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Railroads Aim to Win Battle...Against Competitive Subsidies, Featherbedding and Unfair Taxes

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Railroads Aim to Win Battle

.... against competitive subsidies, featherbedding and unfair taxes

by Daniel P. Loomis

THE ENDURANCE, strength and vitality of nations can often be measured by a simple economic yardstick: What part of the total output of goods and services is continually plowed back into new plant and equipment? How much in consumer goods will a people forego today in order to build up the capital potential for expanded production tomorrow?

Capital investment levels directly affect the quality, quantity and price of goods and services and go far to determine standings in the race for supremacy in world markets. There is no question but that Soviet Russia is all the greater menace it is today because of the outsized proportion of her economic effort going into new capital formation. This division is carried out under rigid state controls that barely tolerate a minimum level of current consumption.

Competitive industries are no different than competitive nations.

Where customers are confronted with a wide variety of goods offered in abundant quantities, that industry succeeds which manages best to acquire the means for continuous expansion and modernization of facilities. This ultimate factor conditions the comparative attractiveness of goods or services and their prices—twin determinants of who gets the customer's choice.

Transportation today depicts this hard fact of competitive economic life as few other industries do.

RAILROADS SPENT $14 BILLION

Though railroads in the years since World War II have striven mightily to amass capital funds for plant improvements—and have, indeed, succeeded in surprising measure—their courageous private efforts have been no match for the profligate outpouring of public investment in facilities used by other forms of transportation.

Railroads have spent more than $14 billion of private capital in the postwar years for modernization aimed at cutting operating costs and improving services. But what was Washington doing meanwhile for competing forms of transportation?

Stated simply, federal spending for new highways, inland waterways, airports and air traffic control systems was taking off like a rocket. Expanded highway programs, for example, envision greater public investment on roads in the next few years than all the private capital invested in the past 130 years to create the great rail backbone of the nation's transportation network.

The objective student can only conclude that the central transportation problem of the present—the railroad problem, as well—is the complete absence of true economic competition in freight and passenger hauling. Competition where prices offered by all contenders reflect full costs of providing service is unknown. When government pours out unrecovered billions for air, water and highway facilities used avidly by carriers in direct cost competition with the fully self-supporting railroads, something's got to give.

To the nation's detriment, that "something" has been the railroads. The following changes have been the inevitable consequences of this one-sided struggle:

The railroads' share of intercity freight traffic has fallen from 67% in 1945 to about 45% today. Their share of commercial intercity passenger traffic has dropped from 73% to some 30% now.

Motor trucks, meanwhile, boosted their share of intercity freight traffic from 6½% in 1945 to a current 20%.

Inland waterway operators, excluding the Great Lakes, raised their share of total freight movements three-fold from 3% to about 9%.

Motor busses increased their share of commercial intercity passenger traffic from 21½% to a current 31%.

Air carriers dramatically raised their share from 3% to a full 36%.

Railroads can survive, and thrive, in competition with carriers whose rights-of-way and other essential costs are partially paid for out of public taxes only by massive exploitation of their inherent advantages. These lie in the ability to move enormous volumes at diminishing costs and charges. No other carrier can approach the full-cost economy of rail transportation in this respect.

In giving this unmatched capability maximum leeway lies the railroads' competitive key to the future. This calls for further drastic changes in operating methods and services. Railroads are stripping down for action. They are cutting out the deadwood of unpatronized services and concentrating effort and resources in areas of greatest promise. Railroadmen realize that, in the face of subsidized competition, they must not simply rise to a comfortable peak of efficiency but go on beyond, exerting superhuman effort to deliver super service to the public.

Massive exploitation of the railroads' inate advantages dictates massive new investment in facilities that will permit railroads to operate at lowest possible costs.

It also demends a new climate of cooperative labor-management relations that will clear the way for drastic changes and permit maximum returns to be reaped from new devices and new methods.

This, in turn, calls for the elimination of featherbedding wastes and the complete overhaul and streamlining of work

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