 32 percent over the 1971-1973 average and 91 percent over installations presently forecast for the next 12 months.

Ballast appears available in the necessary amounts, while other track materials should be obtainable to match the rails and ties, providing suppliers have reasonable notice.

Thus, existing material supplies will permit the railroads to almost double their expected rail and tie installations during the next year.² Both programs would represent a major expansion over 1971-1973 levels. However, they would have to be maintained over a long period to eliminate all deferred maintenance.

If rail trackage remained constant, maximum supply production would permit a 7 percent reduction in tie deferrals and a 4 percent reduction in the current backlog of needed rail replacements. While an even larger program would appear to be the best solution for improving rail service, expansion of the capacity to produce rail could only be justified on the basis of a long-term program. In this light, a 250,000-ton net increase in rail production over current levels for the next 12 years would provide sufficient rail to eliminate all existing deferrals, and future rail needs could then be met by the current one million ton capacity.

AVAILABLE MANPOWER

The problems inherent in securing the manpower necessary to increase rail maintenance to the point where all reasonably available supplies are used do not appear to be insurmountable. In mid-March, the railroads' maintenance-of-way forces were down more than 16,000 from an October peak of 92,000. Therefore, most of the track rehabilitation programs outlined above could be undertaken with furloughed employees. Further, the bulk of maintenance-of-way crews consist of trackmen and machine operators, who require little training, if any, beyond on-the-job experience. (Even the most extensive railroad training programs offer only two weeks of classroom instruction.)

Over the years, maintenance-of-way work has been characterized by high turnover and strong seasonal fluctuations. Despite these drawbacks, railroads have not experienced any major difficulties in staffing maintenance-of-way projects—in part because salaries average about \$12,000 per year for this type of work and because mechanization has eliminated much of the physical exertion once required for such jobs.

AVAILABLE EQUIPMENT FOR PLANT REHABILITATION

Immediate restoration of maintenance work to a 1974 level would not create any serious shortages of roadway maintenance machines because such equipment

² Railroads have either on hand or on firm order 23.8 million crossties and 3,100 miles of new rail. Another 2,100 miles of secondhand rail are stockpiled for immediate use. These materials further enhance the railroads' ability to expand planned maintenance programs in 1975 if adequate financing is available.

is still largely available. The sporadic nature of past work on some roads also suggests more optimum use of equipment could be achieved.

Nevertheless, a full-scale increase in maintenance-of-way activities to the point of using all available supplies would necessitate some additional equipment. But, in view of diminishing backlogs of orders for such machinery and the ability to perform the least equipment-intensive projects while equipment was being delivered, it is unlikely the equipment situation would cause major delays.

ADDITIONAL RAIL PLANT REHABILITATION PROGRAMS

If funds were made available to the railroad industry, the following programs could be undertaken in addition to the expected levels of maintenance to be performed in the next 12 months.

1. New Rail Installations in Existing Track (Cost in Millions), \$321.1

With 500,000 tons of new rail, accompanying track materials and 3,900 more employees, the railroads could relay 2,470 miles of track. Total cost does not reflect the salvage value of old rail released by this project.

2. Relay Rail Installations in Existing Track, \$26.4

With the usable rail and other materials from 1 above, the railroads could then relay 2,100 more miles of track after cropping and welding of the rail. Approximately 3,300 more employees would be required and the cost includes a credit for salvage of the rail and materials released from this project.

3. Tie Installations, \$236.9

These additional projects would require 13 million ties and 6,300 more employees.

4. Ballasting and Surfacing, \$83.4

Over 23,000 miles could be included and the labor requirements call for 2,600 new employees.

5. Other Maintenance Projects, \$714.7

Spot and yard surfacing, crossing repairs, bridge repairs, refurbishing structures, brush removal, minor track repairs, etc. would require 45,500 employees at a cost of \$675 million. The remaining amounts would be required for materials and transportation.

SUMMARY: ANNUAL ADDITIONAL PROGRAMS

[Costs in millions]

Projects	Employees required	Labor costs ¹	Material and other costs	Total costs
1. New rail.....	3,900	\$57.3	\$263.8	\$321.1
2. Relay rail.....	3,300	48.7	(72.3)	26.4
3. Ties.....	6,300	92.9	144.0	236.9
4. Ballasting and surfacing.....	2,600	38.9	44.6	83.4
Subtotal.....	16,100	237.8	430.1	667.8
5. Other.....	45,500	675.2	39.5	714.7
Total.....	61,600	913.0	469.6	1,382.5

¹ Based on \$14,825 per man including payroll taxes plus health and welfare benefits.

² Requires 634,000 ties.

Thus, considering the known material, labor and equipment constraints, total additional rehabilitation work which can be performed in the next 12 months is approximately \$1.38 billion—split about evenly between major roadbed rehabilitation and other maintenance projects.

The highly labor-intensive "other" projects would be a one-time effort, but the remaining projects could be continued through the foreseeable future. In fact, they could be increased if the production of rail and other track materials were expanded.

While the major track projects are less labor intensive, they are also more necessary to the provision of improved service. In addition, these projects will generate approximately 20,000 more jobs outside of the rail industry in the production of track materials and other support services. The other projects would, because of the limited use of materials, produce significantly less additions to non-rail employment.

APPENDIX B

COMMENTS ON S. 1730, H.R. 6808, H.R. 4622, AND OTHER BILLS

The following comments and suggestions for modification are made with respect to the pending bills.

(1) H.R. 4622 would accord priority in hiring: first, to unemployed maintenance-of-way workers; second, to other unemployed railroad workers; and, third, to other unemployed individuals. H.R. 6808 and S. 1730 give no priority to "unemployed railroad workers" other than maintenance-of-way and signal employees. We think the priority for other unemployed railroad workers should be adopted. H.R. 6808 and S. 1730, after giving priority to furloughed maintenance-of-way and signal employees, would require other unemployed workers to exhaust their unemployment insurance benefits before they would be eligible to be hired. Such a requirement would prevent the hiring of experienced railroaders, now draining Railroad Unemployment Insurance benefits, and that requirement should be eliminated.

(2) Each of the pending bills contains provisions that the funds provided shall be used solely for "wages and employment benefits." This statement of purpose should be expanded by adding "all other payroll costs" to wages and benefits.

(3) The listing of categories of "eligible facilities" in Section 6 of H.R. 6808 and S. 1730 is understood not to list those categories in order of priority. They are all of equal rank and standing. However, it would be helpful if this were made clear by the legislative history.

(4) As H.R. 6808 and S. 1730 are drawn, Section 3(5) defines "roadbeds and facilities" to include railroad "yards and terminals." However the listing of "eligible facilities" in Section 6 is so drawn that yards and terminals (and other items of railroad property listed in Section 3(5) after "yards and terminals") may never be eligible for aid because they are not clearly embraced within any of the six categories. It is recommended that this problem be resolved by adding to the end of Section 6(4) the following language:

or, in the case of roadbeds or facilities other than tracks, ties, rails, switches, roadbeds and bridges, are used in conjunction with roadbeds or facilities subject to track usage of at least five million gross ton-miles per mile of road per year and determined by the Secretary to be useful and desirable for present and future rail service needs on a national or regional basis:

(5) Provision should be made for the time of payments under the bills, by adding the following provision as a new subsection to Section 4:

Payment of funds shall be made in monthly installments, on the first day of each calendar month commencing with the first day of the first month beginning more than 30 days after commencement of the work for which funds are made available, and shall continue until the funds made available are fully paid. Monthly installments shall be approximately equal in amount, based upon the estimated duration of the work for which the funds are made available, provided, that the last such installment shall be in such an amount as may be necessary to complete payment in full of the funds made available.

(6) Section 4(c) and the last sentence of Section 4(d) of H.R. 6808 are apparently intended to prevent the substitution of Federal funds for funds a railroad would have spent on its own for maintenance purposes, which the railroads agree is a legitimate purpose. The last sentence of Section 4(d) requires the funds to be used for work that is in excess of a level of maintenance prescribed by Section 4(c). The latter level, as defined by the statute, is not clear, and these provisions, when read together, appear to be unworkable.

(7) H.R. 4622, in Section 520(g), appears to impose on a railroad receiving assistance a continuing responsibility for the employment and training of persons hired under the Act for whose services the railroad ceases to have a need. This responsibility is not clearly spelled out, and there is no justification for the idea as a matter of substance.

Mr. ROONEY. This is the first time, Mr. Ailes, as I said earlier, that your whole industry is completely behind this type of legislation. As I said in previous hearings, we need some kind of unanimity as far as railroads are concerned. I appreciate very much your testimony this afternoon and I just hope that this committee can work out something.

But I do think as the Secretary said this morning, the bills that are before us, with all due respect to my colleagues on the committee, it is

piecemeal legislation and if we are going to tackle the problems in the railroad industry in this country, we have to tackle it with a bill that is going to take into consideration all of the problems; not only one of the great problems which is certainly the maintenance of the rights-of-way. I feel that the bills that are before the committee today will just put a few thousand people back to work and it will be a piecemeal measure.

Mr. AILES. Mr. Chairman, what I meant to say earlier was that the justification for this sort of action is that it puts people back to work much more quickly than any other measure. That is the advantage of it.

Mr. ROONEY. There are 9 million people unemployed in this country today. You are talking about a million dollars. A million dollars wouldn't put the—

Mr. AILES. Maybe I better withdraw that number as I said I made that statement facetiously.

Mr. ROONEY. I think you can withdraw \$200 million and as my distinguished colleague from New Jersey mentioned earlier, I think you can withdraw \$600 million included in the Senate measure which came over because it is only going to put maybe 20,000 or 30,000 people back to work and at the same time my great concern is—and you represent the entire industry—my concern is that some of this money may get into the profitable railroads in this country that can afford to upgrade their trackage. I would like to have you comment on that.

Do you think this money should be restricted to the bankrupt railroads? Do you think it should be restricted to railroads that are near bankruptcy, or do you think it ought to go to all of the railroads, and if so how and what kind of a formula?

Mr. AILES. In all of the discussions that I have had, nobody in the industry has come forward arguing the old issue about let's be sure that this money is passed out evenly among all the railroads in the industry, nobody has taken that position. Everybody has said they are prepared to go along on such a program if it will help and we will provide the material to put these people to work at our own expense, of course, where we can.

I think, the question is what are you trying to do? You could have an unemployment situation where the railroads are profitable, yet where this might be a good thing to do. As I say, I don't think of this myself as a railroad relief measure. On the other hand, if for other reasons Congress wants to—

Mr. ROONEY. You don't think this is a railroad relief measure?

Mr. AILES. No; this is a benefit to the industry, but it is not the way to relieve the railroads of the problem which they face. This is a very small amount of money in terms of what we are coping with.

Mr. ROONEY. How could we relieve the railroads?

Mr. AILES. That is the subject of your next set of hearings. That goes to the question of what broad approach should the Congress make.

Mr. ROONEY. The greatest problem facing the railroads today is the maintenance of rights of way.

Mr. AILES. I don't agree.

Mr. ROONEY. Every witness that has testified before our committee thought so.

Mr. AILES. I think that is a manifestation of the situation that railroads are in, but they are not in difficulty because of that; they are in difficulty because of the competitive situation that they face. They are in difficulty in part because of the regulatory situation in which they have operated and so on.

You are not going to solve these problems by a little bit of money, put in someplace to fix up some rights of way. The basic problem is the competitive situation in which this industry operates.

Mr. ROONEY. You heard the Secretary this morning testify it is going to cost about \$100 billion to upgrade the tracks.

Mr. AILES. We spend \$7 billion a year of that right now. The money that was spent on maintenance of way and structures this past year was \$2,352 million. The money spent on maintenance of equipment was \$2,800 million. The money spent for capital investment was nearly \$2 billion. We are spending \$7 billion a year right now ourselves, so you multiply that by 10, that is \$70 billion.

Mr. SKUBITZ. I think the Secretary made that clear. I think he said about \$70 billion of that. That \$70 billion was to come from the railroad industry and I think he didn't mislead us on that. I think he meant that the other \$30 billion would come from the Government.

Mr. AILES. He said his bill would add another \$17 billion. We submitted what we thought rate reform was worth. We think rate reform would be worth as much as \$5 or \$6 hundred million per year.

Mr. SKUBITZ. Would the gentleman yield? We talk about \$100 billion and you say \$7 billion and the remaining \$300 billion.

Mr. ROONEY. You missed this morning.

Mr. AILES. What I was just saying is that in the three items that he talks about, which is maintenance of way and structures, maintenance of equipment and capital improvements—we are spending \$7 billion a year right now. If you multiply that by 10 it becomes \$70 billion, which is a long way toward \$100 billion.

Mr. SKUBITZ. He made that clear, he made that statement.

Mr. AILES. My only point is we are investigating at that rate in this industry today.

Mr. ROONEY. The gentleman from Washington.

Mr. ADAMS. Mr. Ailes, do you think there is a measure by which we can tie this bill—as you heard me mention this morning, a type of downpayment on an overall revitalization bill?

Mr. AILES. Well, in a sense, I suppose the way you would do that would be to take a look at what the standards are going to be for whatever financial assistance is in the bill, and just be sure that those standards were employed.

Mr. ADAMS. Would you support grant money in a bill such as the one we passed before and which is similar in its financing provisions to the one suggested now by the administration in which there are loan guarantees? Would you support grant money in that section?

Mr. AILES. Yes, sir, and I think that the justification for grant money in that section is that it is only grant money which is going to enable the railroad to advance these projects.

Mr. ADAMS. Would you have that money at the discretion of the Secretary of Transportation so it would be used as front end money in the Northeast as well as the rest of the country?

Mr. AILES. I think so.

Mr. ADAMS. Would you in the course of doing this, establish standards whereby grant money would go first to, say section 77, in reorganized railroads as opposed to loan guarantees?

Mr. AILES. As you know, Mr. Adams, better than I do, you get into some very difficult questions here.

Mr. ADAMS. That is always my problem. If we are going to give the money out to everybody who wants it, does the Secretary say "one for you, one for me" or do you have a formula? We are talking about grant money now.

Mr. AILES. I understand there are railroads who can only use grant money.

Mr. ADAMS. That is correct. One group is going to be in the Northeast. The other is going to be those in section 77 reorganization and the third is a group in the Midwest.

