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(This has news through June 30. No. 5 was mailed June 9.)

RETURN REQUESTED

Rail Freight Problems

TRAVELERS' ADVISORY

100% Mass.-funded Cape Cod trains July 3-Sep. 14: 2 PM Fr Metroliner from DC dp. NY Penn Sta. 5:05 PM, ar. Hyannis 10:58; others dp. NY 9:50 AM Sa; Hyannis 2 PM Sa, 3:55 PM Su. Club car. Normal NEC stops exc. New London, plus Attleboro, Wareham, Buzzards Bay, Sandwich, W. Barnstable. Details 800/USA-RAIL or send NARP a s.a.s.e.

Providence has a handsome new Amtrak station, located next to Rhode Island State Capitol at 100 Gaspee St., several blocks north of old station. New station, necessitated by track relocation project, cost $27 million. Funding came from federal Northeast Corridor Improvement Project, and from state and local sources. Amtrak moved in Jun. 16.

Amtrak added a Sunday night Albany-New York City round-trip Jun. 15, due to overcrowding on existing runs. Train #54: dp. Albany 7:30 PM, ar. NY 9:56 PM. Train #55: dp. NY 11:30 PM, ar. Albany 1:47 AM (Monday).

New Auto Train fares Jun. 23-Sep. 30. *One-way* **(good in either direction): $89 adult, $28.50 child (2-11), $140 auto.** *Round-trip:* **no change for adult ($156) or auto ($239) but child fare drops from $97 to $57. Auto Train carries passengers and their autos daily between Lorton (Fairfax Co.), VA, and Sanford (Seminole Co.), FL.**

All Superliner trains now offer a "Hospitality Hour" with complimentary snacks and specialty drinks (price $1.50), e.g., Margaritas, Harvey Wallbangers, Daiquiries, or Tequila Sunrises. Most Superliners also offer "Game Time" featuring bingo, trivia, etc.

Amtrak agents now sell 2 complete 1-day Flagstaff-based sightseeing tours: Grand Canyon, Monument Valley. Great for 1-day stopovers for "Southwest Chief" passengers or for quick weekend trips from California. Amtrak will also make hotel arrangements in Flagstaff, but note that round-trip travelers from California can arrive Flagstaff in the morning, take tour, and leave the same night on westbound "Chief."

(continued on page 4)

What Lies Ahead for the Privately Owned Tracks Amtrak Uses?

Amtrak and many commuter rail services rely on the freight railroads' privately-owned tracks, so NARP has an intense interest in the health and future prospects of the rail freight industry.

Since the 1980 Staggers Act gave the freight railroads major rate-setting freedoms, stories about the revitalized rail freight industry have been much in vogue. Certainly the industry is much better off today than it would have been without the Staggers Act.

But the railroads still confront serious problems, as illustrated by the continuing and fairly constant decline in rail's share of total domestic freight revenues.

Railroads' share of revenues dropped from 23.9% in 1975 to an estimated 17% last year (see table). This reflects a drop

Year	Rail & Truck Shares of Domestic Intercity Freight*			
	REVENUES		TON-MILES	
	RAIL	TRUCK	RAIL	TRUCK
1929	72.0%	n.a.	74.9%	3.3%
1960	31.1%	61.8%	44.1%	21.7%
1965**	27.4%	65.3%	43.4%	22.0%
1975	23.9%	68.6%	36.7%	22.0%
1980	20.4%	69.5%	37.5%	22.3%
1983	17.7%	72.1%	36.0%	24.6%
1984***	18.2%	71.7%	37.5%	24.2%
1985 (Preliminary)	17.0%	n.a.	37.2%	24.9%

*Definition excludes small packages such as Federal Express carries, but includes the larger freight shipments found on many intercity buses.
**Ton-mile figures are for 1966.
***1984 rail traffic was artificially increased due to heavy coal movements in anticipation of a strike.

in high-value merchandise—bad for the industry, since the drop reflects truckers' increased competitive strength which is still growing; bad for Amtrak, since the freight trains carrying high-value goods are more likely than heavy coal trains to have routes and speeds consistent with passenger needs.

Three broad *and continuing* factors explain the bad news and the uncertain future prospects: changes in overall freight transportation demand, anti-rail bias in public policies, and the collective impact of truck deregulation and the nature of rail labor contracts.

