

STATEMENT OF JOHN A. VOLPE, SECRETARY OF TRANSPORTATION,
BEFORE THE HOUSE INTERSTATE AND FOREIGN COMMERCE COMMITTEE,
REGARDING RAILROAD STRIKE LEGISLATION, TUESDAY, DECEMBER 8,
1970.

Mr. Chairman and Members of the Committee:

I am appearing to urge prompt action by the Congress of legislation proposed by the President to avert a nationwide railroad strike now scheduled to occur at 12:01 a. m. Thursday, December 10. I cannot overstate the impact which a nationwide stoppage of railroad service would have on the national economy, on public health and welfare, on the defense effort, and on the railroad industry itself.

American railroads operate 207,000 miles of line serving more than 50,000 communities. During 1969, the rail system moved over 788 billion ton-miles of freight - approximately 41 percent of the total intercity freight movement. Approximately 12 billion passenger-miles were provided in 1969 - about 7.8 percent of the total passenger movement by common carriers. Rail commuter lines, concentrated in New York, Philadelphia, Boston, Chicago, and San Francisco, serve some 600,000 commuters daily. Transportation services performed by the railroads in 1969 produced \$11.4 billion in gross revenues, moved 28,292,000 freight car loads, and transported 295,880,000 passengers.

Our rate of industrial production is determined by the level of raw material inventories held and the rate at which these inventories can be replenished. A sector-by-sector analysis reveals that virtually all the goods producing industries are heavily dependent on rails for

delivery of key raw materials or components. In fact, most goods sectors, other than petroleum, glass, office machines and textile related industries, are dependent on rail for from 50 to 80 percent of key input deliveries.

Railroads do more for the consumer than move bulk and raw materials. The traffic they carry includes:

- 46 percent of meat and dairy products
- 74 percent of canned and frozen foods
- 71 percent of household appliances
- 76 percent of automobiles and automobile parts
- 78 percent of lumber and wood
- 40 percent of furniture
- 63 percent of chemicals
- 68 percent of primary metal products, and
- 86 percent of pulp and paper

A nationwide railroad strike would have a spreading or cumulative effect greater than the immediate impact on particular industries which rely heavily on rail service. Coal is an example. Three-fourths of all coal moves by rail and is used not only for personal consumption and export, but is used also by producers of energy and other commodities, such as iron, steel, stone and clay products. This cumulative effect supports the prediction that a nationwide railroad strike lasting one week would result in losses to economic output representing 5.8 percent of the Gross National Product. In a strike lasting eight weeks, the loss in economic output could rise to as high as 24 percent of the Gross National Product.

If all production worker manweeks lost because of a strike were reflected in unemployment (excluding those directly involved in the labor-management dispute), the unemployment rate would jump to 8.4 percent by the second week of the interruption (based on April 1970 rate). It would move up to 22.1 percent by the eighth week.

No excess capacity from other modes would be immediately available after a work stoppage, but this excess capacity would gradually come into use as weeks progress. An internal analysis of the expected capable increase in capacity of the other modes estimated that in the case of for-hire motor carriers, the excess could be 33 percent of normal ton miles. Private trucks engaged in intercity hauling would be able to increase their capacity by 10 percent. Air freight could increase 50 percent of normal. There would be no increase for barge lines. In terms of the amount of rail traffic these other modes can absorb, this represents approximately 15-20 percent of total rail volume.

Nearly 40 percent of Defense Department freight moves by rail. It is estimated that almost one-third of that traffic could not be transported any other way. There is an average of 815 carloads originating daily, most important of these include:

- 150 cars of munition
- Specialized rail car shipments of Titan III, Minuteman, Pollaris Missiles
- Nuclear movements in shielded containers and depressed flat cars
- Military-owned flat cars ("force of readiness" and "strike command")
- 25 cars of sulphuric acid
- 20 M-48 tanks.

The impact on the railroad industry itself would be equally severe.

The total weekly revenue loss would amount to about \$249 million.

About 4 1/2 million commuter passengers and almost 2 million inter-city passengers would be affected each week. The movement of almost 5500 carloads of mail per week would stop. 580,000 railroad employees would lose wages amounting to about \$128 million per week.

Finally, the Committee should be aware of certain very immediate areas of concern:

First, I do not believe the Central Railroad of New Jersey could survive a strike of even five or six days duration. Daily revenue loss would be \$175,000. It is anticipated that the Central will not be able to meet its payroll on December 31, even without this threatened strike.

Second, a strike against the Penn Central could well be a fatal blow. The daily revenue loss would be \$40 million, seriously affecting an already critical cash position.

Third, while the coal reserve situation has been improving in recent weeks, an abrupt halt in rail deliveries to certain utility plants could create a shortage situation all winter.

Fourth, Christmas package mail would be affected severely. About 50 percent of parcel post moves by rail. In a strike it just would not move.

The President's proposal for a 45-day extension of the bargaining period is clearly called for, if we are to avert severe social and economic losses. During this period of extended negotiation, the parties may be able to come to agreement.

This completes my prepared statement, Mr. Chairman. I shall be happy to answer any questions the Committee may have.