Mr. AILES. You run into a severe legal problem whether they can take down the loans at any rate of interest, so there are some places where only grant money will do the job.

Mr. ADAMS. What is concerning the proponents of these bills and concerns me, and I am certain other members of the subcommittee, is that we have been working on an overall bill for sometime between 4 and 6 years. Now we have people out of work and we have continuing deterioration which is going to continue this year, next year, the following year, particularly on section 77 railroads in the Northeast.

So we need to get money into the field, and we are concerned about waiting for another bill. And you think that the industry has a position that is saleable in the Senate so that we might be able to pass a bill out of the subcommittee and later on to get a bill out during this Congress. If the subcommittee went with, in effect, a pre-payment, we would be able to argue that one bill was following on after the other.

Mr. Rooney. Will the gentleman yield?

Mr. ADAMS. Yes.

Mr. ROONEY. I think I can answer that question. I think the Senate has already acted. It is a question of whether or not this body can come up with some kind of a compromise.

Mr. ADAMS. I was thinking about the total revitalization bill. They have sent over as far as I know only the unemployment bill; haven't they?

Mr. AILES. Yes, right. I am not really sure I—

Mr. ADAMS. I just want to know. This is what the Secretary and you talked about and the chairman asked you about. You can see the concern of the members of the committee, we want to do something on this bill and we want to do the other one, but we don't want to run up the mountain with this bill in the face of an administration objection to it, have it vetoed and have it end up doing nothing by October or November of this year. You are most skilled in this, Mr. Ailes. What I am asking you is, is it realistic to think of acting on the Secretary's bill soon enough to help this situation or should this committee be passing something else beforehand?

Mr. AILES. I think that in due course we are going to see the Senate prepared to enact legislation that copes with the whole railroad problem.

Mr. ADAMS. Our problem is timing.

Mr. AILES. There is no question about it, and I don't know of any disposition in the Senate to go to hearing at any early time with respect to the bills that are before it.

Let's assume that it is a good idea to do something about unemployment through the vehicle of railroad track rehabilitation. I don't think that can be done in a timely fashion as part of the big total bill because I think that is going to take a long time. I think it is possible to relate the two, to try to make the unemployment bill sort of a precursor of the other.

The thing that concerns me is that hammering out the standards of how that money is going to be put out in the big bill is going to be a difficult problem and might delay the unemployment bill, if that problem had to be solved in connection with this.

The other thing is, I would hate to see the procedures set up in the employment bill so complicated that nothing would ever come of it; and frankly, when the Secretary testified over in the Senate and I testified right after him over there as here, he was of the view that there wasn't any way that a dollar of this kind of money can be put out in the course of a year. I think that is one of the reasons why the Senate included the 30-day limitation on the regulations and the requirement that 15 days be the total amount of time taken by them to pass on any application.

It was quite clear that they in DOT were in no hurry about it. I think there is a certain urgency. The unemployment problem is with us today and ought to be dealt with today. The earlier that is dealt with, the better. The problem with trying to link the two is just that, the problem of time.

Mr. ADAMS. You think that having passed a \$300 million Penn Central bill and a \$700 million unemployment bill, we can then come for a \$2.5-plus billion revitalization bill in the same Congress? Would your industry help us with that?

Mr. AILES. The industry will work real hard, but Mr. Adams, I yield to you as the expert on that subject.

Mr. ADAMS. With that, Mr. Chairman, I will stop my questioning.

Mr. ROONEY. I will recognize the gentleman from Kansas, Mr. Skubitz.

Mr. SKUBITZ. Mr. Ailes, how many railroad employees are now out of jobs and have used up their unemployment compensation?

Mr. AILES. If you look, Mr. Skubitz, at page 2 of my statement, since October of 1974, total employment in the railroad industry has fallen from 541,981 to 497,665, by April of this year. The next sentence says that the unemployment compensation rolls would have gone from 10,675 in October to 31,045 in March. They are up since then because I think strangely enough, the operating employees, the number of them on the unemployment rolls has gone up in the last 6 weeks.

Mr. SKUBITZ. How much has that total since October, total employment in the railroad industry fallen 541 to 479, a drop of 44,000?

Mr. AILES. That is right, over 8 percent, that means that there were 44,000 unemployed as of April, May, and June. That number has gone up quite a bit.

Mr. SKUBITZ. How many more?

Mr. AILES. I would say 8,000 or 10,000 more.

Mr. SKUBITZ. So that runs us about 53,000 or 54,000.

Mr. AILES. Let me ask Mr. Briggs to join me here. This is Richard Briggs. He is the assistant to the president and director of the Office of Information and Public Affairs, AAR.

Mr. BRIGGS. Mr. Chairman, the drop in total unemployment—44,000—is just that. We have that number fewer people working. The figures haven't changed materially. Employment is up 3,000 since April. The number of people who are drawing unemployment is, of course, less than the decline. That is about 30,000.

Mr. SKUBITZ. Drawing unemployment compensation?

Mr. BRIGGS. Right. Some of the people that were formerly employed by the railroads in maintenance of way last fall do not have jobs today and are not drawing unemployment because they do not have a sufficient period of work to qualify.

Mr. SKUBITZ. How many are we talking about that are entitled to draw unemployment compensation but have used up all of their employment compensation and are therefore in pretty desperate straits at this time?

Mr. BRIGGS. I can't give you that figure, but I will try and locate it.

Mr. SKUBITZ. Will you give me a rough guess right now?

Mr. AILES. They draw unemployment compensation for 26 weeks. The real labor layoffs occurred at the beginning of the year.

Mr. SKUBITZ. Of this year?

Mr. AILES. Yes, sir. That is 26 weeks ago as of now. Mid-January is 26 weeks ago. So you are going to have a substantial number of people who would be running out of unemployment compensation.

Mr. SKUBITZ. Would you say 44,000 or 50,000?

Mr. AILES. There are 30,000 on the rolls altogether.

Mr. SKUBITZ. But of the 30,000, you have some that are yet entitled to unemployment compensation.

Mr. ROONEY. The committee will recess for about 15 minutes until after this rollcall.

[Brief recess.]

Mr. ROONEY. The committee hearings will continue. I know we are in the middle of Mr. Skubitz's interrogation. Mr. Ailes, I wonder how much money you would think the railroads would need per month in respect to this legislation. We have heard all sorts of estimates here. I am talking about not necessarily needs, but effectively spent. How much money do you think railroads could effectively use?

Mr. AILES. Let's assume that the test is to engage in projects which are needed projects, but which are not going to be engaged in otherwise. In other words, things which have had to be deferred. Dick Briggs here is the fellow who made the inquiry, and that is what that table in the appendix really is addressed to.

It shows first of all the limitation was on the availability of material, materials on hand and the materials that would be delivered in timely fashion. How much money could be used to perform this kind of work, and you have the number on those rail ties and actual track operations. You see it was \$237 million, that was really for the rest of the year when this calculation was made, 12 months, and you see there were two-thirds of 1 billion dollars, worth of materials that were either on hand or would be on hand to do that.

You move beyond, these are the other projects which are not material intensive at all, which would go beyond the maintenance-of-way workers that were laid off. That 16,000 employees represent how many maintenance-of-way people have actually been furloughed.

You go beyond and bring in other people, but that table is really the best answer to your question. You do about one-twelfth of that a month if you called all the people back right off, because we are just talking about in this calculation using the Government's funds to pay labor.

Mr. ROONEY. Thank you. Mr. Skubitz, you may continue. I always try to add a little humor to this committee because it is a very serious one.

Mr. SKUBITZ. Is that why you called on me?

Mr. ROONEY. I was about to say that, Mr. Skubitz. You add so much humor to this committee and so much input. I think you are a great help to me, and I really appreciate your very fine cooperation.

Mr. SKUBITZ. Just make sure you keep that in the record.

Mr. ROONEY. That will not be expunged like your remarks this morning.

Mr. SANTINI. Though they may be expunged, they will never be forgotten.

Mr. SKUBITZ. Mr. Ailes, we were talking about the number of unemployed people that have worked on the railroads that are eligible for unemployment compensation but were not receiving any. By that I mean they have already received their 26 weeks. My question is, how many maintenance men are unemployed today, railway maintenance workers?

Mr. AILES. 16,000.

Mr. SKUBITZ. These are the fellows that repair the tracks, right?

Mr. AILES. Yes.

Mr. SKUBITZ. What is their income per hour?

Mr. AILES. It averages \$12,000 a year. Is that our cost or is that their pay?

Mr. BRIGGS. Their pay.

Mr. SKUBITZ. How much an hour?

Mr. AILES. Somebody calculated \$6.50 per hour.

Mr. SKUBITZ. The 16,000 that are unemployed, how many of them have used up their unemployment compensation money?

Mr. AILES. We don't know. We could find out without too much difficulty when they became unemployed. I think we do have some numbers about when people began to be laid off. As I said earlier, the major downturn back in mid-November to December was a very bad month. Many of the railroads began to retrench in terms of expenditures. It was early January when they realized that they were in for a really austere situation.

One of the first things that are cut back are these maintenance programs, and we can look into that issue to find out how fast the maintenance-of-way workers that are now unemployed were in fact laid off, but I suspect—that is 6 months ago now—I suspect that most of them have already used up their 26 weeks.

Mr. SKUBITZ. They don't receive an additional 26 weeks, then.

Mr. AILES. I don't believe so. I think it is a flat 26. No, sir, there are some labor people here that can answer that better than I, but there is new legislation with some modification of that figure.

Mr. SKUBITZ. We are talking about rehiring 50,000 or 60,000 workers when there are 16,000 maintenance workers now unemployed. I would assume what we would do is to say that other railroad workers that were unemployed not drawing unemployment compensation could take jobs as maintenance workers.

Mr. AILES. You see these other activities that are listed in that table at page 7 of appendix A. Do you see that table where it says "summary"?

Mr. SKUBITZ. Yes.

Mr. AILES. New rail, down the left column. Relay rail, ties, ballasting, and surfacing, those are the basic track jobs. That is 16,000 people. Do you see where it says subtotal 16,000 people, \$237 million on an annual basis for labor, \$430 million for materials. Then you have a category No. 5 called other.

If you look directly over the summary you will see spot and yard surfacing, crossing repairs, bridge repairs, refurbishing structures, brush removal and so on. Those are the kinds of work that are covered by that category "other."

Mr. SKUBITZ. You only have 16,000 unemployed but you could hire another 45,000; is that what you are telling me?

Mr. AILES. There isn't any material constraint on this level of unemployment. These are useful projects. That is what this table is saying. If you look over here, you see "other" only involves \$39.5 million of material.

Mr. SKUBITZ. What we are talking about there is 16,000 maintenance workers unemployed today. You could use an additional 45,000, correct?

Mr. AILES. Yes.

Mr. SKUBITZ. Of that 45,000 if I understand most of these bills, other railroad workers who have been furloughed would be eligible to come in.

Mr. AILES. Right.

Mr. SKUBITZ. Are we talking at this point about locomotive engineers, firemen, or what?

Mr. AILES. We are talking about a lot of operating people.

Mr. SKUBITZ. What sort of salaries are they drawing?

Mr. AILES. Can I consult with counsel here?

Mr. ROONEY. Do you want to respond to that question?

Mr. BRIGGS. The basic categories would be maintenance of equipment and stores. These are people who repair equipment.

Mr. SKUBITZ. What is the salary in those categories?

Mr. BRIGGS. It varies, but if they became employed as maintenance-of-way workers, they would be paid according to the maintenance-of-way scale.

Mr. SKUBITZ. In other words, if they were getting \$16,000 or \$18,000 average, then they would have to come down into these categories and then just take that wage and that is agreeable with the labor unions?

Mr. AILES. Yes. I understand the labor unions do not have people from one craft hiring on in these jobs. That figure of 12,000 that we gave you as the maintenance-of-way figure is very close to the average labor figure in the industry.

Mr. SKUBITZ. I think you put your finger on it. What we are talking about here really isn't a railroad bill. It is an unemployment bill; isn't it?

Mr. AILES. That is right, sir.

Mr. SKUBITZ. And if it is an unemployment bill, in this particular area, we are going to have to pay the going union wage; isn't this correct?

Mr. AILES. Correct.

Mr. SKUBITZ. This isn't true of the money that we put in the continuing resolution for public works jobs. Do you follow my thinking?

Mr. AILES. Yes, sir, I certainly do.

Mr. SKUBITZ. It means that with the \$700 million the Government is going to have to pay regular going salaries. You heard my statement this morning, namely that I don't want the fellows to work for any less than their going wage, but I wonder whether or not the Government in providing a make-work job ought to spend the total \$6, and I suggested that we ought to provide for a one-third and two-thirds split. Would you care to comment on that?

Mr. AILES. Yes, sir. I know the problem there entirely is whether or not a railroad could afford to engage in a project which it had deferred out of prudence because of its financial situation. If the Government was going to pick up, say, 15 percent of it—

Mr. SKUBITZ. That would be about one-third of it.

Mr. AILES. No, sir. Take a look at the material.

Mr. SKUBITZ. I see what you mean, but as far as the labor is concerned, it would be one-third of it. Don't you think there would be enough of them that were willing to put into two-thirds because they are getting them to work for \$4?

Mr. AILES. I think it depends entirely on the condition of the railroads. The more profitable railroads would be more likely to do so.

Mr. SKUBITZ. But this is not a railroad bill. We said it is an unemployment bill. What difference does it make if he is working for this line or working for another?

Mr. AILES. None at all, but I am just saying—let me just back up long enough to say that when we were over in the Senate testifying about this, somebody asked me whether or not this bill can be done on a loan basis and I would hazard a guess that it wouldn't produce any employment because railroads that were deferring projects because of their current revenue situation were not necessarily railroads that can't borrow money. Most of them can. The fact that it is going to be loaned by the Government instead of the bank doesn't make it prudent to engage in the project.

That is why the grant aspect of it meant that work was going to be done now that would not otherwise have been done. Your question is not the same as that, but it is related to that. If a railroad that is deferring a project because it would put the railroad in the red for that period to engage in it, it is not going to engage in it if it puts it in the red even though part of the tab is being picked up by the Government.

All I am saying is that your proposal versus the one that is in the Senate bill or the other bill would cut down some the acceptance of

that and the participation by the railroads—maybe not very much, I just don't really know.