Freight Marketplace Trends. "The basic trends in the U.S. economy are toward greater reliance on service industries," says James W. McClellan, Norfolk Southern's Dir.—Corporate Development, who spoke to the NARP Board in May. "Both railroads and trucks are locked into a low growth future, especially when compared to other areas of the economy. And the marketplace for rail transportation looks especially hostile."

McClellan foresees "smaller shipments moving between a larger number of points, with a great demand for fast, reliable service," whereas railroads "make our money hauling large volumes of traffic from a single origin to a single destination . . ." Also, "because the utility industry has leveled off in terms of growth," he does not see "a huge volume" of new coal traffic.

Anti-rail Public Policies. (Many stem from the fact that U.S. railroads own their own rights-of-way, unlike all of their competitors except pipelines.)

● Government can mobilize huge amounts of capital to **build rights-of-way** more easily than private companies, so truckers, who already enjoy shorter, more modern route alignments than most railroads (see table), can expect continual expansion and improvements in the highway network. Most main rail lines were engineered many decades ago—but are here to stay. A recent consultant report

NEW PUBLIC ROADS VS. OLD PRIVATE RAILS

ROUTE SEGMENT	ROAD	RAIL	% LONGER
	MILEAGES		
Boston-New York	208	(Amtrak—231)	(11%)
Boston (Beacon Park)-Selkirk-New York (Oak Island NJ)		CR—335	61%
Winnemucca, NV-San Francisco	390		
Winnemucca, NV-Oakland		UP—525	35%
		SP—414	6%
Mobile-Tallahassee	244	CSX/SBD—307	26%
Denver-Salt Lake City	504	UP—612	21%
		DRGW—571	13%
Pittsburgh-Harrisburg	208	CR—249	20%
Boston-Albany	169	CR—200	18%
Boston-Mechanicville (near Albany)		B&M—188	11%
Reno-Sacramento	133	SP—153	15%
New Orleans-Jacksonville	565	CSX/SBD—617	9%

noted, for example, that the 30-mile Oakland-Martinez segment of Southern Pacific's (SP) Bay Area-Sacramento mainline includes "about 50 tight curves." New rail routes, however, will remain confined to instances—such as branches to mineral deposits—where dramatic revenue increases are anticipated soon after the line is opened.

● **Weather Costs.** Similarly, both routine snow removal and major post-disaster repairs impose heavy burdens on railroads but virtually none on truckers, since the general taxpayer pays some highway "weather costs," while the balance—paid out of fuel and other user taxes—are averaged on a city-, state-, or nation-wide basis and thus virtually imperceptible. The combined impact of a rising Great Salt Lake and the inability of SP (unlike Amtrak) to reach an agreement to use the alternate Union Pacific (UP) line west of Salt Lake City threatens a general shutdown of SP's Sacramento-SLC operations—and the end of passenger service to downtown Reno. (Rerouting Amtrak over UP, which passes 33 miles northwest of Reno, would cost Amtrak considerable business.)

● **Explicit public subsidies to truckers** (April *NARP News*, available on request) **and water carriers** (to be detailed in a future issue.)

● **Taxes.** Railroads fare poorly in HR 3838, the House-passed tax reform bill, largely because the bill's authors don't take the impact of private right-of-way ownership into account. They simply view investment tax credits and accelerated depreciation as special favors to big business. In fact, these "favors" help lighten the heavy burden of right-of-way ownership, so their removal means more bad news for railroads (and pipelines) than for carriers who use public rights-of-way, regardless of the magnitude of their user payments. (For weaker railroads, even the Senate-passed bill would hurt, due to its stiff minimum tax.)

MORE RAIL = MORE EFFICIENCY

"The railroads are the form of land transport that is best suited to an age in which liquid fossil fuels will be increasingly expensive and progressively more scarce....With remarkable precision, the U.S. ....has favored those modes...that are thermodynamically inefficient and low in capital productivity. As a result, the U.S. transportation system now consumes much more fuel and capital than it needs to, relative to the use value it yields."

—Dr. Barry Commoner, *"The Poverty of Power"* **(1976)**

MORE ON TAXES

We reported the Senate Finance bill—which passed the Senate June 24 without "NARP-related" changes—keeps the $15/month deductibility in employer-paid transit passes, but the bill also continues *full deductibility* **of employer-paid** *parking.* **The bigger parking subsidy is decades old, but the transit provision just began in 1984. HR 3838 likewise leaves these rules unchanged.**

Historically, right-of-way property taxes have hurt the railroads, adding to the other right-of-way burdens cited above. Currently, such taxes probably total under $200 million a year.