Mr. SKUBITZ. It bothers me going to the floor saying in this relief program that we are going to pay \$6 an hour to workers and in another we are going to pay just a few dollars per hour and then another industry would come in and say our prices are obsolete, if we can buy some new machinery and fix up what you gave us, we can improve our business, we can hire more people. I don't know where this thing ends.

Mr. AILES. I understand your question. This isn't a matter of right or wrong. It is a question on what degree are you going to get participation by the industry in the program. I have no doubt that there are plenty of instances where, let's say a borderline situation and they agree to defer a project and somebody says we will make up 15 percent of it and I say 15 percent because labor gets about one-third of the cost of these track projects.

Mr. SKUBITZ. Every time you go into a labor negotiation—I used to represent labor unions—and every time we went into a negotiation, labor was always the highest. Now, we get down to when the railroad doesn't want to fix up some of the equipment, they say it is the material.

Mr. AILES. Labor represents about 50 percent of our total revenues, so there isn't any question when you look at the system as a whole, but when you look at track work, the materials represent about two-thirds and labor one-third. In an instance where a railroad has deferred a project and now they are told that the Government will pick up 15 percent of it on the grant basis, that projects will be reconsidered, I am sure.

But there are other situations where perhaps that is not enough of an incentive to get them to undertake today a project that prudence had dictated should be deferred.

Mr. ROONEY. Would the gentleman yield?

Perhaps Mr. Ailes, you could speak for your industry. Why is it that your industry always defers track maintenance to save a dollar, because in the long run, it is penny wise and dollar foolish.

We had the Rock Island chairman before the committee saying that the Rock Island Railroad lost \$14 million in derailments last year 1974. Why can't they upgrade their tracks and in the long run put these areas back into service? Answer that question for me because I am somewhat confused as far as the railroads deferring maintenance.

Mr. AILES. Let me say first of all that there is no way that you can convince the Secretary of Transportation that there is 1 mile of up-to-date railroad in the United States, because I have tried. He talks about the sorry delapidated condition of the industry. It makes my blood boil, because that just is not the fact.

There is a considerable amount of railroad in the United States that is not in good condition and a great deal of it is here in the northeast where you have six bankrupt railroads and it is just simply a question of money.

In the other hand, a great deal of this railroad track is in superb condition. Why is it that when a railroad is in bad financial shape it

defers maintenance? It is like anything else—you push away the item of cost which can be deferred and still let you stay running.

Mr. ROONEY. But it can't if you are going to have accident after accident with people dying.

Mr. AILES. First of all, those figures are very misleading. The accident record of the railroads is not that bad. Let me ask Dick who has these at the end of his fingers, that our casualty losses in the last year or two are far superior.

Mr. ROONEY. You can't have any casualty losses, because your railroads don't run over 10 or 20 miles an hour in some defective areas.

Mr. AILES. You can't say that because you have two or three or a half-dozen railroads in the country that have too many slow areas. The statement that the great bulk of the railroad industry runs under slow orders is not true and it is not anywhere near as bad as people keep saying.

Several things have happened. The standards for measuring them have become out of date in some instances because of inflation. They talk about derailment. A reportable accident used to be measured by whether it cost \$750 to repair it. All of a sudden, as a result of inflation, a derailment that used to cost \$500 now costs \$1,000 so we had a great increase in the number of reportable accidents when in fact no change had taken place.

Then we had another one, a change in reportable personal injuries within the last year. It used to be if a fellow spent a day in the hospital it is reportable. Now, if he sees the doctor it is reportable, but indeed the safety situation hasn't changed that much at all.

Mr. ROONEY. Indeed when the railroads testified before our committee, the Rock Island came up with a \$14 million figure last year. That is a lot of money for one railroad to lose in derailments. They showed this entire committee picture after picture and it was tragic to see a railroad running on a track that it should have never been running on.

Mr. AILES. If I can rephrase your question and say why does a railroad about to go bankrupt defer maintenance and I can answer it is because of the forlorn hope that if we can just get by next month or the month after that, there will be a fix-up and we will be all right. No one in his right mind defers maintenance as a business practice. It is always a desperation measure.

Mr. ROONEY. Of course, all of your railroads that have testified before our committee have said the only thing that kept them alive financially is deferred maintenance, and I am talking about some of the viable railroads.

I yield back to the gentleman from Kansas.

Mr. AILES. I must say that in the last quarter when some of the most profitable railroads in the country operated at a loss, you had projects that were deferred. That is what this statement is all about. That is because as a short-range measure when you are looking at recovery a few months ahead, that isn't a bad thing to do. Indeed, the accounting system encourages them to do that, but the history of the accounting system has an incentive to do that. But I don't think that

any railroad in the country will say that deferring maintenance over a long period of time is a sensible business decision. It is always a very short-range measure for the reasons mentioned.

Mr. ROONEY. Mr. Skubitz, you have 30 seconds.

Mr. SKUBITZ. The chairman always has a habit, he wants to get me off my track.

Mr. AILES, you made the statement that really maintenance of track and roadbed wasn't the real problem of the railroad and then you go to ratemaking.

Mr. AILES. The competitive situation.

Mr. SKUBITZ. Regulations and the competitive situation were the basic causes of that. That is pretty much in line with what Mr. Coleman said this morning; isn't it?

Mr. AILES. Yes. I don't think there is any disagreement on that at all. He got to the competitive situation a little bit later down the line. It wasn't included in his original situation, the waterway situation.

Mr. SKUBITZ. I am going to throw in a waterway bill today and if you fellows want to join me, you can.

Mr. ROONEY. Do you believe in this one?

Mr. SKUBITZ. Yes, I do.

Mr. SANTINI. I may cosponsor it, but it doesn't necessarily mean I support it.

Mr. SKUBITZ. I support the philosophy of that. Let's get to something else before they get me off of this.

Are you saying then, Mr. Ailes, that if the competitive situation was cleared up and if this ratemaking matter was cleared up and if a few of the other things you mention were cleared up, then the railroads would have enough money of their own to take care of the roadbed; is that what you are telling the committee?

Mr. AILES. Yes, sir, except I intend to say when I am up here in a couple weeks testifying about the big bill that there has to be an infusion of Federal funds to get them out of the situation they are currently in because of these problems that they have been under all this time.

In other words, we have a deferred problem. We have some modernization that ought to be taking place as those of you who follow the Northeast know all too well. If you correct these other problems that are responsible for the condition we have, then I think this industry is going to function very well.

Mr. SKUBITZ. The roadbed is not a minor thing.

Mr. AILES. Oh, no; not at all.

Mr. SKUBITZ. This is not the important thing? Regulations and things like that were causing your problems? This committee may agree or may not agree with you completely on that point, but I think that all of us agree that you are losing a lot of money on the railroads because your roadbeds are terrible.

Mr. AILES. Can I turn it around? If you correct the roadbeds today and then watch this industry go down the drain if somebody doesn't do something about the competitive and rate situations.

Mr. SKUBITZ. We can talk about rates and we can talk about regulations for another 3 years, but we better get these roadbeds up now or we will not have any trains.

Mr. AILES. I don't basically disagree with that except there is the assumption in there that the whole industry is in that condition, which is simply not so.

Can I just take 1 minute?

Mr. SKUBITZ. Yes; you can have 1 minute of the chairman's time.

Mr. AILES. Whenever we try to look at the situation in the industry, there are certain reasons how we got in this situation. The Interstate Highway System, the low truck user charges is certainly one of them in my view, and the waterway system, those two together we think cost the industry in revenues nearly \$2 billion a year. Regulation costs us about \$500 or \$600 million a year. We have been in that situation certainly the past 10 years. As a result of that regulation, our railroads have been in financial straits.

As a result of that, there has been a vicious downward spiral of declining revenues, declining maintenance of way, deteriorating service and further declines in revenue. That is the way I describe the situation. That vicious spiral has to be halted and reversed, but doing that won't do the job unless you go back and do something about rate regulation and the competitive situation in which the industry operates because that is the fundamental source of the problem.

Mr. SKUBITZ. I don't want to leave you with the impression that I believe the roadbeds will take care of themselves if we get the other. It is going to take a number of years before that takes place and we have to have the roadbeds first, because when you get a train that travels 10 miles an hour when it should be going 30 miles an hour, that means it takes three times as long to haul that train from point A to point B. We should be turning around doing more business; this is the point.

Mr. AILES. I agree completely if the service is not competitive and all that, but that is the money to break out of that downward spiral. That is really sort of interim financial assistance which accompanied with these other measures will put this industry on its feet.

Mr. SKUBITZ. Mr. Chairman, I will reserve the 28 seconds of my time.

Mr. ROONEY. Mr. Santini.

Mr. SANTINI. Mr. Ailes, I believe you were present with us this morning and shared in the enlightening observation of the Secretary with regard to the problem we are tackling here this afternoon.

One of the objection areas that he stressed was that there was insufficient time for this money, in terms of employment benefits, to do any good for the economy. I wonder what your thoughts are on that.

Mr. AILES. As far as this industry is concerned, we could put these people to work tomorrow. The materials are lying alongside the tracks in a lot of places. There are people on furloughs to be called within 24 hours, so it is just a question of how fast the machinery of Government can work.

The bill that the Senate passed, you know, has 30 days' limit on the regulation and 15 days' limit on processing time.

Mr. SANTINI. Is that time frame workable in your judgment?

Mr. AILES. Oh, sure, and I do think that if that bill were passed the day the regulation came out, there would be a series of applications that were in and your application will be approved and will people to work in 24 hours. I think you would get a very quick response in terms of actually getting people on the job.

Mr. SANTINI. Therefore, if aspects of S. 1730 were literally adopted as part of this committee's approach to the time issue, in your judgment that would answer the Secretary's concern with regard to money.

Mr. AILES. If the Secretary wants to get them to work in a hurry, he certainly could under that legislation, I will guarantee you.

Mr. SANTINI. I am referring for my question to the comparative analysis of legislation which will provide Federal funds for employment to improve railroad roadbeds and facilities provided by Mr. Chambers for which I am very grateful and appreciate his thoughtful effort on my behalf and I would request for the committee's benefit that it be, if it has not already been, incorporated in the record, Mr. Chairman.

Mr. ROONEY. Without objection.

[The memorandum referred is printed in full on page 123.]

Mr. SANTINI. As to the problem of eligibility for grants, there are, among the four bills, four potential standards that could be incorporated as legislative guidelines for the expenditure of this money. I would appreciate your thoughts on each of the four.

The first is a reorganization under section 77 which is contained in HR 4622. Would that be an appropriate yardstick for us as to where the money should be spent?

Mr. AILES. Well, I have sort of mixed emotions about that. As I say, my basic feeling is that I suppose I ought to say it depends on how much money you have to spend. I really think that the issue here ought to be where is this employment most needed from an employment point of view.

I don't think anybody in the railroad industry would object to railroads in reorganization receiving massive grants. The industry has supported the program for the Northeast because of the reorganization problem.

Mr. SANTINI. So you would make it a complete formula that would include a consideration of the financial need and reorganization and the employment need?

Mr. AILES. My real problem is I don't think of this as a railroad relief measure, so when you start talking about the need of the carrier, you get over that line and into that kind of consideration. I certainly have no objection to that and I don't think the industry does. My problem is philosophical more than anything else.

Mr. SANTINI. You view this then in the vein of an emergency employment bill?

Mr. AILES. Yes.

Mr. SANTINI. Would you give any consideration to the economic need of the carrier in question?

Mr. AILES. I would not, but I say I have no objection to it being done, nor do I think the industry does.

Mr. SANTINI. How about standard No. 2, railroads with high density freight lines, including passenger lines, with serious safety hazards and substantial bottlenecks in railroads and yards?

Mr. AILES. Fine.

Mr. SANTINI. No. 3, lines identified by the State, regional, or local authorities as essential so long as the Secretary concurs. Any problem?

Mr. AILES. I just don't know as a practical matter how that works.

Mr. SANTINI. Number 4—and the 3 and 4 are contained in both H.R. 6962 and S. 1730—lines owned by the State or other public entities.

Mr. AILES. I don't know what that is. I think it is a very small amount of trackage under that heading. I have no objection to that either.

Mr. SANTINI. In particular, the quasi-public entity known as Amtrak?

Mr. AILES. No problem.

Mr. SANTINI. As a consideration factor?

Mr. AILES. No problem.

Mr. SANTINI. Now, funding formulas. What would be your response, sir, to a funding formula that provided that 50 percent of the total appropriation is allocated among the 48 continental United States on a proposition of track mile basis and the remaining 50 percent would be contributed at the Secretary's discretion?

Mr. AILES. I think that is in the wrong direction. It seems like you are trying to pass money among the whole railroad industry on an even basis. I remain of the view that this is an employment measure, but I am not sure that that has anything to do with the employment problem. I simply don't know.

It is remarkable how this recession has hit the country as a whole. Railroad by railroad is down precisely the same amount. Put it this way; Some of the railroads are down the identical amount of travel no matter what area they work in, so maybe unemployment is evenly distributed throughout the country. It also depends on how much money you have. If you divide \$200 million into 50 shares, it gets to be pretty small pretty fast.

Mr. SANTINI. Would you have a breakdown in terms of sections of the country—East, West, North, and South—a rough percentage breakdown or an accurate percentage breakdown of the class 1, 2, and 3 track located in these areas?

Mr. AILES. I am not sure somebody has that. Class 1, 2, and 3 are simply FRA standards. They are three out of six standards that they have. I am sure they are changing every day. There is a tremendous amount of maintenance work going on today; \$2.3 billion was spent in this field last year. I don't believe that anybody would have that figure. I can give you the State-by-State trackage very easily.

Mr. ROONEY. Can you submit that for the record?

Mr. AILES. State-by-State trackage; yes, sir, I have it right here for the year 1973. I can put that in, sir.

Mr. ROONEY. Without objection.

[The information referred to follows:]

RAILROAD MILEAGE BY STATES (1973)

Figures showing total miles of line by states in 1974 are not yet available. However, data for 1974 will change only slightly from those for December 31, 1973, shown below. Texas is first with 13,320 miles, followed by Illinois with 10,607. Miles operated jointly by two or more railroads and two or more parallel tracks are not duplicated in this listing. Mileage of yard tracks and sidings are not included in these totals.

Alabama -----	4,541	Montana -----	4,900
Alaska -----	538	Nebraska -----	5,334
Arizona -----	2,034	Nevada -----	1,573
Arkansas -----	3,559	New Hampshire -----	751
California -----	7,335	New Jersey -----	1,708
Colorado -----	3,499	New Mexico -----	2,087
Connecticut -----	656	New York -----	5,325
Delaware -----	291	North Carolina -----	4,115
Dist. of Col. -----	30	North Dakota -----	5,079
Florida -----	4,143	Ohio -----	7,746
Georgia -----	5,414	Oklahoma -----	4,946
Hawaii -----	—	Oregon -----	3,041
Idaho -----	2,659	Pennsylvania -----	8,064
Illinois -----	10,607	Rhode Island -----	139
Indiana -----	6,419	South Carolina -----	3,016
Iowa -----	7,644	South Dakota -----	3,363
Kansas -----	7,621	Tennessee -----	3,207
Kentucky -----	3,518	Texas -----	13,320
Louisiana -----	3,752	Utah -----	1,734
Maine -----	1,667	Vermont -----	765
Maryland -----	1,099	Virginia -----	3,873
Massachusetts -----	1,405	Washington -----	4,807
Michigan -----	6,032	West Virginia -----	3,508
Minnesota -----	7,382	Wisconsin -----	5,832
Mississippi -----	3,645	Wyoming -----	1,780
Missouri -----	6,082		
		Total U.S. -----	201,585

Mr. AILES. The District of Columbia has 30 miles, I notice.

Mr. SANTINI. If I understand your testimony correctly, you have testified that we have all the materials presently available to go to work on the problems of track maintenance except for rails. You indicated that you felt the materials—I believe your characterization was “laying alongside the track ready to go to work.”

Mr. AILES. What I said that was on appendix A, page 4 there is a statement: Railroads have either on hand or on firm order 23.8 million crossties and 3,100 miles of new rail. What we said in connection with the appendix on page 7 is that these are the projects for which materials either are or can be available based on our analysis of the supply situation within 12 months.

Mr. FLORIO. Would the gentleman yield on that point? We are going to have to come down to a question of priorities. There is a limit to the amount of money. You heard the Secretary this morning.

Would it be your opinion that given the choice that we are going to have to make, that the money should be put into the labor sector as opposed to the material sector? Let me rephrase the question just to say that with the small amount of money if we put it into labor, there is no question about the fact that the materials are stockpiled sufficiently so the laborers won't be standing around waiting for something to do?

Mr. AILES. Yes. I think my problem is not with your question so much as how to answer it. When we were over in the Senate we said that we thought the bill should provide some money for materials

simply because there are some railroads that are not going to be able to buy the materials and a loan would not help them.

When you say let's assume that there is a limited amount of money or an amount more limited than there is, there is no question that you will get a better level of employment out of the bill if it goes to labor. What you do is simply exclude some employees from some railroads from the benefit of the legislation just because the materials are not going to be there to put them to work. That is the choice.

Mr. FLORIO. We has a number of railroads testify, four or five that I recall, that they had material and what I am saying is I think it is highly desirable to put people to work utilizing the money that we have in the labor area because if we use \$10, \$10,000 or \$1,000 for material, that is money that would have been used for laborers that would result in some productivity.

Mr. AILES. It takes twice as much money for material as it does for labor, so every \$3, you get \$1 for labor and \$2 for material.

Mr. FLORIO. Thank you very much.

Mr. AILES. That amount of material that we put on that footnote on page 4 is a tremendous amount of material that is available.

Mr. SANTINI. Then there is no problem for the most part with acquiring rails.

Mr. AILES. We have 3,100 miles of new rail on order.

Mr. SANTINI. Nevada miles are such an insignificant amount.

Mr. AILES. I can tell you how much you have; we don't even list Nevada.

Mr. SANTINI. That has been one of our troubles.

Mr. BRIGGS. 1,573 miles.

Mr. AILES. When you put that new rail down, you free rail which can be recropped and welded and put down, so you double that amount of rail just about twice, so 3,100 miles of new rail means you can relay 6,200 miles of new rail.

Mr. SANTINI. What are your thoughts on the issue—and I am sure you discussed them for your statement, but I was not here for your synopsis and would appreciate your thoughts on the specific issue of grants, loans and recapture, if any, considerations. I believe you testified that you feel loans would not meet the problem.

Mr. AILES. The purpose of this bill is to get railroads to participate in the program. There is passive inducement for them to participate when a grant is made and in effect you get one-third subsidy for all practical purposes on the track project under the grant system. But if it is a loan, you are asking a railroad to engage in a project which prudence told it should not do at this time.

We have operated on a deficit of around \$150 million this year, which was the first net railroad deficit in the history of this industry. They are not going to be induced to go into projects of this character because the loan comes from the Government as distinguished from the bank, so I think it wouldn't be good Government policy to do it on a loan basis, it just wouldn't work. It wouldn't produce any employment at all.

Mr. SANTINI. Can you provide any suggestions for a means whereby we might recapture—for example if provisions were included in our funding that the Government could recapture a percentage of employment of the trackage.

Mr. AILES. I thought the recapture provision of materials which was in the Senate bill was not too bad.

Mr. SANTINI. And the industry could live with that?

Mr. AILES. I think so. I think the material situation is really quite different. I don't know why I do, but it seems to me to be a little bit different. But rather than just saying something off the cuff on that, let me just submit something for the record on that.

The question has to do with if you are going to have recapture this is the way to do it. I looked at those provisions and they seem to be quite reasonable, but I haven't checked that with our lawyers and I would be glad to have a look at that.

Mr. SANTINI. So requested, Mr. Chairman.

Mr. ROONEY. Without objection.

[The following letter was received for the record:]

ASSOCIATION OF AMERICAN RAILROADS,
Washington, D.C., August 1, 1975.

HON. FRED B. ROONEY,
Chairman, Subcommittee on Transportation and Commerce, Committee on Interstate and Foreign Commerce, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: During my testimony before your Subcommittee on Transportation and Commerce on July 10, 1975, on S. 1730, H.R. 6808, H.R. 4622, and other bills that would provide Federal unemployment funds for railroad maintenance-of-way work, Mr. Santini asked for our suggestions with respect to recapture by the government of value that might be added to railroad properties by the use of such funds (TR. p. 2-133).

As indicated in my prepared statement, the railroad industry opposes the concept of recapture as a general principle. A commonsense view about recapture of value added is that it would convert the government aid under these bills into government loans. These projects are not being undertaken now because sound business judgment indicates that it would be improvident to do so at this time—even though credit is available from commercial sources.

If, on the other hand, recapture were limited to the value added by materials and supplies procured by the use of government funds, as provided in S. 1730, this would be reasonable, provided, however, that a recapture should take effect only upon the sale or other disposition of the improved rail property. There should be no recapture of value added by the payment of labor costs: first, because employment is the purpose of the legislation and is undertaken by the railroad at the government's request, and second, by reason of the obvious difficulty in determining the amount of such value. We therefore recommend that the recapture of wage assistance provisions of H.R. 6782 not be adopted.

Sincerely,

STEPHEN AILES,
President and Chief Executive Officer.

Mr. SANTINI. Finally, the critical issue that has been suggested by Mr. Florio and certainly the Secretary this morning and the concern of all members of the committee is the level of funding. I notice in appendix A page 7 you propose immediately, if I interpret your figures correctly, a \$667.8 million expenditure.

Mr. AILES. Sir, that includes material. The first four items have a labor cost of \$237 million. That is a labor cost column, the third column.

What we have said there is that basic track projects involving rail ties and ballasting use 16,000 people and are doable in a year based on what we know about the supply of material on hand or available and could be done at a labor cost of \$237 million.

Mr. SANTINI. So if we were to by amendment restructure one of the existing pieces of legislation, it is your considered and candid belief

that \$237.8 million would provide the employment stimulus that we are examining in this track maintenance?

Mr. AILES. All I can say is that \$237 million over a 12-month period based on our calculation puts 16,000 maintenance-of-way workers to work gainfully and usefully on projects that have been deferred, but which ought to be going forward.

That is really all I can speak to. I can't speak to the issue of what the economy needs in the way of employment.

Mr. SANTINI. Is there any way you can persuade Secretary Coleman to accept this figure as compatible with his?

Thank you very much.

Mr. ROONEY. Mr. Florio.

Mr. FLORIO. Most of my questions have been answered, but I would just like to make two observations: one, some question was raised as to the desirability of utilizing this money to put people back to work who will be earning approximately \$12,000.

I would like to say in my opinion that is justified. The CETA program provided public works for nonskilled laborers with salaries up to \$10,000 and it seems to me the extra amount of money dealing with skilled laborers who are not only put to work but will assist in making our railroad system much more effective, to say nothing of the effect these people will have in terms of rejuvenating our economy is highly desirable.

So I am not in any way offended by this program. Most of the bills do call for payment of prevailing wages.

The other point is that I would like to identify with your remarks, the philosophy you espouse is what I am attempting to articulate today; that this is primarily a jobs bill which has added benefits of attaining some other socially desirable goals. I think your testimony has been very hardheaded, but totally enlightening.

Mr. ROONEY. Mr. Skubitz. I will yield you 28 seconds.

Mr. SKUBITZ. Mr. Ailes, if I understand you correctly, you disagree with Secretary Coleman in regards to whether it would be possible to find enough miles of trackage to take care of that wouldn't be torn up after this study is made.

Mr. AILES. Yes, sir. I just don't think that is the real issue at all. I would be perfectly happy to have him make the determination. We are talking about 1 percent of the track in the country here for these projects in 12 months. It is just not very hard to pick 1 out of 90, and that is all he has to do. He just wants to make sure he doesn't get into 10 that may someday be abandoned. I think that is easy and not the problem at all.

Mr. SKUBITZ. I agree with you.

Mr. FLORIO. I would just like to make the observation that your figures for labor costs is \$438 million, that is annual costs.

Mr. AILES. That is a 12-month operation.

Mr. FLORIO. It seems to me that makes an awful lot of sense if one has to scale down a figure, that is rational and very authoritative coming from the industry itself. That may well be a basis of an appropriation that would be in a sense unable to be contested as not having come from the horse's mouth. If you are the one who said that is the figure that is needed, if we are going to talk about an emergency appropria-

tion to get us over the hump, unless many of those things that the Secretary was talking about do come to pass, I think we should perhaps look for some guidance from some of these organizations.

Mr. AILES. Mr. Florio, again that is fine. What I say is that the labor cost for the track project which could be undertaken in 12 months' time is based on our understanding of the availability of materials, and it just happens to have precisely the number of maintenance-of-way people that we know to be on furlough at the present time.

Mr. FLORIO. The apprehension the chairman expressed is the apprehension that many of us have. If we are going to save the railroads, we are going to have a comprehensive overhaul of the system, but that is not what we are attempting to do.

Mr. SKUBITZ. May I have a few seconds? Mr. Florio, did I understand you to say that under the public jobs bill that the minimum for unskilled labor—

Mr. FLORIO. I said the authorization is for up to \$10,000.

Mr. SKUBITZ [continuing]. For unskilled workers, and you don't think that—I just say that in light of the fact that unskilled labor can get up to \$10,000 in the CETA, that wouldn't we be criticized for allowing \$12,000 to be paid under these bills to skilled labor in a very vital field.

That is my only observation. I look at the minimum wage which is \$2 an hour or \$2.10, and you multiply that by 50 and come out with 4,000.

Mr. FLORIO. The only response to that is the poverty level is rapidly approaching that, so one can get the minimum wage and still be below the poverty stage.

Mr. SKUBITZ. Will you be introducing such a bill?

Mr. FLORIO. I will be happy to look to you for guidance.

Mr. ROONEY. Thank you very much, Mr. Ailes. We appreciate your very generous time and your great contribution to this committee this afternoon. You have been an excellent witness.

Now we have a young lady from Schuylkill County. We will be very pleased to have the committee hear from Miss Barbara Adams, who is a research assistant in Schuylkill County, Pa.

This committee is trying to get every segment of this country involved in this great problem, and I am sure you have problems in Schuylkill County, and we will be glad to have your testimony this afternoon.

STATEMENT OF BARBARA ADAMS, RESEARCH ASSISTANT, SCHUYLKILL COUNTY (PA.) OFFICE OF TECHNICAL ASSISTANCE

Ms. ADAMS. My name is Barbara Adams, and I am a research assistant in the Schuylkill County Office of Technical Assistance. I represent the Schuylkill County Board of Commissioners and the Schuylkill County Railroad Task Force, whose membership includes the Schuylkill County Commissioners, the Independent Miners of America, the United Mine Workers, the Greater Pottsville Industrial

Development Corp. the Schuylkill Valley Industrial Development Corp., Tamaqua Industrial Development Enterprises, Mahanoy Area Joint Industrial Corp., Shenandoah Industrial Development Enterprises, and Pine Grove Industries.

I should also mention that I have been recently elected secretary of the railroad task force. You may also note that following at the end of the testimony in the written copy, there is a map of Schuylkill County that depicts the southern anthracite and part of the middle western anthracite coalfields.