Deregulation and Labor-Management Relations.

● **Competition Among Railroads.** Deregulation has reduced cooperation among same-mode carriers. Air deregulation has drastically reduced the number of travelers with interline tickets.

Interline rail freight is also down, but—due to private infrastructure ownership—a railroad must use highway transport to retain "piggyback" revenue in territory the railroad doesn't serve. For the highway segment, the railroad *company* may still get the revenue, but society is deprived of the energy-efficiency of the rail *mode*, there are more highway costs, and there is less for rail workers to do.

● **Meeting the Competition: Low-cost Trucks.** Fred H. Tolan, a transportation consultant, says: "The trucking industry had its labor cost brought in line by deregulation"

(*Traffic World*, Mar. 10). One does not have to *approve* of the lower pay truckers are getting, as Tolan apparently does, to see that "the non-union driver with cheap fuel and a big rig" is a competitive reality which threatens the rail industry and helps explain why, "[with] few exceptions, the railroads have lost almost all traffic within 600 to 800 miles to the trucks."

McClellan told the NARP board that "truckers are out there eating us alive," but he also credits rail labor with "showing an increasing willingness to implement creative, innovative work rules, especially if they result in traffic gains." The May 30 *Wall Street Journal* cited a new United Transportation Union national contract "that eliminates some unneeded crew members, extends crew runs 8% to 108 miles and permits lower pay for new employees." One might also note 2-person crew agreements on such intermodal trains as Burlington Northern's (BN) "Expediters" and UP's new, short (183-mile) Seattle-Portland run, and the Amtrak agreements (*NARP News*, Dec. '82, Mar. '83, Feb. '86).

TRAIN CREW TAKEOVERS—PHASE II

On July 9, Amtrak assumes train and engine personnel running its trains on Richmond, Fredericksburg & Potomac and on Seaboard: Washington-Miami/Tampa; on Southern: Washington-Atlanta; on Baltimore & Ohio: Washington-Pittsburgh; and on Chesapeake & Ohio: Richmond-Newport News. Phase I occurred Apr. 16 (Feb., Mar. *News*).

More productive labor agreements are also in effect on three new railroads—each several hundred miles long—created from lines sold by Illinois Central Gulf and are expected on the 824-mile Winona, MN-Rapid City, SD, line Chicago & North Western is selling.

But Tolan claims that, overall, "the big problems of wage levels, work rules and union jurisdictions remain, essentially, unsolved . . ." McClellan says it more tactfully: "Our ability to compete with the over-the-road trucker (where the labor cost, in the range of $18-20,000 a year per man, is half the rail labor cost) will be directly proportional to the increased flexibility and reduced cost we obtain from our work force.

"If we are ever going to be competitive for a wide range of traffic, we must be able to provide service at a profit for shipment sizes in the range of 10-30 trailers at a time . . . The number of corridors where it is possible to amass 150 to 200 trailers at one time without harming service is limited." In other words, by the time the 150th trailer is ready to move, the 1st trailer has been delayed too long! "Somehow," concludes McClellan, "We have got to downsize our production unit—the train—if we are going to serve the light traffic or fast growing corridors."

BRANCH-SAVING HELPS ENTIRE RAIL INDUSTRY!

"I believe that we must find non-abandonment solutions to the increasing cost problem that accompanies traffic declines on our lighter density lines. Traffic is going to fall on much [light density trackage] because of the growth of intermodal and the decline of a lot of basic productive capacity. But to the extent we simply abandon service and turn the volumes over to truckers, we then create the need for additional trucking capacity out there, which—after all the dust settles—isn't necessarily restricted just to the traffic which used to be on the branch line. Those trucks go out and capture some of our mainline business as well."

—James W. McClellan, Director—Corporate Development, Norfolk Southern, before the New England Shippers Advisory Board, Hartford, CT, Mar. 5, 1986

"Intermodal" traffic—trailers and containers that also run on the highways—increasingly dominates the rails; the boxcar is virtually obsolete. But Harry J. Bruce, Illinois Central Gulf Chairman and Chief Exec. Officer, "said . . . hardly a day goes by that he doesn't hear some railroad executive lamenting that his company's intermodal business is growing like a mushroom but has yet to produce a profit margin. 'My gut feeling is that these railroaders aren't crying crocodile tears; those intermodal margins really are terrible'" (*Traffic World*, June 9). A key factor is intense price competition from truckers, which keeps rail rates low.