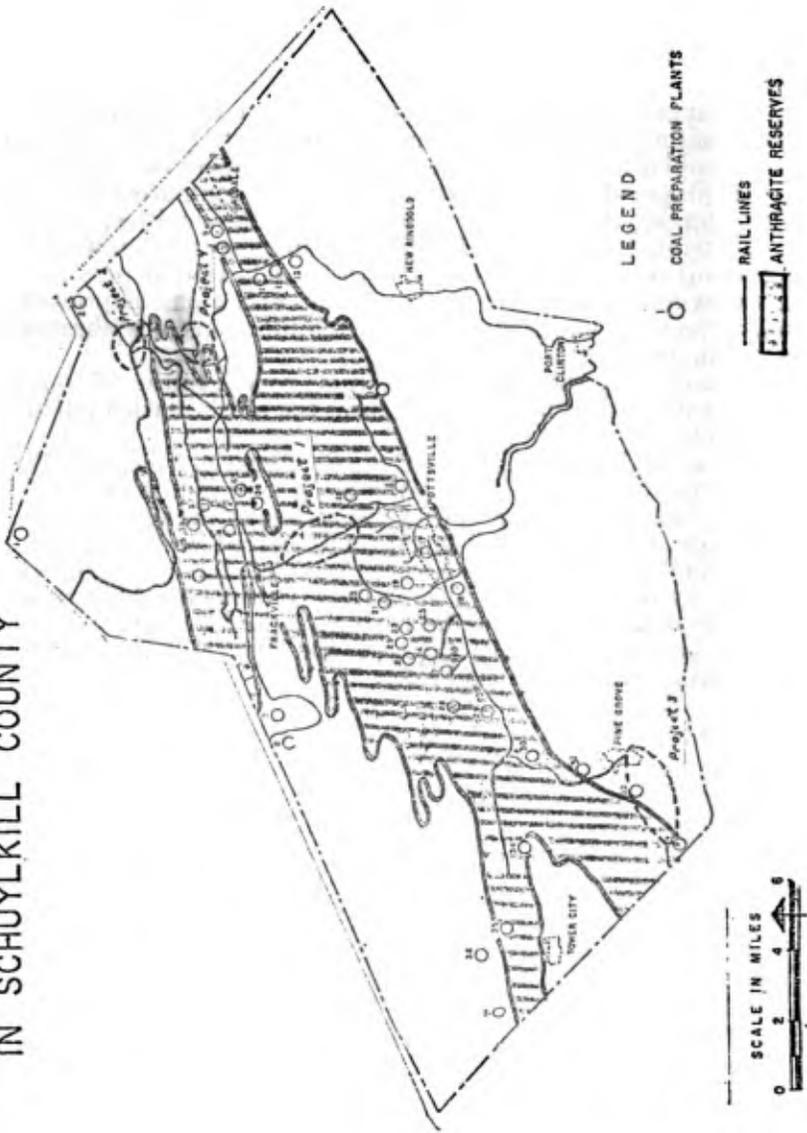
I do appreciate the opportunity to present testimony before this subcommittee. The purpose of my statement is to outline five projects that Schuylkill County considers appropriate candidates for expenditure of proposed funds to provide railroad rehabilitation jobs. I hope this testimony to be of some benefit to the subcommittee, not only as an enumeration of projects for which labor compensation would benefit the rail system in our county, both by reduction of present unemployment levels, as well as by improving service on our present railroad system, built to service the over 9 billion tons of anthracite coal located in the county.

This testimony should also be of some benefit to the subcommittee in illustrating the type of improvement the rehabilitation job moneys will enable.

Project I is the rehabilitation of the Reading Co. Frackville Branch line. Here is the line with Pottsville being located in this area [illustrating]. On the map, the green lines belong to the Reading Co., the black indicates the Penn Central, and the red ones belong to the Lehigh Valley. The map describes the complete rail system of Schuylkill County without distinguishing those lines under study as potentially excess pursuant to the 1974 DOT Secretary's report.

There is no traffic on this section of the Frackville Branch because of the washout to which I shall refer.

ANTHRACITE PREPARATION PLANTS IN SCHUYLKILL COUNTY



Mr. ROONEY. Because of what?

Ms. ADAMS. In 1972, Tropical Storm Agnes caused three bad wash-out spots on the Frackville Branch, running from St. Clair to Frackville, Pa. Since this washout, no traffic has been able to be moved over the line. As you know, the Reading Co. is in bankruptcy and is presently included in the reorganization of seven bankrupt Northeast U.S. carriers pursuant to the Regional Rail Reorganization Act of 1973. Using a 1973 data base—that is, the year following the Agnes flood—the U.S. Railway Association designated the line as No. 921; that is, initially under study as potentially excess.

However, the USRA preliminary system plan, released February 26, 1975, made no recommendation regarding the line pending further development of coal traffic and potential. The USRA has since been informed that the Frackville Branch had been a heavy throughroute for anthracite coal shipments and that there are extensive reserves toward the northern and southern ends of the branch. Those are depicted here.

Since the Regional Rail Reorganization Act mandates a goal of the USRA final system plan to be the preservation of existing track in areas of fossil fuel reserves, this route must be maintained. Furthermore, the route is used to route cars with clearance requirements in excess of plate c, which cars cannot pass through the Mahanoy Tunnel on the Shamokin Branch, a throughroute presently retained in the ConRail structure.

The rehabilitation necessary to reopen this line is ideal for the utilization of employment moneys. The track itself is in good condition—built in the 1950's—the flood damage is to the roadbed. Hence, steel rail is not needed, merely fill material and ballast. The costs incurred to rehabilitate the lines are for hauling of fill and purchase of ballast. Fill itself is available to the railroad at no cost, but the hauling charge. In addition, some maintenance work on the line would be necessary due to the 3 years' disuse. The total cost of the project would be \$15,000 according to contractor estimates, although the Reading Co. official estimate is \$65,000.

Mr. ROONEY. What accounts for the difference between \$15,000 and \$65,000?

Ms. ADAMS. Part of that is whether you are using minimum wage labor, union labor, or nonunion labor. Most of these estimates were given to me by Reading officials. There is a certain tendency, I suppose, for railroad companies to have higher estimates on their rehabilitation costs. What causes that, I don't know; but it is consistent. When I compare contractor estimates against railroad estimates, contractors generally would have lower estimates than railroad estimates for rehabilitation.

The benefits that I see that would result from this investment would be in employment, improvement of service to anthracite reserves and provision of the clearance routing. Since the investment is so minimal, the added value provided by the resulting rationalization of the rail system emphasizes that this is a worthy investment.

The second project is the creation of the anthracite throughrail. Testimony has been submitted to this subcommittee by representatives of the Greater Hazelton Industrial Development Organization,

CAN-DO, regarding creation of an anthracite throughrail. This could be accomplished by connecting the Lehigh Valley and Reading Lines in Schuylkill County, near Lofty, which is right up here, where the lines are less than 1,000 feet apart. The connection would allow the Hazleton area, just north here, more direct access to southern markets and would increase traffic on the present Reading mainline route through Schuylkill County, that is, traffic would come down the Lehigh Valley lines.

Mr. ROONEY. How much anthracite is being mined in that area necessitating rebuilding that track?

Ms. ADAMS. You mean the construction of the anthracite throughrail. The anthracite industry has been in decline. However, in 1973 the Reading Co. reported an increase in anthracite carloadings. It is difficult to assess car load demand since there is a car shortage as the Reading Co. has not always allocated sufficient coal cars to this area.

In constructing the interconnect, you construct a way of routing the coal from the southern coal fields up north. That would also be facilitated by the construction of the Frackville Branch which would make northern routing much more direct. In these lines to the west end where you have had over \$1 million investment since November of 1973, there is an extensive investment in strip mining. Most of that material is being exported. It is being developed by F.A. Potts & Co.

These lines have been designated by the U.S. Railway Association as having been initially potentially excess. They are back in the final system plan—unofficially.

The point is, in order to use this coal domestically, there is no routing aside from sending it to the South. Construction of the interconnect and anthracite throughrail would provide the ability to move the coal northward.

The anthracite coal fields in the North have been sufficiently mined out of readily accessible coal when anthracite was used in the home heating market. Now, the biggest potential market is in electric utilities reconversion, as long as we can get some investment in boiler development.

There is presently a greater demand for anthracite than is mined than there is a supply, partly due to the car shortage and partly due to the lack of investment over the past decade in the industry.

The connection, as I said, would allow Hazleton more direct access to the South. The land separating the two carriers' lines is untenanted woodland with a difference of elevation of less than 60 feet.

Neither of these lines is under study by USRA as potentially excess. This project proposal has been reviewed personally by Congressman Heinz and CAN-DO has offered to post the engineering costs for the project and to assist in the acquisition of the necessary materials. It has been estimated that this connection would cost \$20,000.

Project 3 is the replacement of tracks between Suedburg and Pine Grove. That is right in here. In the late 1960's, to permit construction of Interstate 81, that goes south and north here, 5 miles of Reading Co. track of the Lebanon-Tremont Branch were removed, thus disrupting direct westward shipments of coal. This is the westward line which eventually goes down to Indiantown Gap. It was broken by the construction of Interstate 81. This removal has resulted in the need to

truck coal to Suedburg for shipment, presently done by the Franklin and Oakwood Coal Co's., causing deterioration of highways.

Replacement of this section of track could be accomplished in two ways. This is where the map is going to be most useful. The first way is the removal of tracks from Suedburg to Lickdale, which is this line: No. 915. This has been proposed by the General State Authority in order to permit construction of the Swatara Gap Park, which is an already approved recreation project.

Construction of the dam to create a reservoir from Swatara Creek will flood several miles of Reading Co. track and will eliminate westward shipment of anthracite coal from the southern anthracite field, specifically from the Schneck Coal Co. preparation plant located at Suedburg. Here the track could be removed and replaced to reconnect Suedburg with the northeast section of the Lebanon-Tremont branch, Reading. This plan has the advantages of using tracks already owned allowing the shipment of the area's anthracite to the east through by the Reading Co. to improve service and would save the GSA the expense of relocating the Schneck Coal Co.

On the other hand, the eastward routing removes direct access of Indiantown Gap, that is the Edward M. Martin Military Reservation, to anthracite coal, the circuitous routing through Reading being about six times the distance. The difference in distance may be of some note, given the high priority classification of this defense installation in the national mobilization plan.

The second way to achieve replacement of tracks between Suedburg and Pine Grove would be to remove the tracks from the Penn Central line running from Hamburg to Schuylkill Haven, USRA No. 196, which is the Schuylkill secondary track.

This version of the project has the advantage of reestablishing a link with the present lines to allow direct westward shipment from the southern anthracite field as had formerly existed before Interstate 81. There is about 10 miles of trackage available for use, so there is no sense in just letting it sit there. Some of that trackage can be used in this project in order to avoid the problem of a shortage of steel rail. The shippers along the Penn Central Schuylkill secondary track have agreed that if switches were built to enable service by the Reading Co., whose tracks run within 1.5 miles of those of the Penn Central, Reading service would be acceptable.

A connection should be constructed at mile post 86. 1.5 miles should be retained in the system from mile post 84.5 to mile post 86 to provide rail service to two present users. This could be done for approximately \$40,000.

The Penn Central line has been classified as a light density line not recommended for inclusion in ConRail. The parallel Reading line, on the other hand, will be included in the ConRail system. Construction of the connection would allow salvage of 12.1 miles of Penn Central line valued at \$326,000. This would provide more than eight times the dollars required for the connection to the Reading line. The rail of the Penn Central line is 101- to 111-pound track from Harrisburg to Auburn. From Auburn to Schuylkill Haven, it is 130- to 139-pound rail.

To transfer this track to the Reading Co., however, would involve creditor compensations, unless tax liens to the State and county and ownership by ConRail modify this condition. Apart from this, the compensation for rail is approximately \$200 per ton now and \$80 per ton this winter, following the abandonments projected by USRA to form the ConRail system.

The cost of the project to reconstruct the line from Suedburg to Pine Grove has been estimated at \$900,000, slightly higher if Penn Central tracks are used and if those creditors are eligible for compensation from the Reading Co. as an entity separate from ConRail; \$400,000 will be required to move tracks; approximately \$500,000 to cross Interstate 81. Since this would connect USRA 915 from Suedburg to Lebanon and line 925 from Pine Grove to Tremont—these are USRA numbers—a through route would be created. Both lines will be retained in ConRail because they are serving areas of fossil fuel resources.

Finally, even using present coal production figures, the investment of \$900,000 to \$1 million should pay for itself in 6 years. Penn DOT has estimated savings of \$175,000 per year in coal routing, as each ton will benefit \$5 and in 1973, 700 50- to 75-ton carloads were shipped from Suedburg.

Project 4 would be replacement of the switch at Haucks connecting the Lehigh Valley Nesquehoning branch line to the Reading mainline. The switch that used to be no longer exists.

The Nesquehoning branch has long been used by the anthracite coal industry as both a coal loading and a through-routing branch, though it has been underutilized in recent years. For over a hundred years, it was an active connector for traffic from the Reading Railroad Mahanoy and Shamokin and Catawissa branches via the Tamanend Interchange and for traffic from the Lehigh and New England Railroad via the Hauto Tunnel. Both of these interchanges would provide the shortest route to market for anthracite operations and reserves in the southern and middle anthracite fields. These interchanges were abandoned while the anthracite industry declined, but presently demand has exceeded supply and can be expected to triple in the next 10 years. That is according to a survey completed for the Bureau of Mines that was released during May.

Recently, activity in these fields has been increased by the North-east Land Companies, Seaboard Industries, Marsden Coal Co., and Manbeck Dredging Co. The Greenwood Coal Co. recently was purchased by the Bethlehem Steel Co. which is expecting to increase production at Greenwood in the near future to at least their previous steady rate of 800,000 tons annually.

The cost of reinstating the switch to reconnect the Nesquehoning branch with the Reading line is \$14,200 based on recent private switch installation. The figure may be some 10 to 20 percent higher, given a more restrictive selection of labor.

Nevertheless, the cost of the project should not exceed \$20,000. Rail materials for the project are available from excess track and switches in the Tamaqua yard located in the county. The Lehigh Valley Co. has rail ties available, purchased from the Southern Railway Co. Labor costs would be defrayed by this legislation.

Project 5 is the general rehabilitation of the anthracite coal field roadbed. Labor crews might be dispatched to rehabilitate selected portions of the entire rail system servicing the anthracite region, which was built to service the processing plants that were located there during the time when anthracite was in greater demand than it is today prior to the influx of oil as a more practical and more economical supply of fossil fuel. Much of this track is not under study as potentially excess and much of what is under study cannot lose service under the final system plan due to the legislative mandate of section 206(a) (4).

What a review of these projects indicates is the generally low level of investment necessary to achieve a high return in terms of bettering service on the railroad system in one coal-rich county. However, though the figures are not high, they are too high for investment by bankrupt rail carriers.

The benefits of these improvements will be experienced both by the region, due to rationalization of the rail network and traffic routing, and by the Nation, due to the facilitated access to anthracite reserves these projects will provide.

Thank you very much. Are there any questions?

Mr. ROONEY. Thank you very much, Miss Adams. I appreciate very much your coming here this afternoon. What is your background, by the way? You seem to be an expert?

Ms. ADAMS. I was born in Kansas.

Mr. ROONEY. I was about to comment on that.

Ms. ADAMS. But I was brought up in Schuylkill County.

Mr. ROONEY. What is your background?

Ms. ADAMS. I am a railroad analyst for the Schuylkill County Office of Technical Assistance. I have half a law degree. Prior to that I was graduated from Smith College and attended the Graduate Institute for International Studies in Geneva, Switzerland. I don't have a transportation background.

Mr. ROONEY. How long have you been involved?

Ms. ADAMS. Since last November.

Mr. ROONEY. You certainly have come a long way in such a short time. You certainly gave an excellent presentation here today, especially dealing with the abandoned lines. It hasn't had any kind of traffic due to Agnes, that one area that has been washed out. It certainly deserves this committee's consideration, and I am talking about the mandate of section 206(a) (4), and I hope along with my colleagues that we can work out some of these problems affecting small areas in the country such as this.

Ms. ADAMS. Aside from these specific projects for Schuylkill County, in which of course I am primarily interested, this testimony is an indication of the kind of projects that can be considered for an expenditure of money using materials that are available for labor, which certainly is available. The rail system can benefit by this kind of investment in labor moneys.

Mr. ROONEY. What would the entire project cost?

Ms. ADAMS. The most expensive project would be the reconstruction of tracks between Pine Grove and Suedburg which is \$1 million. The

rest of them range between \$20,000 for the Frackville project, \$20,000 maximum to build the interconnect, \$40,000 for the interchange between Penn Central and Reading, and another \$14,000 for the one in Hauto.

Mr. ROONEY. So you are talking about \$1½ million.

Ms. ADAMS. In one county. Obviously, there are other counties that have more projects. In fact, the railroad task force represents 22 counties, and just in terms of rationalizing a system on a regional level, it would be well for us to assess just what the costs for each of those counties is.

Mr. ROONEY. I will yield to the gentleman from Kansas.

Mr. SKUBITZ. Where are you from originally?

Ms. ADAMS. I was born in Hutchinson and I lived in Winfield the last time I was in Kansas.

Mr. SKUBITZ. You come from my district.

Mr. ROONEY. I think we can put \$1½ million in there, don't you think?

Mr. SKUBITZ. If we send a few more Kansans to the State of Pennsylvania, we will get it straightened out.

Seriously, I think that the DOT might do well by taking this young lady away from the county in Pennsylvania and putting her on their staff. She has demonstrated quite a knowledge of this area here and I think with her Kansas background and her willingness to work, which also comes from Kansas, she will probably do a great job.

You have done an excellent job here and brought to the committee's attention a number of things that bother Mr. Rooney with respect to these branch lines and what we should do with them.

The cost figures that you gave us of \$10,000, \$14,000, and \$20,000, what are those based on?

Ms. ADAMS. The \$14,200 figure is based on a recent construction of such a switch by Air Products & Co. This was the cost to them, although I do not know what kind of labor was being used. Listening to the discussion today, I considered this factor. I am under the impression that a certain percentage in cost would be added if a bill were passed mandating the use of union labor. The cost of the project might then be 15- to 20-percent higher.

The percentage additional cost may be higher, as you were indicating, although in the case of this particular project there is the same labor-material ratio that was quoted by Mr. Ailes. Here, since the material certainly is available, 15 to 20 percent may be accurate in estimating the cost of the project at union wage.

The million dollars is Penn DOT. The deputy secretary of Penn DOT has proposed that because in the era of highway building, rail was pulled up. Now we are considering rail value in rationalizing land use. The deputy secretary is the one who first approached me about this project, saying it would be possible to construct some part of the rail system under I-81.

Mr. SKUBITZ. Where does the secretary of Penn DOT come from?

Ms. ADAMS. This particular secretary came from Philadelphia.

Mr. SKUBITZ. Thank you a lot for appearing before this committee. You have done an excellent job.

Mr. ROONEY. Thank you. You have been here with all of the top brass today and you certainly have been a very fine climax to a great day as far as the committee is concerned.

Ms. ADAMS. Thank you very much.

Mr. ROONEY. The record will remain open for a period of 5 legislative days for any statements and letters that may be presented for the record along with any materials that have been requested of witnesses during the course of the hearings.

That will conclude our hearings for today.

[The following statements and letter were received for the record:]

STATEMENT OF LT. GOV. THOMAS P. O'NEILL III, COMMONWEALTH OF MASSACHUSETTS

Mr. Chairman, Members of the Committee, my name is Thomas P. O'Neill. I am Lt. Governor of Massachusetts. I am testifying on behalf of the Commonwealth in support of Senate Bill 1730, the Emergency Rail Transportation Improvement and Employment Act of 1975.

We have examined several similar bills, each with merits of its own—and here I refer specifically to H.R. 6808, introduced by Congressman Staffers, and to H.R. 4622, introduced by Congressman Heinz—however, by and large, we endorse the specific provisions of the Senate bill. We feel that it is a reasonable bill, carefully articulated, and in light of Senate passage, promises enactment with the due sense of urgency we feel is imperative.

In assessing the dual purposes of this bill, it is difficult for me to say which addresses the graver emergency.

We have, over the past several years, watched unemployment in Massachusetts climb above twelve percent of our work force. Our unemployment funds have been taxed to their limits. A largely skilled pool of workers has been idled, causing incalculable loss both economically, and in terms of personal respect and self-sufficiency. Particularly affected are the construction trades, where unemployment is estimated to range from nineteen to twenty-six percent.

Senate bill 1730 is a back to work bill. It would allow us to put the unemployed to work, not shuffling papers or doing each other's wash, but in productive jobs benefiting the entire Commonwealth and preserving the jobs of fellow employees.

Section 5 permits first the recall of furloughed railroad maintenance workers who have been victimized by the current recession. Thereafter we are allowed to employ additional workers eligible under the definitions of the Comprehensive Employment and Training Act of 1973. Section 9 of the bill is careful to protect rights won under existing collective bargaining agreements.

This bill in short provides for a massive public works project that will give jobs to thousands of Massachusetts citizens who want to work. Mr. Chairman, I know that for many, perhaps for some even among your colleagues, public works elicit an image of shovel-leaning malingerers and pencil-happy bureaucrats. But we have seen public works programs in Massachusetts and we know that they work.

In the Great Depression the Federal Government spent some ten billion dollars to employ three million men and women. In our state alone the Works Projects Administration built a major part of our Boston subway system; it laid the sewer system for the city of Gloucester; it built the seawall at Quincy, the airport at Beverly and the flood control system in Greenfield.

W.P.A. bequeathed us 4,000 miles of roadways, 107 bridges, 429 public buildings, 65 stadiums and grandstands, 564 acres of park, two outdoor theaters and, as my father appreciates, five public golf courses.

This time the project in mind is a less massive one, but one as significant to the well-being of our state—the rescue of our dying network of railways.

Railroads may well have been an innovation too soon before their time. The ogres of nineteenth century capitalism are today the sick men of the transportation industry. Massachusetts is served principally by two endangered systems—the bankrupt Penn Central and the financially imperiled Boston & Maine. Railroad bankruptcy is the Asian flu of capitalism. While railroads infect one another

with the disease, prudent investors flee, determined to isolate their money from contagion. And the reluctance of private capital is understandable—the overall rate of return on investment in the U.S. rail system in 1973 was only three percent—too low a figure to attract even the healthiest speculator.

Yet the country's rail system is still the largest single carrier of intercity freight, accounting for 37 percent of the goods moved in our nation's economy. And in an era of concern over energy and environmental cost, these figures are also worth pondering: railroads are four times more energy efficient than are trucks, and sixty times more efficient than aircraft. At the same time they contribute less pollution than does any other major form of transportation, and I suspect, use less land as well.

Our studies show that nearly half of the jobs in Massachusetts depend on rail in one way or another. Of first concern, of course, are the nearly 10,000 people employed by firms served by marginally profitable branch lines. But in addition to these 200 industries, another 2,000 companies are served by more profitable, but still bankrupt, main lines.

Those of you who have had the pleasure of riding the rails from Washington to Boston know where much of the problem lies. Our typical roadbed isn't safe for passage by foot, much less by train, and is growing less safe every day.

While railroads and their customers risk passage on private rights-of-way, most of which are taxed with other railroad property, trucks roll on publicly built and maintained highways; barges float on public canals; and aircraft fly through public space to land at public terminals.

The bill before you today would assist in restoring some sense of balance to our nation's transportation system. It would help us repair and rehabilitate badly deteriorated roadbeds and tracks. Although seven hundred million dollars will not do the whole job, it is a beginning, and more important, a chance for us to prove that it is a job that can be done. A recent study by the New England Regional Commission indicated that 275 million dollars will be required to complete restoration of the rail network in our six states. We believe that S. 1730 will allow us a significant start. We also appreciate the flexibility of the bill, specifically insofar as it allows grants to regional and local entities.

It is my hope that this Committee will give positive consideration to S. 1730 and that Congress, acting in the best interest of all those concerned, will act on it affirmatively and without delay.

STATEMENT OF ALAN COMMISSIONER, DEPARTMENT OF TRANSPORTATION, STATE OF NEW JERSEY

Thank you for the opportunity to address this committee on HR-3962, a bill which could substantially boost employment as it simultaneously increases the efficiency of our nation's railroad operations. We fully endorse such legislation which addresses itself to two of the most critical problems facing New Jersey today. Before elaborating on our specific reasons for supporting this bill, I would like to compliment Congressman James Florio's efforts in introducing such innovative legislation.

As the Congressman is acutely aware, the number of persons unemployed in New Jersey has risen to outrageous levels in recent months. Concurrently, although not directly related, and over a longer time period, the efficiency of our State's railroad system has seriously declined. Such decline is attributable to the bankruptcy of all our carriers and the subsequent debilitating effects that deferred maintenance has had on railroad facilities. In the past, when presented with the option to fund either railroad maintenance or to invest in other vitally needed construction, the inevitable choice has been to defer maintenance in order to proceed with the more visible alternatives.

Since coming to the New Jersey Department of Transportation, I have urged a re-emphasis on maintenance and rehabilitation in order to avoid exacerbating the already severe maintenance problems that existed. In this effort, and in the absence of a federal commitment to railroad facilities maintenance, we have been forced to use the scarce State funds which have been available.

New Jersey has, nevertheless, taken several important steps to improve the safety and efficiency of our rail systems.

First, we have been subsidizing the operating losses of our State's rail systems at ever-increasing levels since the inception of the subsidy program in 1961. Unfortunately, however, we can estimate that only 20 percent of our annual \$80 million commitment is directed toward maintenance. Further, it seems we are waging a losing battle against inflation as maintenance costs continue to skyrocket.

Second, we have moved to alleviate some maintenance problems by specific allocation of funds to improve badly deteriorated rail sections; however, since 1971, we have been able to invest only a scant \$7 million for rail rehabilitation and signal work. That \$7 million upgraded a mere 110 miles of track. Funds for additional rehabilitation projects are sorely needed since our small investments to date have not yet made a significant dent in the total improvements needed on our 2,500 miles of track.

Third, we have submitted applications to UMTA to improve major portions of two of our railways. We will receive \$142 million to improve and electrify 178 track miles of the Erie-Lackawanna Railway and are presently working on developing an application to improve the efficiency of our New York and Long Branch facilities.

The potential involvement of the federal government in these problems, as embodied in this legislation, represents a welcome change in federal policy. As the federal role expands from its early commitment to capital improvements to a more realistic assumption of responsibilities for rail maintenance as well, we can finally begin to develop a truly "total" approach to rail needs.

The admittedly limited commitment New Jersey has made to rail improvement has, nevertheless, resulted in noticeable benefits. The infusion of \$600 million nationwide should certainly bolster these efforts. One recent improvement project in New Jersey increased the allowable speed limit on one track from a snail-like 15 MPH to 45 MPH—a 300 percent increase. We were pleased with this progress but realize that a 45 MPH limit can hardly compete with the efficiency of our highway network. The proposed legislation can help pick up where those efforts leave off and help us move to create the balanced transportation system we have all espoused for so long, in which both rail and highway systems provide efficient, safe and environmentally sound means of transporting goods and passengers.

The second major benefit of this proposed legislation relates to the use of the unemployed to undertake these improvements. As I have stated earlier, the employment situation in New Jersey is critical. Given the number of jobs which this legislation can create, we could expect a degree of relief from the escalating level of unemployment. Our most recent statistics indicate the unemployment rate at 11.6 percent—placing us among the 5 hardest hit states in the nation in April. Nearly 390,000 out of 7.5 million residents could not find work! In order to perceive the true impact of this astounding statistic, it should be considered within the context of New Jersey's position as the most densely populated state in the nation. This gives you a sense of the situation we now face.

The legislation thus presents the opportunity for productive employment at a time when such employment is direly needed. This is far from "make-work." We, therefore, welcome the relief it can bring and offer three suggestions which may improve its successful administration:

1. We recommend that applications for assistance pass through state Departments of Transportation before being transmitted to the federal agency for review. Section 7 of the Act states that the third goal of the legislation is coordination of repair and rehabilitation efforts. Such coordination would automatically result from state participation in the administration of funds. This could easily reduce duplication of efforts as it maximizes coordination and would result in a more unified and balanced network of improvements.

2. We also recommend that any rehabilitation which is undertaken be subject to a firm set of standards with regard to levels of service to be attained to avoid the possible waste of funds. For example, the Federal Railway Association has developed track specifications for passenger service which can accommodate speeds in excess of 80 MPH. The achievement of such a standard would allow operators, such as AMTRAK and our commuter services, to take full advantage of its equipment which, to date, is unable to run at full speed due to slow orders on track which can not safely bear high speeds. Optimum

use of equipment would thus improve rail efficiency and services and would be a strong step toward conserving energy.

3. We recommend further that priority be given to tracks which support passenger services over freight service.

I strongly urge the members of this Committee to act affirmatively on this legislation. Admittedly, it does not represent a panacea, but it does enable us to make a genuine effort to alleviate two serious problems now facing my State and the rest of the nation.

STATEMENT OF RAY CHAMBERS, WASHINGTON REPRESENTATIVE, BANGOR
AND AROOSTOOK RAILROAD

Mr. Chairman, I appreciate this opportunity to express the interest of the Bangor and Aroostook Railroad in the bills which your Subcommittee is presently considering. The Bangor and Aroostook strongly supports the concept of public works jobs on the railroad rights-of-way. As your other witnesses have testified, deteriorating road bed is a major problem for all railroads.