If today's big intermodal trains have low profit margins, imagine the tremendous changes required to permit profitable 10-trailer trains!

It's little consolation to rail workers, but Tolan says non-

TROUBLE IN NORTHERN NEW ENGLAND

Sadly, labor-management relations are worst precisely where trucks have the best chance of taking all traffic off the rails. New England has little coal and grain traffic. Growing international trade has increased rail traffic at ports, but northern New England is close to Boston and Portland, and trucks remain king of the short-haul.

Perhaps the Mar. 3 Maine Central (MEC) strike, which spread to Boston & Maine (and Delaware & Hudson), was inevitable. Perhaps *no* MEC/B&M management could have satisfied labor *and* become competitive. But this anecdote suggests that diplomacy was not given a fair chance: "As he brushed past strikers at a freight yard in Portland, ME, recently, David Fink [chairman of the railroad unit of Guilford Transportation Industries Inc., which owns MEC, B&M, and Delaware & Hudson] was greeted by his effigy swinging from a gallows tree. But [he] found the events to his liking—so much so that he ordered an enlarged photo of the scene for his office wall. The mock execution 'showed the frustration of the people out there,' he says. 'Hell, yes, I enjoyed it.'" (*The Wall Street Journal*, May 30)

One thing *is* clear: rail traffic has been permanently lost. *Traffic World* (Apr. 14) said "some Maine intermodal shippers were sending their cargo over the highway to Boston, from which Conrail was able to take it directly at a savings of overall time compared to all-rail routings." Guilford says it has good support from on-line shippers, but admits it permanently lost some "overhead" traffic (i.e., originating *and* terminating on other roads).

On June 20, the presidential emergency board recommended to the White House that Guilford workers accept their company's last offer. Both sides have 30 days to consider the recommendation; the strike could resume in late July.

Meanwhile, the standard-contract Canadian-owned Central Vermont's "long-term financial stability is not assured, making negotiations independent of the national railroad bargaining process necessary" (Grand Trunk Corp. 1985 Annual Report).

union trucks are also threatening union trucks: "The Teamsters' Union . . . is on a fast skid . . . Even the big truck lines that are heavily unionized have put in non-union subsidiaries and piggyback alternatives that do not use Teamsters . . . Union management has not been able to change with the times and keep truck lines who use Teamsters competitive in the marketplace."

The rail industry's survival depends on unions—and management—"changing with the times," yet four factors make pro-rail observers nervous: sharply falling rail employment, limited awareness of how serious the problem is, less-than-helpful attitudes by some in management, and the power rail unions have enjoyed on Capitol Hill (power which, it must be noted, has also helped Amtrak survive).

1. Railroad employment dropped from 566,000 in 1970 to 343,000 in 1984 and is still dropping. The CSX 1985 annual report says CSX rail employment dropped 33% from 71,336 at the end of 1980 to 48,086 on Dec. 31, 1985, and that 6,700 more rail positions will be eliminated within the next 2 years. Moreover, CSX Transport President & Chief Executive Officer John W. Snow on May 22 said CSX will reduce its rail employment to about 20,000. CSX is not alone. McClellan says the shift to intermodal, driven by truck competition, "has greatly reduced the need for gathering [branch] lines and classification yards. And traditional rail jobs such as yard engineers and switchmen have been replaced by truck drivers."

2. Consultant Carl R. Englund Jr., in a Nov. 1985 paper for the Transportation Research Forum, cited "a serious lack of clear-cut communication concerning ongoing industry financial problems between rail management, union management and union members . . . It appears that top union direction is becoming reasonably aware of the financial problems facing the industry. However, when it comes down to union communications with members, whether by trade newspaper, bulletin, letter or otherwise, this knowledge usually is not passed along."