We agree with the testimony of the American Association of Railroads that this legislation be primarily designed as an employment generating program. In line with that, we ask that you keep the criteria for eligibility flexible so that smaller railroads, which are important to their local economies will be able to participate—especially in areas of high employment. In terms of roadbed improvement, in some instances, it may be more important to upgrade a rural line designated by a State as essential than a more heavily traveled line that is eligible simply because it carried 5 million gross ton-miles per mile of road per year.

The 541 mile Bangor and Aroostook Railroad provides critical service connecting the northern points of Maine with the Nation's rail network. In the last five years this small, but aggressive, carrier spent better than \$12 million putting better track under its wheels and in acquiring new rolling stock. However, the BAR, like all other railroads, is hard hit by the recession and has been forced to furlough rights-of-way employees as well as others.

If this legislation is approved, the Bangor and Aroostook could employ 135 men on an immediate basis. They could be employed from now until the end of the season, at least 16 weeks, at a labor cost of \$542,000. Total project costs for the Bangor and Aroostook would be \$1.6 million for the ballast, ties, rail, etc., and the labor.

Specifically, we endorse the language in the Senate bill, S. 1730, and related House bills, which specify out eligibility of lines such as ours:

"... Are identified by State, regional, or local authority as essential to State or regional transportation needs, so long as the Secretary of Transportation concurs in this assessment."

Senator Hathaway and Senator Hartke in Floor debate on the authorizing bill on May 16 emphasized the necessity for including lines which are of great importance in a particular state, even though those lines may not be a major factor in the national system. We are hopeful that the House, too, will recognize the importance of such railroads and will include the 'state or regional designation' provisions in its eligibility categories.

STATEMENT OF WILLIAM C. WIETERS, SENIOR VICE PRESIDENT AND CHIEF
OPERATING OFFICER OF LEHIGH VALLEY RAILROAD CO.

The Lehigh Valley Railroad reaches from Jersey City, New Jersey at its easterly terminus to Buffalo, New York. From Jersey City the railroad passes through Newark and South Plainfield, New Jersey; a branch line extends Southeast to Perth Amboy. The main line continues westerly from South Plainfield to Phillipsburg, New Jersey where it crosses the Delaware River and enters Pennsylvania at Easton. It then continues westerly for approximately 15 miles to Allentown and Bethlehem, then turns northward paralleling the Lehigh River through the Pocono Mountains to Wilkes-Barre, Pa. About half way to Wilkes Barre, at Penn Haven Jet, the line branches to a series of lines serving the communities of Hazleton and Sheandoah and the principal anthracite producing areas of Pennsylvania. From Wilkes Barre the main line follows the Susque-

hanna to Sayre, Pa, where the company's principal locomotive and car and equipment repair shops are located. At Sayre, the line splits in three directions. Westerly, the Lehigh Valley operates over the Erie Lackawanna tracks to Elmira, New York and then on a short branch owned by the Lehigh between Elmira and Horseheads, New York. An easterly branch turns northward from Sayre through Owego and Freeville, New York and on to the end of the branch at Moravia with branches extending westerly from Freeville to East Ithaca and easterly to Cortland, New York. The main line continues northward from Sayre, splits at Van Etten Junction into two sections, one branch going northerly through Ithaca and on to Ludlowville, New York. The main line takes a more northwesterly direction and follows the easterly shore of Seneca Lake to Geneva, New York. At Geneva, a branch line extends southwesterly to Rushville but the main line continues westerly through Manchester and Victor to Rochester Junction, where the Rochester Branch extends northerly into Rochester and southerly to Lima, New York. From Rochester Junction the main line continues westerly through Batavia and Depew to Niagara Junction, where the Niagara Branch extends northwesterly to Tonawanda Junction where it connects with the Penn Central. The main line continues on into East Buffalo. The Lehigh & Lake Erie Branch comes off the main line east of Buffalo and follows a loop south of Buffalo to reach the Lehigh Yards known as Tift Terminal.

A study has recently been made of the effect of deferred maintenance on the operating capability and profitability of the Lehigh Valley Railroad. It was found that, while the elimination of deferred maintenance and the implementation of selective capital improvements would not, of themselves, restore the Lehigh Valley to profitability, it would enable the company to provide greatly improved service and competition. With a modernized plant and then current freight rate level, an increase of 17 percent in freight revenues would have allowed a break even operation after fixed charges in 1974. Alternatively, a 7 percent increase in basic freight rates, coupled with elimination of deferred maintenance, would have provided a profitable operation in 1974 after fixed charges.

In 1974, there were 28 reportable derailments (those in which damage amounted to \$750 or more) which were caused by track conditions. Those derailments resulted in \$657,788 in track, signal, equipment, and lading damage. Such derailments are an ever-present source of hazard to life and property, not only to the railroad and railroad employees, but also to the communities through which the railroad operates. There have been several derailments of freight cars carrying hazardous substances that have resulted in air and water contamination. Unfortunately, financial stringency has led to deferred maintenance of way and equipment on the Lehigh Valley as on other railroads in the Northeast and Midwest.

The declining economy with its consequent decrease in railroad traffic and revenues has accentuated the problem for the Lehigh Valley, as for the other railroads in reorganization, of undertaking needed programs of track maintenance. The same situation has made it necessary for the Lehigh Valley to furlough a substantial number of employees who would, normally, be at work on maintenance projects, particularly track upgrading, during the summer months.

The Lehigh, at present, has a total of 94 maintenance of way employees on furlough, all of whom are headquartered in Pennsylvania, principally in Allentown and Coxtan. Additionally, we have 76 maintenance of equipment employees on furlough throughout the system. The areas served by the Lehigh Valley Railroad have been extremely hard hit by the current recession. Both the northern New Jersey metropolitan area and the Niagara Frontier area have unemployment rates of over 10 percent. Deferred maintenance on the Lehigh Valley has reached a total of \$28 million as of June 30, 1974. At least 300 miles of the 442 mile main line will be used for major through freight routes in whatever final system plan is developed. In addition to recalling our furloughed employees, the Lehigh Valley could offer employment to at least 350 more people if funds were available. During past summer seasons we have hired a number of temporary employees on maintenance of way projects with very satisfactory results. However, since financial stringency has made it necessary for us to furlough our own people, we are unable to employ any temporary summer help this year.

The Lehigh Valley Railroad is one of the bankrupts in the Northeast and is under constant pressure of critical cash shortages. Any rehabilitation legislation, therefore, which conditions availability of monies upon ability to repay loans could not be participated in by the Lehigh Valley. However, since we have no furloughed employees in the State of New York, we would be able to provide jobs in that area without detriment to the positions of furloughed employees in other seniority districts. We would, therefore, be able to provide immediate employment in that area under legislation which would require the recall of furloughed employees prior to offering jobs to other employed persons. It should be noted, however, that legislation which provides funding for wages and benefits only, would not enable us to employ as many people as legislation which would also provide funding for the purchase of materials and equipment.

We have trackage included in the Preliminary System Plan that is located in areas where employees are furloughed. Additionally, part of our trackage in New Jersey is used for commuter operations. The major part of our trackage exceeds five million gross ton miles per mile in usage since January 1, 1970.

We urge the passage of legislation that would make funds available for labor, materials, and equipment in the form of grants conditioned only upon the expenditure of the monies for the intended purpose.

STATEMENT OF PHILIP F. BRADY, LABOR LIAISON REPRESENTATIVE, RAILROAD TASK FORCE FOR NORTHEAST REGION

For the record, my name is Phillip F. Brady of Scranton, Pennsylvania. My statement is filed with your sub-committee as a Labor Liaison Representative of the Railroad Task Force for Northeast Region. Also, I am President of the Scranton Central Labor Union and active in the Northeastern Pennsylvania Industrial Development Commission, the Economic Development Council—organizations vitally interested in the economic mobility of our area through good employment.

Coming from northeastern Pennsylvania where officially we have reached more than 12 percent unemployment—and a more accurate figure would be beyond 15 percent—I feel that our message here today should carry some impact.

So, it is amid these dismal statistics that I ask your sub-committee to mark up and approve House Bill 4622 to be known as the "Railroad Right-of-Way Improvement Act of 1975."

This measure is sponsored, as you are aware, by your full Committee member, the Honorable H. John Heinz, all of our regional House members, and some forty other members. It carries the support of our AFL-CIO both state and national. The United Transportation Union, other railroad brotherhoods, and many other distinguished unions, likewise, provide positive support for this simple but vital economic transportation bill.

I sat down on two occasions with Congressman Heinz and his able legislative assistant, Tim Gillespie, for a total review of all provisions of H.R. 4622. I was amazed at the clarity of this legislation and the simplicity of its organization.

As the sub-committee knows there are only seven pages to H.R. 4622. In most concise language, it recognized that our rail rights-of-way are in horrible—often in inoperative—shape. And, co-extensively, it recognizes the public interest in putting willing workers back in good employment.

The focus is on upgrading our eroding rail trackage and other facilities while providing gainful employment during the continuing recession. And despite optimistic statements coming out of the White House, the recession is real and it will be with us for a long time.

Let us sincerely review some of the more important provisions or sections of the proposed Heinz legislation.

John Heinz and our regional Congressmen suggest a \$2.5 billion authorization over a three-year period. Simply stated, the amount of appropriated money to be disbursed will relate directly to the number of miles and jobs to be aided under the act. If funds are low, we can expect only a small performance. If we have the present and future of our railroads in proper and affirmative perspective, we will think big, appropriate big, and accomplish a big service for our rail transportation system and assure food on the tables of tens of thousands of our fellow citizens now on unemployment compensation or welfare. Make no mistake about it, this bill offers vital public service by up-grading rights-of-way and jobs at a most difficult time.

I know that the sub-committee will be loaded down with a tremendous amount of statistics and other sound arguments in support of the Heinz bill. They will be persuasive. All organized labor shares in the thrust of these positions as they are reviewed by your body.

But, I feel we in northeastern Pennsylvania and in coal fields in every state where we depend on rail transportation to carry important fossil fuels today, we have a very special argument in favor of legislation of this character. Only through enactment of this Heinz bill, and Fred Rooney knows this well, can our coal producers guarantee accessibility to our coal measures, and provide markets with fuel at a reasonable cost.

Abandoned track, slow-order tracks, accident-prone tracks in such condition that one wonders whatever happened to America's great technology and its application to a broken rail, must be rehabilitated.

The Congress must recognize that we left our rails go down hill at such a rate that only through the passage of the Heinz bill and a subsequent adequate appropriation can this nation make a substantial start to just keep our rail shipments in progress. Once these shipments stop, our national economy will suffer unbelievable stagnation.

Another important point I would like to make before your sub-committee.

Our Task Force is so impressed with the merits of the Heinz bill, and so sure the Congress and the President will cause its enactment that we have taken positive local action.

We have alerted Paul J. Smith, Pennsylvania Secretary of Labor and Industry that Pennsylvania should be ready to provide former rail workers and competent new recruits to fill the manpower requirements of the act. A supporter of this type of job/right-of-way legislation, Secretary Smith not only has assured our Pennsylvania AFL-CIO and myself of his readiness to fill job orders but he has alerted his departmental research and programming capability to work with our railroads and area employment security offices so that not one day is lost in implementing this dynamic act.

We appeal to the Congress to be affirmative. Your sub-committee must act. Our guys—Dan Flood, Joe McDade, Gus Yatron, and Herin Schmaebell, they are all behind this legislation. And, my dear friend of the Pennsylvania General Assembly days—your great Fred Rooney—he is for helping our railroads and creating new and necessary jobs for our idle workers.

So, I hope you get our sincere message. Work hard to pass H.R. 4622 in the critical weeks ahead. Provide the Secretary of Transportation with sufficient money. And, you will be proud of the performance contemplated in this act.

I compliment the sub-committee and the staff for their erudition in scheduling and reviewing the great volume of supportive material backing the Heinz bill.

STATEMENT OF ROBERT O. LEHRMAN, VICE PRESIDENT, CONSOLIDATED EDISON CO.
OF NEW YORK, INC.

Consolidated Edison Company of New York, Inc. ("Con Edison") supports S. 1730 and urges a further category be added to the list of eligible roadbeds and facilities in Section 6 of the bill. Language along the following lines is suggested:

"(7) are needed to transport electrical equipment essential to the provision of electrical service to any metropolitan area."

This bill, as amended, will help ensure transportation for extremely large equipment vitally needed for reliable electric supply to Con Edison's three million customers.

Con Edison provides electricity to virtually all of New York City and to most of Westchester County, New York. Although there are generating stations in the city, an increasing portion of the electricity used by Con Edison's customers is brought in from the north, either from Con Edison-owned generating stations at Indian Point and jointly owned generating stations across the Hudson River, or as purchased power from New England, upstate New York, Canada and the Midwest.

The power thus purchased or generated by Con Edison is brought south through central Westchester along a series of transmission lines. Because of extensive land development in Westchester, the chances of ever relocating these transmission lines are very remote and Con Edison must be content with using the existing rights of way for most of its future needs.

The locations of its customers and of the transmission rights of way dictate the location of its transmission substations. A large number of these substations are located in central and eastern Westchester. These inland sites are accessible only by road or rail.

The key pieces of electrical equipment at each substation are the transformers. Because their manufacture and major maintenance require factory-clean conditions, the transformers cannot be built on site. Similarly, they cannot be given major maintenance on site but must be returned to the factory.

To meet these requirements, continuous suitable rail transportation is vital. Substation transformers are very large. They are box-like in shape. Even when this box is stripped of all external parts, it still typically measures 15' in height, 11' in width, and 40' in length. These dimensions are dictated by the extremely high voltages employed for the transmission of electricity. Lower voltages are no longer practical due to cost and volume requirements. Efforts are continually being made by manufacturers to reduce the size of transformers. The effect has been that over the past ten years the size has stabilized even though the voltages have increased considerably.

Their net shipping weights, also determined by each transformer's designed volume capacity, vary between 200,000 and 400,000 pounds.

Con Edison thus receives, and occasionally ships, very large pieces of equipment the dimensions of which are, practically speaking, irreducible. These weights and dimensions are such that they cannot travel over any portion of the railroad that has a third rail, elevated passenger platforms, a low overhead bridge obstruction, a close wall along either side, or any of the other dimensional restrictions encountered along most railroad lines. No matter where a large transformer is manufactured, the only route over which it can be brought to central and eastern Westchester is over the Harlem Division of the Penn Central Railroad. Even if a transformer comes from Europe, for example, the vessel must be unloaded on the New Jersey side of the harbor, then the equipment must be shipped north via railroad to the Albany area, thence across the Hudson River and down the Harlem Division into Westchester.