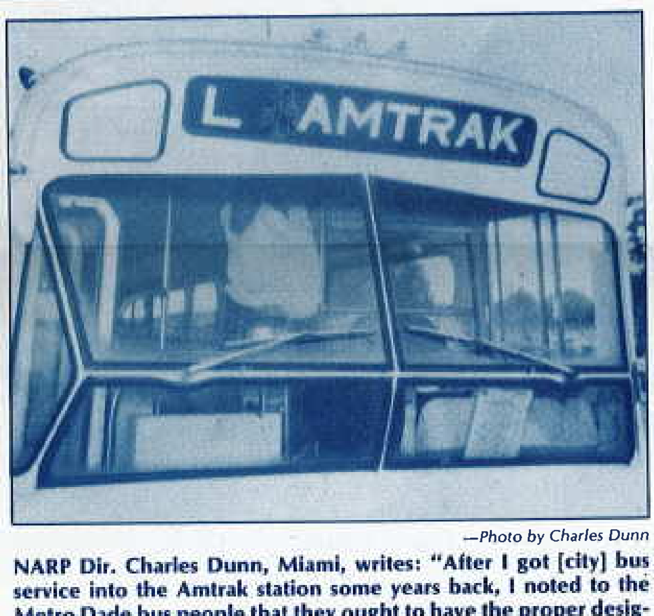
3. Englund also notes "an oversupply in some quarters of a type of management accustomed to bellowing at and demeaning people plus issuing ridiculous orders without proper foundation."

4. The *Journal* article states: "While unions in many other industries have lost power, rail unions remain strong and militant. 'Every one of the work rules has been bought and paid for by strikes and the threat of strikes,' says John Systma, the president of the Brotherhood of Locomotive Engineers. But he says that the pressure for concessions, givebacks and work-rule changes 'is greater today than it's been at any time during my 45-year career.' . . . To spur change, the BN and some other railroads plan to break with tradition and conduct future labor negotiations on their own . . . Railroad executives also are increasingly critical of past settlements under the Railway Labor Act, which has brought a political rather than an economic resolution of rail labor disputes."

Private right-of-way ownership is a factor (again!). Some nearly-bankrupt airlines and truckers can get new operating contracts and survive. Their publicly-owned infrastructure remains in fine shape; their employees' leverage is reduced (and job survival prospects enhanced) because the employees can't shut down multi-use roads and airways. In contrast, the private infrastructure of such railroads as Rock Island Lines slowly and undramatically deteriorated past the point where a new operating contract could save the companies.

PUBLIC TRACK OWNERSHIP...

...grows as states buy branches. Meaningful political support for public mainlines appeared in 1975 (U.S. Railway Association's "Preliminary System Plan" explored having bankrupt NE railroads' track owned by a "Consolidated Facilities Corp."). In Mar., 1975, Gov. Michael Dukakis (D-MA) called the idea of private carriers using public tracks "sound, simple and quite capable of bringing about the balance of equality that is needed in our transportation system." Then Conrail succeeded—and we've heard little about public mainlines since.



—Photo by Charles Dunn

NARP Dir. Charles Dunn, Miami, writes: "After I got [city] bus service into the Amtrak station some years back, I noted to the Metro Dade bus people that they ought to have the proper designation on the bus sign. They just installed new rollers in all buses because of recent route changes, and added this to the roller. Now, all county buses enroute to the Amtrak station—up the entire length of Miami Beach—will carry this sign designation every 10-20 minutes, 5 AM to 1 AM (7 days a week)! The people at the depot are amazed—this is NOT an Amtrak dedicated bus, but a regularly scheduled [Route L] city-county bus—a rolling billboard! Ah, the little victories."

TRAVELERS' ADVISORY *(continued from page 1)*

British Columbia Rail will increase frequency of N. Vancouver-Prince George, BC, train service from 3- to 4-trips per week Jun. 7-Sep. 20. Added train runs north Sa, south Su. Also, Railbus service (bus fitted with railcar wheels) will operate over BCR's 37-mile Westminster-Abbotsford, BC, line during July and early August (approx).

New Jersey Transit plans to start summer weekend train service Jul. 12 between northern NJ suburbs and state beach resorts. New "Bergen Shore Express"—originally proposed by NJARP!—will run over NJT's separate Hoboken and Newark rail divisions (a first). Train will use Bergen, North Jersey, and Essex Lines. One round-trip each Sa, Su: dep. Suffern (NY) 7:50 AM, ar. Bay Head 10:29 AM; dp. Bay Head 5:03 PM, ar. Suffern 7:35 PM. Resorts include Long Branch, Asbury Park, Bradley Beach, Point Pleasant Beach. This service augments successful, 2-year-old NY-Bay Head beach trains.