Fifteen years ago, during early construction planning for these substations, numerous sites on all three rail divisions serving Westchester were evaluated for equipment delivery. At that time the Harlem Division provided the best features. Con Edison purchased and still maintains rail sidings for these deliveries. However, the upper reaches of the Harlem Division are at the moment deteriorated and closed to all heavy equipment shipments of Con Edison.

If this situation continues Con Edison's alternatives are extremely limited. It can unload the next huge transformer in the Bronx and strike off across the streets and highways, bridges and culverts. Or it can spend months in route negotiations with the village officials of Westchester. No further options appear likely.

Con Edison has urged, before the ICC and the New York State Department of Transportation, and it continues to urge that the Harlem Division be kept open. This can be done by keeping the line open north of Millerton and by upgrading the tracks on the line's northerly reaches, between Dover Plains and Chatham. Alternatively, and less desirably, it can be done by building a connection with the east-west Maybrook Division at a place called Dykemans, just north of Brewster, New York.

The latter course has been urged on the United States Railway Association ("USRA") by the Public Service Commission of New York and by the state's Department of Transportation. It is as yet unclear whether the USRA will, in its Final System Plan, endorse the construction of the Dykemans connection. In the meantime, no such recommendation has been made by any state or federal governmental agency for the retention of the Harlem Division north of Millerton.

It is arguable that the language of the bill in its present form may be adequate to authorize a grant for the construction of the Dykemans connection pursuant to Section 6(1), if the connection should be included in the USRA's Final System Plan, or under Section 6(5) if the New York state authorities continue to endorse it. But, since the northern portion of the Harlem Division was omitted from the USRA's Preliminary System Plan and since the New York agencies have not urged its retention, it is possible that the bill is not now sufficient to authorize the upgrading of the northern portion of the Harlem Division.

We believe this bill is necessary and useful to preserve vitally-needed railroad service on the Harlem Division and elsewhere in the nation. This bill, with its effect of upgrading railroad freight service, would have the further effect of demonstrating our nation's commitment to Project Independence and domestic energy self sufficiency.

STATEMENT OF CHRISTOPHER WASIUTYNSKI ON BEHALF OF THE SIERRA CLUB

I am Christopher Waslutynski, representing the oldest conservation organization in North America, the Sierra Club, with 150,000 members in 45 chapters and 200 regional groups. The goals of the Sierra Club are to protect and conserve the earth's natural resources and to educate its people in the need to preserve and restore the quality of our environment.

As environmentalists, we have tended to focus our concern on the protection of natural resources; but our concern for the natural environment does not make us blind to social issues. On the contrary, not only do social issues affect each of us directly, but an increasing weight of evidence from around the world indicates that a society which fails to achieve certain basic social goals such as providing economic security and employment for its members—is unlikely to devote substantial attention to harmonizing human activities with the natural environment.

We strongly believe that there is no conflict between the goals of providing jobs and protecting the environment. Not only can jobs be provided in very necessary activities which create no adverse environmental impact, but jobs can be provided to do work which is environmentally highly desirable.

It would be hard to find many programs whose results would be more desirable at this time from the environmental viewpoint than rehabilitation of our railroad network.

The Sierra Club has followed with deep concern the continuing crisis in the nation's rail system, whose most conspicuous elements have been widespread bankruptcies, near-disintegration of the passenger rail network, and a nationwide pattern of roadbed deterioration. Several of our Chapters have participated actively in the public hearings on the Northeastern rail restructuring. Although it is our view that rail roadbed deterioration is a symptom of defective national transportation policies, and rehabilitation of physical plant can only buy time during which reforms in these policies should be adopted, a detailed discussion of these issues is out of place here. We believe that the rail network badly needs rehabilitation, and in several respects it even needs significant upgrading.

Therefore, legislation to provide jobs and simultaneously lessen unemployment by means of a program to rehabilitate and improve our nation's rail facilities has our strong, and in fact enthusiastic, support.

Since intercity rail passenger service provides a far more energy-efficient alternative to automobiles and aircraft, and since requirements of energy conservation together with rapidly escalating energy costs are likely to create a sharply increased demand for rail passenger service in the future, it would be especially appropriate for Congress to mandate that passenger-service facilities should receive special attention in taxpayer-assisted rail rehabilitation programs. Track upgrading is desperately needed on passenger routes (and would also assist freight operations): deplorable track conditions are Amtrak's greatest problem. Stations and shops need rehabilitation and improvement. Doing such work in a period of high unemployment will not only make use of human resources which would otherwise be wasted: it will also accomplish a task which would otherwise require public expenditures later, and by improving the quality of passenger service it should both help Amtrak's revenues and encourage energy conservation.

Going beyond the purposes of the present legislation, we would also like to point out that further improvements wait to be made in the nation's rail system which, however they might be funded, would both create employment and would be environmentally desirable. The present legislation concentrates, understandably, on trunk-line rehabilitation; yet many branch lines, which are vital to the economies of the outlying regions which they serve, also require rehabilitation which could provide employment in those regions.

Furthermore, a number of significant improvements in the rail system could both provide major environmental benefits, and create major sources of employment:

(1) *The Northeast Corridor Project.* Implementation of the 'Recommendations for Northeast Corridor Transportation' (US DOT, September 1971) for providing high-speed rail passenger service is mandated by the Regional Rail Reorganization Act. Significantly, much of the needed work would not create competition for scarce supplies (such as new rail) needed for freight facilities: for example, the subsequent report ('Improved High-Speed Rail for the Northeast Corridor,' US DOT, January 1973) mentions such needs as (Page II-36): Electrification—new, \$36 million; revlsion, \$96 million.

Station and Shop Improvements \$71 million. If such improvements could be started in the near future—for example, stations and shops could be improved without waiting for new rolling-stock to be ready—then significant employment would be created.

(2) *Amtrak Corridor Routes.* Amtrak already runs high-speed turbo-trains on the Chicago-St. Louis and Chicago-Detroit routes, and their use is planned on the New York—Buffalo corridor; but with present poor track conditions, these trains average around 50 mph, no faster than automobiles (whereas in France identical trains operate at 80 mph averages, over superior tracks). Upgrading tracks on these corridors would allow such passenger service to attain its real potential. As concerns jobs, Buffalo and Detroit are cities suffering from acute unemployment.

(3) *Northeast Corridor freight.* To increase track capacity in the heavily congested Northeast Corridor, US Railway Association has recommended restoration of double track on the Baltimore & Ohio Railroad between Philadelphia and Baltimore, together with other improvements (USRA Preliminary System Plan, pages 187-188). Estimated cost of this project is \$300 million.

(4) *Trans-Hudson Rail Freight Crossing in New York City.* An absurd gap presently exists in the national rail system, by which no freight train can cross the 130 miles of the Hudson river between its estuary in New York City, and the Albany region, except by means of an obsolete ferry service in New York harbor. (USRA does plan to restore an old bridge at Poughkeepsie, which makes New York City accessible by rail, at the cost of 200 miles of wasted motion). The absurd result is that the Northeast Corridor, the most densely-travelled route in the nation, cannot be negotiated by a freight train, but only by passenger services. Closing this gap, by a long-proposed tunnel under New York Harbor, should bring major environmental, economic and energy-conservation benefits to the New York metropolitan region, Long Island, Connecticut and New England.

The above rail improvements will almost certainly require public funding; they will eventually have to be carried out: they would be environmentally beneficial; and they would create significant employment.

COPPERWELD CORPORATION,
Pittsburgh, Pa., June 19, 1975.

Hon. FRED B. ROONEY,

*Chairman, Subcommittee on Transportation and Commerce,
House of Representatives, Washington, D.C.*

DEAR CHAIRMAN ROONEY: Thank you very much for your invitation to submit a written statement on the following Bills pending before your Committee: H.R. 6962; H.R. 6808; S-1730; H.R. 4622.

We view the deteriorating situation of the nation's railroads in the northeast quadrant of the United States with considerable concern. We operate manufacturing plants in Oswego, New York; Glassport, Pennsylvania; Fayetteville, Tennessee; Warren, Ohio; Shelby, Ohio; and Bedford Park, Illinois. In the very near future we will be locating a further plant in the middle west, probably in the Kansas or Iowa area. Railroad transportation of the tonnage products we consume is vital. While we use a certain amount of truck transportation between plants, to our customers, and for the receipt of materials, the bulk of our tonnage movements are by rail.

Since the collapse of the Penn Central Railroad, roadbed conditions have deteriorated considerably on that system. The quality of the rolling stock has also deteriorated. We lose shipments through cars going "bad order," yet the railroad system serving our plants in Oswego, Glassport, Warren, and Shelby is either the Penn Central system or the Erie Lackawanna, both of which are in dire financial straits. Repair of the roadbed to get prompt and expeditious movements of freight trains throughout the system is the necessary step to restoring confidence in railroad transportation. For us to continue to place ever increasing dependence on truck shipments is clearly wrong from the national energy policy point of view. One ton of diesel fuel will move much more freight via rail than it will on an over-the-highway rubber tired truck.

The railroads over the years have had the short end of the stick on their rights of way. Perhaps history would show they got a considerable break when they started operations in the favorable terms on which they could buy land. However, in recent years we have seen that air freight operates out of terminals subsidized by tax revenues, barge traffic operates on a river maintained by the U.S. Army Corps of Engineers, and inter-state/intra-state truck movements operates on roads built and maintained by tax monies. When one considers that the railroads maintain their own right of way, and at the same time are taxed by local government taxing authorities on those rights of way, it is little wonder that the right of way system has continued to deteriorate.

In summary, recognizing the financial condition of the railroads, the need to have better utilization of fuel oil by our railroad usage over truck usage, the potential to put out-of-work people to work on track repair teams, and further the need to have a vital railroad system for the effective economy of this country, it just seems to us imperative that these present Bills before the House received favorable passage.

We will be glad to add to this statement if your staff deems appropriate.

Sincerely,

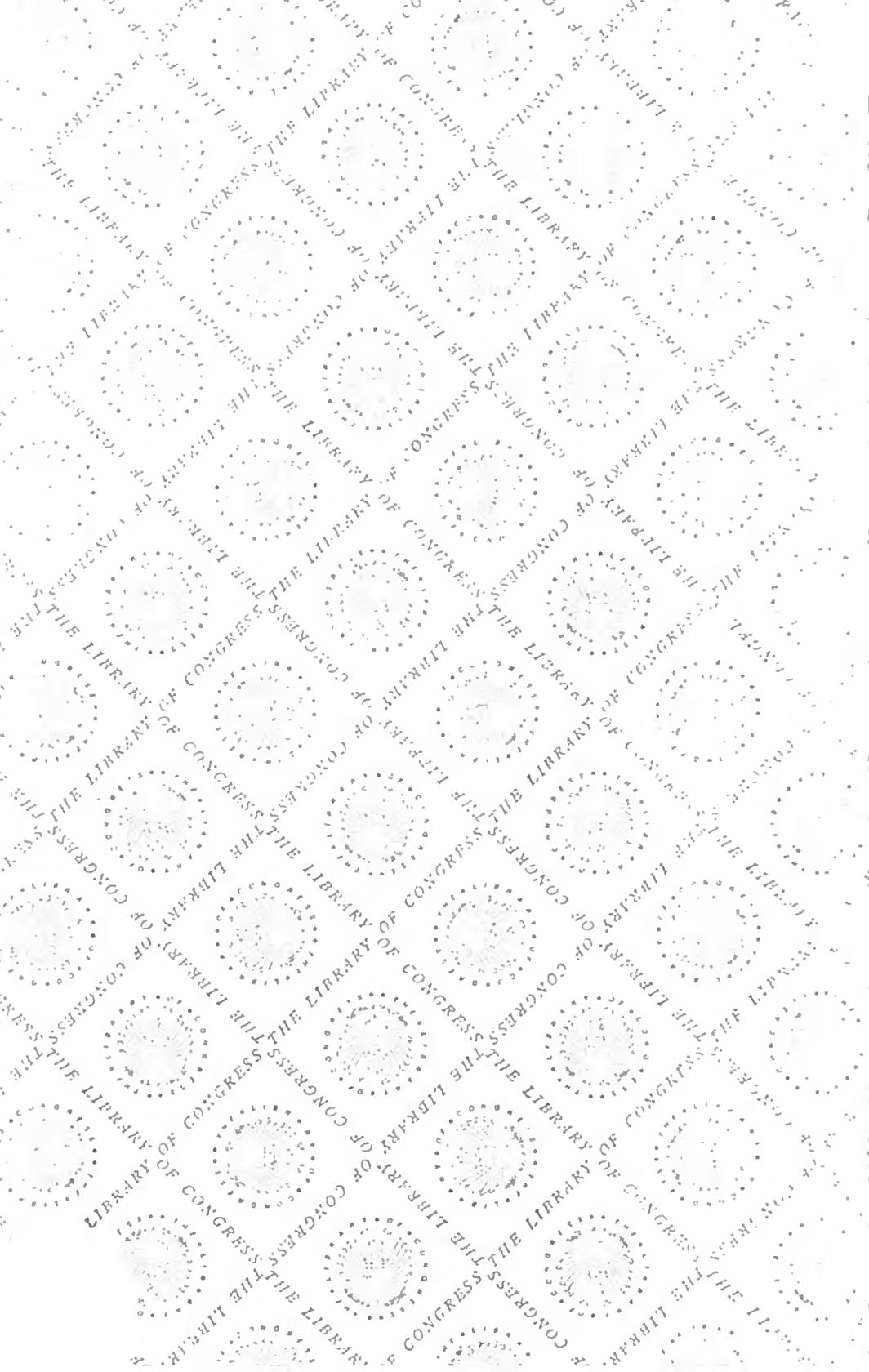
PHILLIP H. SMITH.

[Whereupon, at 4:40 p.m., the subcommittee adjourned.]





13





DC 45 BROS.
LIBR. BY BINDING

ST. AUGUSTINE

FLA.

32084



LIBRARY OF CONGRESS



0 018 387 320 9